



THE APPLICATION OF PESTLE THEORY TO THE ROLE OF CHAIRMAN (CHIEF EXECUTIVE OFFICER) IN A NEW BUSINESS IN GURGOAN, INDIA

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ABSTRACT: *The idea of entrepreneurship has help to develop skills, knowledge and confidence in people to implement business in life. In this research work, the chairman roles were clearly explained in relation to a theoretical framework. PESTLE analysis was used as a framework that underpins the performance of the chairman in the business. The chairman study situations in India, the society where the business has been sited. Such as the employment law, that states employees are not allowed to work for more than 48 hours in a week and 9 hours in a day. The minimum wage is 115 India rupees per day with effect from 2011. The mode of tax payment to the authority was also essential for the business. The economic indicators in India, such as the GDP growth rate was 6.1%, interest rate was 8% bench mark and inflation rate was 9.5%. All these factors help firms to plan a successful business start-up. The chairman also plays some very essential roles within the company; this has been shown in the findings. The researcher recommends that: Government should provide an enable environment for entrepreneurship business sustainability. Government should ensure that infrastructures are provided for the business environment. Availability of firms in a society increase employment level and this would also boost GDP growth rate of the nation. Regular workshops and seminars should be organising for the employees to improve services. This is essential to the chairman role; it is good for the health of the business.*

KEYWORDS: Investment, Environment, Partnership Business, Entrepreneurship, Gurgaon, GDP, Pestle Theory India

INTRODUCTION

Business start-up is an organisation formed to search for a repeatable and scalable business model. That is how a company creates, delivers and captures value. In short how company makes money, (Blank and Dorf 2012 &William 2003). Business model shows all the flows between the different parts of the company. It shows how the product gets distributed to the customers and how money flows back into the company. And it shows the company's cost structures, how each department interacts with the others and where one company fits with the others companies or partners to implement one's business.



Business model is necessary in a start-up because it helps the business with series of hypothesis. Such as who are the customers/users? What is the distribution channel, how do we price and position the product? How do we create the end users demand? Who are our partners? Where/how do we built the product? How do we finance the company? Etc.

This business start-up is a form of partnership that comprises 6 partners, and the business name is **Easy Shop**. In the hierarchy sense, the chairman holds the highest position in a private limited company (partnership) and he is more involved on policies matters, with the stakeholders and company directors. The organisation chart of this partnership business includes the Chairman and other directors, such as director of sales and marketing, financial director, operation director, development director and company secretary.

The location of this business is India, specifically Gurgoan a commercial centre in India and has facilitating features of business site. e.g. labour availability, power supply, population rate of 15, 14,085 lakhs and 85% of literacy rate, (India Guide 2011). The new innovation for this business is the use of catalogue shopping in a place where it has not been used before. We provide a variety of products in different categories of furniture, clothes, beauty products, food and electronics, while making shopping convenient and quick for our customers. This research tends to explain the roles of a chairman in this partnership business. PESTLE analysis was used as a theoretical framework to underpin the role of chairman in the business organisation.

The Chairman is expected to have knowledge of Indian government policy. For example, the employment law of India shows in the Factory Act of 1948 states that no employee works for more than 48 hours in a week and more than 9 hours in a day. Office employees work 5 days and between 37 and 38 hours in a week. The national minimum wage is 115 India rupees per day effective April 2011, (India Pakistan Trade Unit 2011). In India, the government lower tariffs to 10%, direct tax rate reduce, restriction on investment of large companies were ease, pervasive government licensing of industrial activities was eliminated, (OECD 2007). These are all effort by the government to encourage foreign supplies into the market.

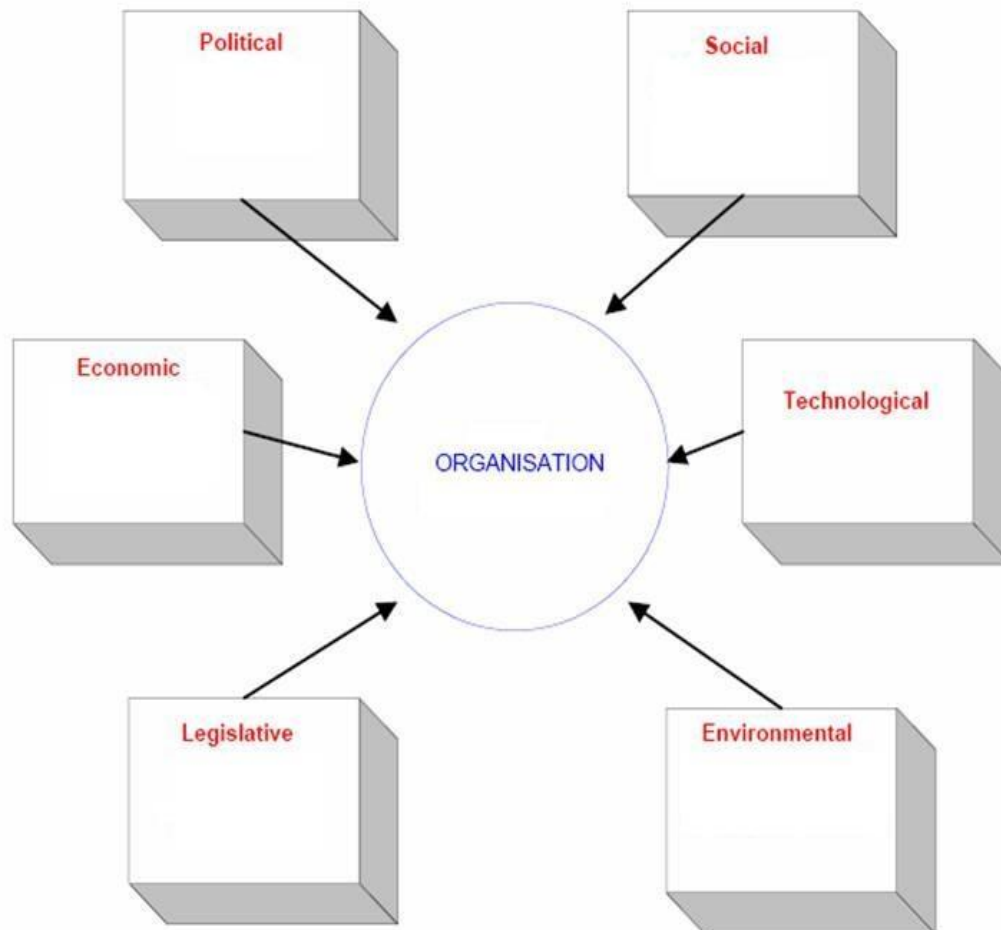
Furthermore, the economic indicators in India such as GDP Rate is presently 6.1%, interest rate 8% bench mark, inflation rate is 9.5% and is expected to reduce within next couple of months, (Trading Economics 2012 and Union Budget 2012). The chairman ensure that the business abide by all guidelines and parameters for environmental protection because this will ensure the business sustainable progress and growth.

Other responsibilities of the chairman include setting of agenda for board discussion, ensure proper management standard are follow, he represents the interest of all shareholders as well as of the business outside the world and its spokesperson. The chairman is also legally responsible for everything that happens within the company.

Finally, a conclusion and some useful recommendations will be provided for effective business growth.

THEORETICAL FRAMEWORKS

Pestle Analysis



Source: Marketingminefield.co.uk

PESTLE helps a company to determine exactly how various types and categories of factors influence its market. The same factor will influence different companies in different ways. For example, an online business will be less concerned about environmental factors. While a waste management company will have to pay extra attention to environment factors.

To further understand what PESTLE is and how it can be used, it is very pertinent to know a thing or more about each individual category of factor. The below description would be a better understanding of each factor and of just how powerful and effective a pestle analysis can be for a business, (marketing plan 2012 and Griffiths and wall 2011, P480). The pestle will be explaining one at a time below as follows:



Political Factors – this represents the way and the extent to which a government influences the economy and a certain business. Political factors are represented by specific areas, such as labour law, tax policy, tariffs restriction, and even environmental law.

Economic Factors – this refers to as areas unique to economy and directly influenced by economy or comprised by economy areas such as, inflation rate, interest rate, economic growth or exchange rates. All these areas can greatly influence a business or company.

Social Factors – mainly refer to as social demographic factors which comprise factors like population growth rate, cultural aspects, age distribution and health consciousness.

Technological Factors – refer to as automation incentives, the rate of technological change and R&D activity. These factors greatly influence other areas or aspects, including the minimum efficient production level quality, cost and even outsourcing decisions.

Legal Factors- refer to all the laws directly connected to business or company and its areas of activity including, consumer law, antitrust law, discrimination law and health and safety law.

Environmental Factors – refer to all the factors related, influence or determine by the surrounding environment. These include, but are not limited to weather, climate geographical position, climate change and even insurance. Environmental factors are crucial to industries such as, farming or tourism and can greatly influence company's way to operate or even the product it offers.

These provide proper guides for an organisation to operate effectively in the economy on its management practices.

ROLE OF CHAIRMAN IN THE BUSINESS START-UP

The Chairman of any business organisation is expected to perform the following roles in order to keep the business alive and underpin the guiding principle of the business which is profits maximization, these include:

Adherence to employment law and other government policies – there are many acts of parliament that include regulations in the area of employment law. One of the most important responsibility the chairman have is to give every employee a written statement showing the main terms and conditions of their employment. He must do this within eight weeks of their start date. Employment law also covers a variety of issues including redundancy, unfair dismissal, discrimination, the minimum wage and notice of termination (Business Link 2010A, p8).

The employment law of India as given by (India Pakistan Trade Union 2011) shows that in the Factory Act of 1948, no body work more than 48 hours for a week in factory and no more than 9 hours in a day, office employees work five days and between thirty-seven and thirty-eight hours per week. The national minimum wage is currently at 115 India Rupees per a day effective April 2011.



In India, the government lower tariffs to 10% to encourage foreign suppliers into the market. Direct tax rate was reduced significantly, pervasive government licensing of industrial activities was almost eliminated and restriction on investment by large firm or companies were eased (OECD 2007 P2).

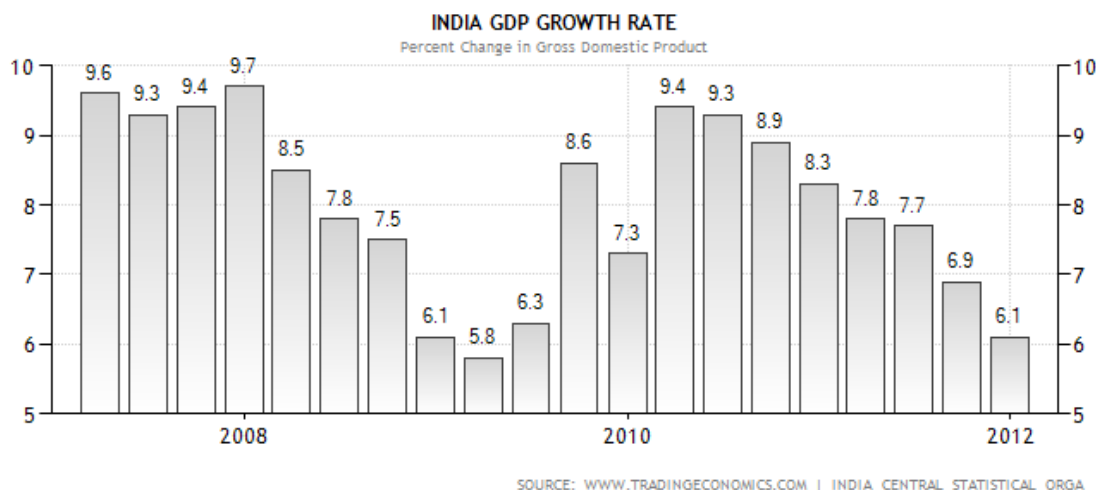
The knowledge of the political factor in PESTLE analysis helps to underpin the performance of the Chairman in area of employment law and other government policies.

Ensure taxes are pay to the government and other economic indicators are considered – as the chairman of a company and the employer of labour, he ensures that the company pays corporation tax from its profits as well as all the employees of the company pays taxes to the government. However, the goods or product offer are also charge VAT rate, although meals in restaurant or hot take away food are not included (The No Nonsense Guide 2011, p24).

The economic indicators such as GDP growth rate is presently 6.1%, interest rate 8% bench mark, inflation rate is 9.5% and expected to reduce within next couple of months and unemployment rate (Trading Economics 2012 and Union Budget 2012).

India GDP Growth Rate

The GDP growth rate in India expanded 6.1% in the fourth quarter of 2011 over the previous quarter. Historically from 2000 to 2011, India average GDP was 7.45%, 1.6% and 11.8%. Indian economy is predominantly agriculture and handcraft, (Trading Economics 2012). The chart below further explains the trend.



India Interest Rate

The bench mark of interest rate in india was last reported at 8%. Interest rate decisions are taken by the reserve bank of india's central Board of Directors. The official interest is the benchmark repurchase rate.historically from 2000 to 2010, india's average interest rate was 5.82%. reaching 4.50% 2000 and lower 3.25% 2009 (Trading Economics 2012a). This can be shown on the chart below.



India Inflation Rate

Inflation rate in india was last reported at 9.5% in march 2012. Historically from 1969 intill 2010 the average inflation rate in india was 7.99%. it was high at 34.68% 1974 and -11.31% 1976 Trading Economics (2012b). This can be further shown on the chart below.



India Unemployment Rate

Unemployment rate in India was last reported at 9.4%. from 1983-2000, India unemployment rate average 7.20%, reaching a historical high of 8.30% in 1983 and record low 5.55% 1994. Until 2010 to date at this rate (Trading Economics 2012)



These explained how the chairman is expected to know and acts base on the economic condition of the society.

Performed oversight function – the chairman and the board are legally responsible for everything that happens within the company. (Business Link 2010A,p9 and BG Group 2012) contended that, board performance, individual directors, and its main committees is formally evaluated on annual basis, board committees are properly established, composed and operated and comprehensive induction programmes for new directors and update for all directors as and when necessary.

As an employer of labour, he has legal duty to protect the health and safety of the company's staff and other people, such as customers and members of the public who may be affected by their work. Provide adequate welfare facilities, make work place safe and eliminate or control risk to health, give workers the information, instruction, training and supervision necessary for their health and safety, ensure that plant and machinery are safe and that safe systems of work are set and followed (Business Link 2010A,P9)

The above activities explained the legal factor of the PESTLE analysis as a responsibility of the chairman of a business organisation. The chairman undertakes the above function in order to achieve the purpose of starting up a business effectively.

The chairman should insist that proper governance standards are met – for example proper management accounts should be produce regularly, this is not easy in early-stage companies with slim resources, but crucial for the health of the business (Soskin 2012). Chairman had to send out the board papers a week a head of the meeting. Any paper missing the dead line had to wait until the next meeting. This is good practice; board members are prepared and are not bamboozled by a plethora of last-minute information. It makes for more effective discussion.

The chairman set agenda, style and tone of board discussions to promote constructive debate and effective decision making – Arnwine (2012) admit that chairman ensure board meetings take place regularly and the views of all board members are properly aired. He should be a good listener as well as something of diplomat if the going get rough. A good



chairman keeps board meetings short, sweet and to the point. They should not be long drawn-out affairs which waste time and sap energy. Short meetings with a focus on key strategic and governance issues are the ones which work best.

The chairman ensures effective communication with shareholders, host communities or government and other relevant constituencies. He ensures the views of these groups are understood by the board. Understanding of the stakeholders by the chairman of the company would help to effectively develop vision, mission, strategic thrust, goals and tactics that respond to the environment needs (Arnwine 2012). Moreover, the chairman represents the interest of all the shareholders as well as the business representative outside the world and its spokesperson. That is, he helps to promote the image of the business. He should be well connected and able to help company access customers, the right advisers and possible business partners.

The above features explain the political factor of PESTLE analysis that the chairman play in his role to the business organisation.

Method of business implementation and environmental responsibility – the Argos electronic catalogue shopping method was careful study and is used for this business in India, specifically Gurgaon. Gurgaon is a commercial town in India and has most of the features for business start-up. Eg power supply, labour availability, population size of 15, 14,085 lakhs and 85% literacy rate, (India Guide 2011). This business includes quality improvement, better marketing, improving customer appeal etc. (Birley and Muzyka 2000, p36) admit that what constitutes better business include simplifying the product or service, improving customer appeal, making it more cost effective, production efficiencies, making it more reliable, better marketing or greater convenience etc.

Moreover, the business can be responsible for any damage its causes to the environment. The regulation for disposal of waste and storing of waste safely and securely in suitable sacks containers are strictly followed (Business Link 2010B). Make sure that whoever collects and disposes of it is doing so properly and they are legally registered.

The above explanations uncover the technological and environmental factors of the PESTLE analysis as a role of the chairman.

CONCLUSION

The idea of entrepreneurship has help to develop skills, knowledge and confidence in people to implement business in life. The establishment of **Easy Shop** is a good example of this expression. In this research work, the chairman roles were clearly explained in relation to a theoretical framework. PESTLE analysis was used as a framework that underpins the performance of the chairman in the business.

The chairman study situations in India, the society where the business has been sited. Such as the employment law, this states that employees are not allowed to work for more than 48 hours in a week and 9 hours in a day. The minimum wage is 115 India rupees per day with effect from 2011. The mode of tax payment to the authority was also essential for the business. The economic indicators in India, such as the GDP growth rate was 6.1%, interest

rate was 8% bench mark and inflation rate was 9.5%. All these factors help firms to plan a successful business start-up. The chairman also plays some very essential roles within the company, this has been seen in the findings above.

RECOMMENDATIONS

Having discussed business start-up and the roles play by the chairman for its growth, the business needs to be sustained. Therefore, the researcher recommends that:

Government should provide an enable environment for entrepreneurship business sustainability. Government should also ensure that infrastructures are provided for the business environment. Availability of firms in a society increase employment level and this would also boost GDP growth rate of the nation.

Regular workshops and seminars should be organising for the employees to improve services. This is essential to the chairman role; it is good for the health of the business.

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