Paper name: Industrial Economics and Management

Paper Code: MBAUGHU01

Liberalization, Privatization Globalization

In the late 1980s, government expenditure began to exceed its revenue by such large margins that meeting the expenditure through borrowings became unsustainable. Prices of many essential goods rose sharply. Imports grew at a very high rate without matching the growth of exports. As pointed out earlier, foreign exchange reserves declined to a level that was not adequate to finance imports for more than two weeks. There was also not sufficient foreign exchange to pay the interest that needed to be paid to international lenders. Also, no country or international funder was willing to lend to India.

India approached the International Bank for Reconstruction and Development (IBRD), popularly known as World Bank and the International Monetary Fund (IMF), and received $7 billion as loan to manage the crisis. For availing the loan, these international agencies expected India to liberalise and open up the economy by removing restrictions on the private sector, reduce the role of the government in many areas and remove trade restrictions between India and other countries.

So, the government initiated a variety of policies that fall under three heads viz., liberalisation, privatisation and globalisation.

Liberalization

The basic aim of liberalization was to put an end to those restrictions which became hindrances in the development and growth of the nation. The loosening of government control in a country and when private sector companies' start working without or with fewer restrictions and government allow private players to expand for the growth of the country depicts liberalization in a country.

Objectives of Liberalization Policy

- To increase competition amongst domestic industries.
- To encourage foreign trade with other countries with regulated imports and exports.
- Enhancement of foreign capital and technology.
- To expand global market frontiers of the country.
- To diminish the debt burden of the country.

Privatization

This is the second of the three policies of LPG. It is the increment of the dominating role of private sector companies and the reduced role of public sector companies. In other words, it is the reduction of ownership of the management of a government-owned enterprise. Government companies can be converted into private companies in two ways:

- By disinvestment
- By withdrawal of governmental ownership and management of public sector companies.

Objectives of Privatization

- Improve the financial situation of the government.
- Reduce the workload of public sector companies.
- Raise funds from disinvestment.
- Increase the efficiency of government organizations.
- Provide better and improved goods and services to the consumer.
- Create healthy competition in the society.
- Encouraging foreign direct investments (FDI) in India.

Globalization

It means to integrate the economy of one country with the global economy. During Globalization the main focus is on foreign trade & private and institutional foreign investment. It is the last policy of LPG to be implemented.

Globalization as a term has a very complex phenomenon. The main aim is to transform the world towards independence and integration of the world as a whole by setting various strategic policies. Globalization is attempting to create a borderless world, wherein the need of one country can be driven from across the globe and turning into one large economy.

Objectives:

- Economic growth: Globalization aims to increase economic growth by increasing trade and investment between countries.
- Competition: Globalization aims to promote competition, which can help corporations gain a competitive edge.
- Access to resources: Globalization aims to improve access to resources.
- Cultural exchange: Globalization aims to facilitate cultural exchange.
- International trade: Globalization aims to expand world trade by reducing or eliminating trade barriers. This can give consumers a wider variety of goods at lower prices.
- Financial globalization: Globalization of finance can enhance economic growth by increasing capital mobility and the volume of international financial flows.
- Interdependency: Globalization of markets involves the growing interdependency among the economies of the world.

Organizational Communication

Organizational communication is an important element of any successful business. A company's organizational communication encompasses many different styles of communication between many different groups of people.

We define **organizational communication'** *as the sending and receiving of messages among interrelated individuals within a particular environment or setting to achieve individual and common goals.*

Organizational communication is highly contextual and culturally dependent. Individuals in organizations transmit messages through face-to face, written, and mediated channels.

Organizational communication helps us to

1) accomplish tasks relating to specific roles and responsibilities of sales, services, and production;
2) acclimate to changes through individual and organizational creativity and adaptation;
3) complete tasks through the maintenance of policy, procedures, or regulations that support daily and continuous operations;
4) develop relationships where "human messages are directed at people within the organization- their attitudes, morale, satisfaction, and fulfillment".

Various kinds of Organizational Communication

Organizational communication can be divided into several types according to the direction of communication messages, formality levels like channels used and information exchanged. Here are some common types of organizational communication:

1. **Formal Communication:** Formal Communication also known as official communication is the communication in which information reaches through formal routes. The primary objective of this communication is to communicate correctly and ensure that the information is conveyed correctly. This form of communication is considered an efficient mode as it's time-saving and has organised its flow.
2. **Informal Communication:** Communication that doesn't use formal means to communicate is referred to as informal communication. Individuals, and/or subordinates do not adhere to the strict policies of the company. People talk to each other without any restrictions. Informal communication at the organizational level is considered to be spontaneous, where subordinates and their superiors can freely talk in the absence of official rules, systems or instructions to communicate. One of the most common forms of informal communication is talking to your friends or family.
3. **Lateral or Horizontal Communication:** Communication that takes place between individuals or groups on the same rung of the hierarchy. It makes it easier to coordinate, find solutions and share information between colleagues working in different departments or teams.
4. **External Communication:** Customer Communication: Customers must interact through various channels, including customer support, marketing materials and product informing of items or services.
5. **Supplier Communication:** Contacting suppliers about orders, deliveries and other business topics.

6. Public Relations: Interfacing with the public, media and other external stakeholders to control how the organization is perceived by them.

7. Official Documents and Reports: Forms of formal written communication include the following documents policies procedures reports manuals. These documents are a structured and standardized means of communicating information within the organization.

8. Face-to-Face Communication: Coordinated efforts meetings, conferences, and personally arranged individual contacts where information is specifically discussed via spoken words or nonverbal signs, important discussions, decision-making, and relationship building often occur in face-to-face communication.

9. Electronic Communication:

- **Emails:** Formal electronic communication where information is shared, matters discussed and tasks coordinated.
- **Instant Messaging:** Informal communication through real-time text messages (used for quick exchanges and team collaboration).
- **Video Conferencing:** Virtual face-to-face communication where individuals can communicate in real-time without barriers of distance.

10. Feedback and Performance Reviews: Formalized means of providing feedback on employee performance such as scheduled reviews, appraisals and constructive criticism.

Importance of Economics in Business World

Economics is the study of what drives human behaviour, which lead to decisions made in times of affliction or success. Using scientific methods, economics helps in the allocation of scarce resources to ensure efficiency in today's world. It is of special importance to business students because businesses rely on economics for product research and development, marketing, purchase and resource allocation, and many other strategic decision-making strategies. Understanding all these is vital for any business to operate efficiently, drive out competitors and succeed. In short, studying economics develops in you various competencies and transferable skills, such as critical and analytical thinking, problem solving, research, numeracy and communication.

Here are five reasons why studying economics is important.

1. Informs decisions
Economists provide information and forecasting to inform decisions within companies and governments. This knowledge of economics – or economic intelligence – is based on data and modelling.

2. Influences everything
Economic issues influence our daily lives. This includes issues such as tax and inflation, interest rates and wealth, inequality and emerging markets, and energy and the environment. A broad subject, economics provides answers to a range of health, social and political issues that impact households and wider communities.

3. Impacts industries
Firms of all sizes and industries have to rely on economics, whether that's for product research and development, pricing strategies or how to advertise. This wide influence means studying economics can open up a variety of career options across all sectors of the economy, from agriculture to manufacturing, to banking and consultancy.

4. Inspires business success
Understanding how consumers behave is vital for a business to succeed. Economists use theories and models to predict behaviour and inform business strategies. For example, how to analyse 'big data'.

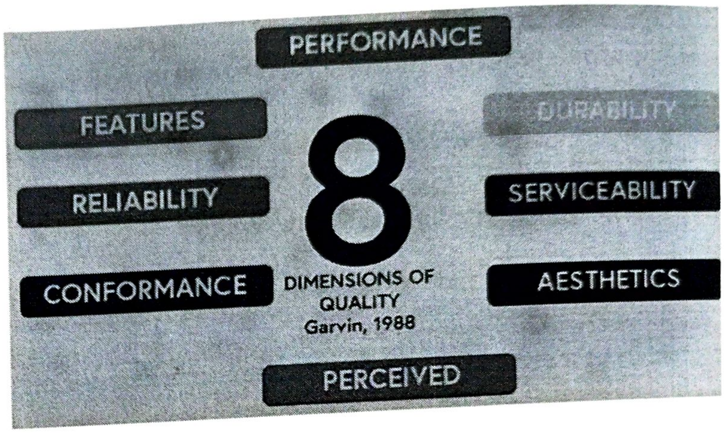
5. International perspective
Economics affects the world we live in. Understanding domestic and international perspectives – historic and current – can provide a useful insight into how different cultures and societies interact. For international corporations, understanding the world economy is key to driving success.

Quality Management

Quality Management is a strategic concept aimed at achieving continuous improvement across all elements and functions of an organization. This concept focuses on achieving customer satisfaction by improving quality across all aspects of operations, from design and development to production, services, and support. Employees are a crucial part of this process, being encouraged to participate in improving quality and developing processes.

There are several key objectives of quality management that companies should aim to achieve. First and foremost, it is about achieving customer satisfaction by delivering products and services that exceed expectations. Secondly, quality management aims to improve the processes and procedures within the company to minimize errors and increase efficiency. Lastly, quality management strives for sustainability and continuous improvement, with a focus on fostering a general culture of quality throughout the organization.

Garvin's 8 Dimensions of Quality



They are the things that make it stand out from its competitors and give it value. These are the things that differentiate your business from others in the marketplace.

Let's understand each of these dimensions:

1. Performance:

A performance characteristic describes a product's essential function.

For a car, performance would include characteristics like millage per gallon, acceleration, handling, cruising speed etc.

For a smartphone, performance would include characteristics like clear phone reception, data speed etc.

2. Features:

Features are a secondary aspect of performance. They're "the bells and whistles" of products and services.

They're the ones who add extra functionality to their essential functions.

For a car, features would include the built-in GPS, seat warmer, smartphone integration etc.

For a smartphone, features could include a high-resolution camera, retina or fingerprint sensor.

Sometimes it might be challenging to say which a performance dimension is and which a feature dimension is.

3. Reliability

Reliability is the ability of a product or service to perform as expected over time.

For example, if you buy a new car, you do not expect the vehicle to break down frequently. The most commonly used reliability measurements are the Mean Time to Failure (MTTF) and Mean Time Between Failures (MTBF).

4. Conformance

Conformance is the degree to which a product conforms to its specification.

For example, when we talk about conformance in software development, we mean that the code complies with the requirements defined by the customer.

Quality Guru Philip Crosby defines quality as conformance to requirements.

5. Durability

Durability is the measurement of product life. This defines the amount of use the customer could get from the product before it deteriorates.

For example, how long will your car last?

Reliability is the probability of failure over a specified period. Durability is measured by the number of cycles or the time a component will function properly as a part of the product life.

6. Serviceability

Serviceability is the ease at which a user can repair a faulty product or get it fixed.

It could be measured in terms of how much time and effort it takes to get a faulty product repaired and returned to regular use.

7. Aesthetics

Aesthetics refers to the appearance of a product or service. It includes all aspects related to the physical appearance of a product, for example, the weight, colour, size, texture, packaging design etc.

8. Perceived Quality

Perceived quality is the overall opinion of the customers towards the product. It's the combined effects of factors such as brand name, price, salesperson, marketing strategy etc.

Example: When was the last time you had a positive experience with a bank?

Industrial relations

Industrial relations (IR) is the study of the relationships between employers and employees, and the systems and procedures that govern those relationships. It also includes the interactions between employers, employees, and other institutions, such as governments and associations.

IR systems vary from country to country, and are based on the national historical, economic, and political context. Social dialogue is a key part of IR, and is used for communication, information sharing, conflict prevention and resolution, and helping to overcome work-related challenges.

Objectives of Industrial Relations

Industrial relations hold a high significance in the context of human resource management about addressing the industrial disputes in an organization. The various other goals of carrying out such practices are as follows:

- **Handling Grievance:** Industrial relations aim to maintain a cordial relationship between the management and the employees by setting up a mechanism to address the grievances of both parties.
- **Mental Revolution:** It emphasizes on transforming the way of thinking of both the management and the workers. The employer must value the worker's contribution towards the organization and the employees must respect the authority of the management.
- **Employees' Rights Protection:** Under industrial relations, various acts and associations were formed to safeguard the rights and interests of the employees.

- **Contract Interpretation:** Industrial relations emphasizes on providing proper training to the supervisors and the managers on the labour law contracts to clarify any misunderstanding.
- **Boosting Morale:** Industrial relations emphasize on building employee's confidence and boosting their morale to perform better than before.
- **Collective Bargaining:** The worker's representative and the management put up their proposals in front of each other and negotiate over the same to reach a mutual decision written in a collective bargaining agreement.
- **Increasing Productivity**: Industrial relations aims at improving the efficiency and productivity of the organization by ensuring employees' long-term retention.

SWOT analysis with the help of an example

SWOT analysis is a framework for identifying and analyzing an organization's strengths, weaknesses, opportunities and threats. These words make up the SWOT acronym.
The primary goal of SWOT analysis is to increase awareness of the factors that go into making a business decision or establishing a business strategy. To do this, SWOT analyzes the internal and external environment and the factors that can impact the viability of a decision.
Businesses commonly use SWOT analysis, but it is also used by nonprofit organizations and, to a lesser degree, individuals for personal assessment. SWOT is also used to assess initiatives, products or projects. As an example, CIOs could use SWOT to help create a strategic business planning template or perform a competitive analysis.
The SWOT framework is credited to Albert Humphrey, who tested the approach in the 1960s and 1970s at the Stanford Research Institute. SWOT analysis was originally developed for business and based on data from Fortune 500 companies. It has been adopted by organizations of all types as a brainstorming aid to making business decisions.

SWOT Analysis Example

One of the most popular ways to create a SWOT analysis is through a SWOT matrix—a visual representation of strengths, weaknesses, opportunities, and threats. The matrix comprises four separate squares that create one larger square.
A SWOT matrix is great for collecting information and documenting the questions and decision-making process. Not only will it be handy to reference later on, but it's also great for visualizing any patterns that arise.
Check out the SWOT matrix below for a simple example. Each of the quadrants lists out the company's strengths, weaknesses, opportunities, and threats.

SWOT analysis example

Strengths

- What do we do well?
- What's unique about our organization?

Customer service:
Our customer service is world-class compared to our competitors seeing as we have an NPS score of 90.

Weaknesses

- What could be improved?
- What resources could improve our performance?

E-commerce visibility:
Our website visibility is low due to our lack of marketing budget, with transactions continuing to decrease.

Opportunities

- Are there market gaps in our services?
- What are our goals this year?

Marketing campaign:
In order to improve e-commerce visibility, we'll run ads on Youtube, Facebook, and Instagram.

Threats

- Are there industry changes?
- What new market trends are on the horizon?

New competitor:
With a new e-commerce competitor set to launch within the next month, we could see a decline in customers.

Law of Demand

The law of demand is one of the most fundamental concepts in economics. Alongside the law of supply, it explains how market economies allocate resources and determine the prices of goods and services.The law of demand states that the quantity purchased varies inversely with price. In other words, the higher the price, the lower the quantity demanded. This occurs because of diminishing marginal utility. That is, consumers use the first units of an economic good they purchase to serve their most urgent needs first, then they use each additional unit of the good to serve successively lower-valued ends.

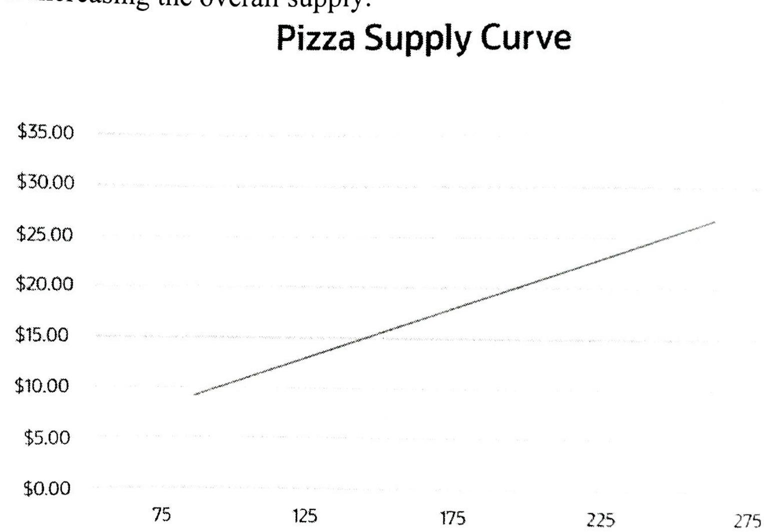
Economics involves the study of how people use limited means to satisfy unlimited wants. The law of demand focuses on those unlimited wants. Naturally, people prioritize more urgent wants and needs over less urgent ones in their economic behavior, and this carries over into how people choose among the limited means available to them.

For any economic good, the first unit of that good that a consumer gets their hands on will tend to be used to satisfy the most urgent need the consumer has that that good can satisfy.

Law of Supply

The law of supply is a basic economic concept. It states that an increase in the price of goods or services results in an increase in their supply. Supply is defined as the quantity of goods or services that suppliers are willing and able to provide to customers. The law works like this: Rising prices mean that products become more profitable, assuming other factors such as production costs remain constant. The prospect of higher profits therefore motivates businesses to supply more of these products. Existing suppliers may increase the supply of more profitable products at the expense of less profitable ones. In addition, new suppliers may enter the market, further increasing the overall supply.

As prices and output continue to increase, the supplier eventually reaches the maximum quantity that it can provide with its existing equipment — it can't make any more pizzas because its ovens are already full at all times. The pizzeria may then decide to invest in an additional pizza oven to increase its supply. Meanwhile, other entrepreneurs establish new pizzerias because the higher prices justify the startup costs. This further increases the market supply.



Factors that affect supply

The seven main **factors** of supply are:

- **Price of the product**: The main factor that influences supply
- **Price of related goods**: The price of other goods that sellers could produce
- **Cost of production**: The price of inputs used to produce a good
- **Technology**: The level of technology used in production
- **Number of sellers**: The number of sellers in a market
- **Government policies**: The amount of government regulation, subsidies, or taxes in a market
- **Expectations**: The expectations among producers of future prices

These factors affect the willingness and ability of producers to supply goods and services at various price levels, causing shifts in the supply curve.

Exceptions to law of supply

The law of supply states that sellers are willing to sell more goods at a higher price. However, there are some exceptions to this law, including:

- **Perishable goods**: Sellers may sell perishable goods at a low price because they can't wait for prices to increase. In fact, the supply of perishable goods may increase even if the price decreases.
- **Rare or limited goods**: The supply of rare or limited goods cannot be increased even if the price increases. For example, handmade art is difficult to reproduce.
- **Competition**: Sellers may sell goods in large quantities at low prices when there is high competition.
- **Out of fashion goods**: Sellers may sell out of fashion goods at low prices.
- **Agricultural products**: The supply of agricultural products is governed by natural factors, not the law of supply.
- **Expectation of future price rise**: Sellers may create artificial scarcity to expect a future price increase.
- **Supply of labor**: After a certain point, more wage does not increase labor supply.

Break-even Analysis

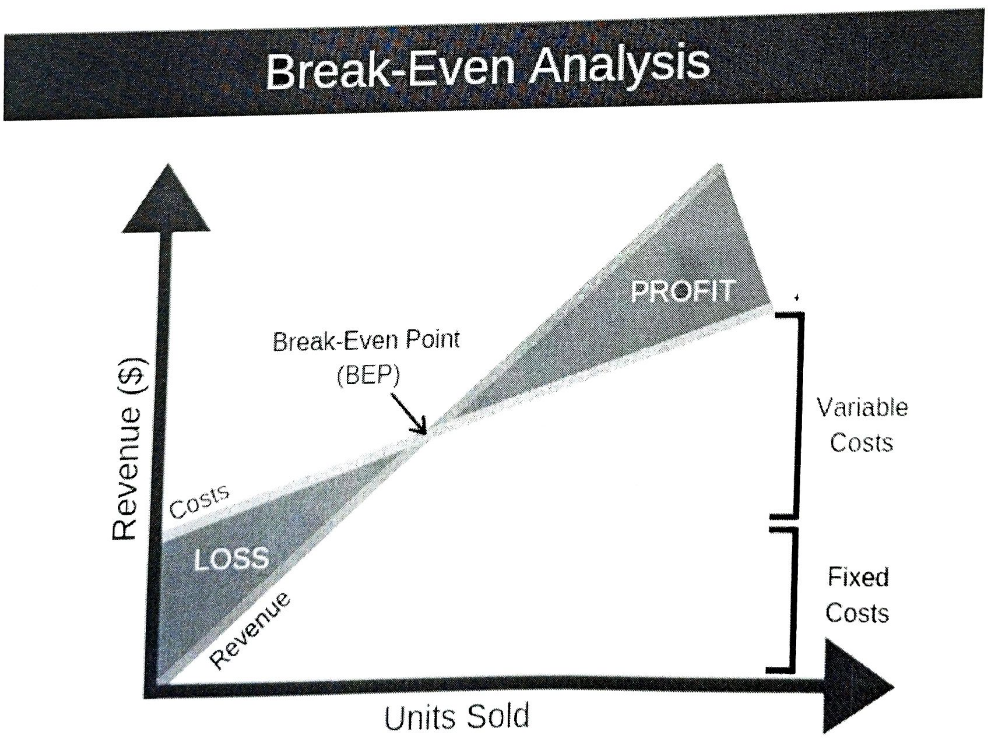
A break-even analysis is a financial method for evaluating when a business, a new service, or a product will become profitable.

To put it another way, it's a financial formula that determines how many things or services a business should sell or offer to pay its costs (particularly fixed costs).

Break-even analysis is the process of calculating and evaluating an entity's margin of safety based on collected revenues and corresponding costs. To put it another way, the research demonstrates how many sales are required to cover the cost of doing business.

The break-even analysis establishes what level of sales is required to cover the company's total fixed expenses by analyzing various pricing levels in relation to various levels of demand.

A demand-side study would provide a seller with a lot of information about their selling ability. From stock and options trading to corporate planning for various initiatives, break-even analysis is widely utilized.



Advantages

- It provides a measurement of profit and losses at different levels of production and sales.
- It predicts the effect of changes in sales prices.
- It analyzes the relationship between fixed and variable costs.
- It predicts the effect of **cost** and efficiency changes on profitability.

Disadvantages

- It assumes that sales prices are constant at all levels of output.
- It assumes production and sales are the same.
- It may be time-consuming.
- It can only apply to a single product or a single mix of products.

Micro Economics

Microeconomics is the study of how individuals, households, and businesses make decisions and allocate resources in an economy. It's one of the two main pillars of economics, along with macroeconomics, which studies the economy as a whole.

Microeconomics is concerned with the small-scale, or micro, level of decision-making. It can help explain how people make purchases, how they try to maximize their utility, and how they respond to restrictions. It can also help explain how businesses decide what to produce, how much to produce, and what inputs to use.

Microeconomics can be applied to many areas, including: trade, industrial organization and market structure, labor economics, public finance, and welfare economics.

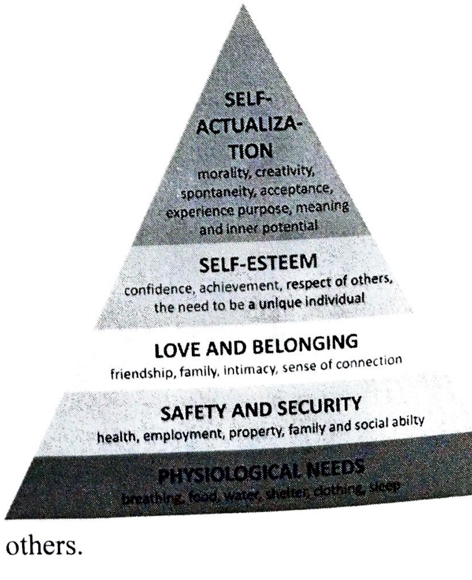
Macro Economics

Macroeconomics is a branch of economics that studies the behavior of an overall economy, which encompasses markets, businesses, consumers, and governments. Macroeconomics examines economy-wide phenomena such as inflation, price levels, rate of economic growth, national income, gross domestic product (GDP), and changes in unemployment.

As the term implies, macroeconomics is a field of study that analyzes an economy through a wide lens. This includes looking at variables like unemployment, GDP, and inflation. In addition, macroeconomists develop models explaining the relationships between these factors.

These models, and the forecasts they produce, are used by government entities to aid in constructing and evaluating economic, monetary, and fiscal policy. Businesses use the models to set strategies in domestic and global markets, and investors use them to predict and plan for movements in various asset classes.

Maslow's need hierarchy theory



Abraham Maslow's hierarchy of needs is a psychological theory that explains how humans are motivated to fulfill their needs in a hierarchical order. The theory is presented in the shape of a pyramid, with the most basic needs at the bottom and the most advanced needs at the top:

Physiological needs: The most basic needs, such as food, water, shelter, warmth, and health

Safety needs: The need for security and well-being, such as personal security, financial security, and protection from harm

Love and belonging needs: The need for friendship, intimacy, family, and love

Esteem needs: The need for self-esteem and respect, including self-respect, self-confidence, and independence

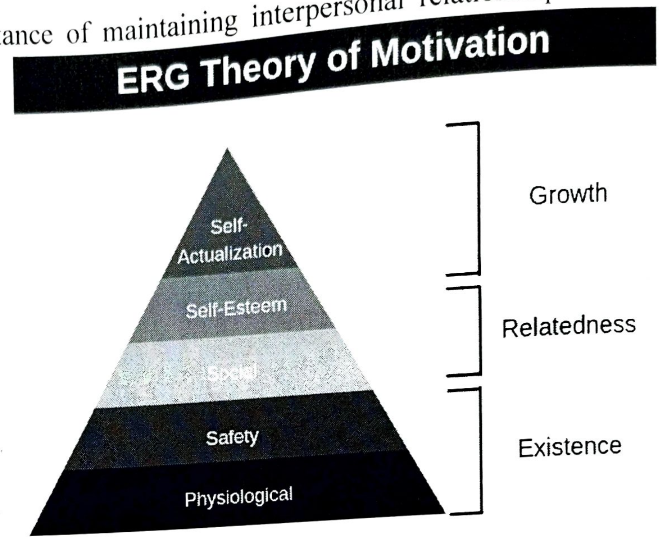
Self-actualization needs: The need to reach one's full potential, including education, skill development, and caring for others.

Alderfer's ERG theory

Clayton Paul Alderfer is an American psychologist who developed Maslow's hierarchy of needs into a theory of his own. **Alderfer's ERG theory** suggests that there are three groups of core needs: **existence (E)**, **relatedness (R)**, and **growth (G)**—hence the acronym *ERG*. These groups align with Maslow's levels of physiological needs, social needs, and self-actualization needs, respectively.

Existence needs concern our basic material requirements for living. These include what Maslow categorized as physiological needs (such as air, food, water, and shelter) and safety-related needs (such as health, secure employment, and property).

Relatedness needs have to do with the importance of maintaining interpersonal relationships. These needs are based in social interactions with others and align with Maslow's levels of love/belonging-related needs (such as friendship, family, and sexual intimacy) and esteem-related needs (gaining the respect of others).



Finally, **growth** needs describe our intrinsic desire for personal development. These needs align with the other portion of Maslow's esteem-related needs (self-esteem, self-confidence, and achievement) and self-actualization needs (such as morality, creativity, problem-solving, and discovery).

Alderfer proposed that when a certain category of needs isn't being met, people will redouble their efforts to fulfill needs in a lower category.

For example, if someone's self-esteem is suffering, he or she will invest more effort in the relatedness category of needs.

Change in demand

A change in demand is a shift in the desire of consumers to purchase a product or service, regardless of price changes. This shift can be caused by a number of factors, including: Income levels, Consumer tastes, Prices of related products, Expectations, and Population.

Changes in demand can be represented graphically on a demand curve, which shows the relationship between price and quantity demanded. A change in demand causes the entire demand curve to shift left or right, while a change in quantity demanded is a movement along the demand curve.

Here are some examples of changes in demand:

Celebrity endorsement: A celebrity using a product in public can lead to fans purchasing it in mass.

Weather events: The sale of water bottles increases before a major weather event.

Marketing campaigns: A viral marketing campaign for a new product can lead to a decrease in demand for a competing product.

Change in quantity demanded

A change in quantity demanded is a change in the total amount of a good or service that buyers are willing and able to purchase within a specific time period. This change is caused by a change in price, while other factors are held constant.

Here are some key points about changes in quantity demanded:

Movement along the demand curve

A change in quantity demanded is represented graphically as a movement along the demand curve.

Price elasticity of demand

A change in quantity demanded is a factor in the equation for price elasticity of demand, which measures how consumption changes in relation to price.

Examples: A sale of shoes that results in increased purchases of shoes is an example of a change in *quantity* demanded.

Formal communication

Formal communication is the exchange of official information or messages between individuals or groups by following pre-defined rules, protocols and standards of communication in an organization. Formal Communication involves official communication channels like memos, emails, business letters, reports, presentations, and meetings.

In addition, it needs strict adherence to a code of conduct that includes specific formats, language conventions, and professional etiquette.

It helps establish a clear hierarchy and team accountability and ensures smooth information flow. On the other hand, informal communication does not follow the defined set of rules and freely flows within the organization.

Importance

Formal Communication is critical to business communication as it provides the framework for efficient information exchange, collaboration and organizational productivity.

It holds significance due to the following 8 important reasons:

Clarity and Accuracy: It reduces the chances of misinterpretation and misunderstanding by ensuring clarity and accuracy in the flow of information and adhering to standardized rules.

Professionalism: It holds the organization's professional image during client interactions and conveys the credibility and seriousness of the shared information.

Hierarchy and Structure: It reduces confusion by defining proper channels for information flow and increasing trust and accountability among involved stakeholders.

Decision-making: It provides accurate data and information to the organization's decision-makers, allowing them to make informed decisions.

Legal Documents: It allows the maintenance of a legal record of the communication, promoting transparency within the organization. They also satisfy legal and compliance needs.

Organizational Culture: It acts as a tool to convey the corporate mission, values and goals across all the employees. In addition, setting a culture of professionalism, mutual respect and trust.

Crisis Management: During emergencies, it helps with the quick dissemination of information across the organization and ensures effective decision-making for the well-being of employees.

Informal communication

Informal communication is an exchange of information, either oral or written, that doesn't fall within the traditional structures, methods, or hierarchies of the business. Examples include casual chats and water cooler catch-ups, as well as office gossip and discussing work in a more relaxed context. Colleagues can bond informally regardless of where they are on the chain of command, during or after working hours. As a complement to formal communication, informal communication supports a healthy company culture by letting employees be themselves and build relationships with each other.