

# Hnd level 4 business environment assignment



“ Business environment encompasses all those factors that affect a company’s operations; including customers, competitors, suppliers, distributors, industry trends, substitutes, regulations, government activities, the economy, demographics, social and cultural factors, innovations, and technological developments. It may also be referred to as Operating environment. ” (Quantums, 2012) “ The definition of business environment means all of the internal and external factors that affect how the company functions including employees, customers, management, supply and demand and business regulations. Yourdictionary, 2013) “ Importance of business environment can be assessed by the fact that a business cannot be run properly without a proper setup for its support. When an investor decides to start a business in a country or region he/she first analyzes the prevalent conditions with respect to the businesses. If these conditions are congenial to it he/ she would waste no time to start the business. Otherwise he/she explores other countries or regions to set up new business there.

The importance of business environment cannot be overlooked either one has to start a big business or smaller one. Establishing any size of the business one has to see whether one’s business would earn profit or not. All the other considerations are of the secondary importance. For example if in a country raw material is so cheap but the wages are quite high it means lower cost of one factor of production would be offset by the other. The importance of business environment can also be Judged by the widely growing off-location global industry of information technology.

In South Asian and African countries wage rates in IT industry are so cheap. But their business environment is not so much congenial. Therefore, global IT

giants hire the manpower from there and make them work from their home. This is called off-location IT business. In this way physical uncertainties can be warded off by hiring the off- location IT professionals. " (Team Editorial, 2012) This assignment explicates four major topics to provide a better understanding about business environment and here is an in-depth within each to explanation in each topic.

These are the following topics: Understand the organizational purposes of businesses Understand the nature of the national environment in which business operate Be able to assess the significance of the global factors that shape national business activities 1. 1 Page | 2 There are various legal structures in current business environment, in what a business can decide to operate depends on the perspective owners desires.

In more details, legal structures and types could be the following: Private companies: The main characteristic of these type of operations that the business is privately owned by one or more individuals (in certain cases could be owned by both individuals and other business organization). This private ownership allows owners to practice full control and uninfluenced decision making. Private companies can have shareholders if they issue stock. However shares cannot be traded on public stock exchange and issued privately instead of through public offering.

The values of these shares are hard to determine and they are less liquid. We distinguish three different types of private companies. The purpose of an organization easily explained through a company's mission, vision statement, aims, goals and objectives. Mission statement: Explains the

overall purpose of the organization captures everything about the business, defines everything the company does well and will be doing in future. Vision statement: States the inspiration of the business. Goals and objectives: These are precisely stating the aim or purpose of the business.

Goal is a concrete description of what to achieve and objective describes the necessary steps to succeed. a. Sole trader: It is a type of business that owned and run by an individual. A sole trader as a self employed person has unlimited liability over all gains and losses of the business activity. Example for a sole trader: The Katrinas Kare - Registered Ofsted Child minder purpose of her business is clearly stated in the description she has given in which we find her mission, vision, goals and objectives even if that is not specified.

These could be he following: Mission: Passion about teaching and caring for children and knowledge on how children learn and develop, particularly from a very young age. Believe in that children learn best through fun and enjoyable life experiences. Vision: My aim to expand and open a full time nursery with special development opportunities and provide a safe homelike environment for children. - Goals: During next year I would like to increase the number of children I care for up to 10 and find the perfect like-minded assistant to be able to provide an even wider range of activities. Objectives: In short future I will relocate to a bigger property, aving more available places and start to look for the perfect assistant. (childcare / Katrinas-Kare, 2013) Page | 3 b. Partnership: The partnership is two or more co-owners operating together as an unincorporated business. In this type of operation the participants have unlimited liability over the business which means they share both profit and loss in accordance with terms of their partnership

agreement. In absence of partnership agreement, co- owners agree to share risks and rewards proportionately. For example London Filming Partnership. .

Limited Companies: A corporate association, all company ssets are owned by the company itself. This type of operation has limited liability. For example:

Deltabond Ltd. Public companies: In this type of operation the company is jointly owned and at least a small portion of it owned by the government. –

Central Government – Local Authorities, for example: the Environmental Agency – Regional Bodies, for example: the Waltham Forest Council – Public

Corporation, for example: the Central Electricity Board Co-operatives: This is the type of operation when businesses co-operate to serve the public as one.

Mainly retail food stores choose this type. For example: the Co-operative

Group. Charities nd Voluntary organizations: This is the one type of business that works without making profit, only operates to help and serve the

community. For example: 1. 2 Stakeholders: “ Any party that is committed, financially or otherwise, to a company and is therefore affected by its

performance. Typical stakeholders that define most businesses are customers, employees, suppliers, communities, and shareholders or other financiers.

For some purposes, some companies also consider a broader group that includes governments, media, competitors, non-governmental organizations

(NGOs) and others. Business is about managing key stakeholder

relationships. 1]” (The Financial Times Ltd 2013) It is vital to identify and

assess the strength of different stakeholders during the whole lifetime of an organization as failing to do so could result in serious harm to the business.

There are two types of stakeholders differentiated based on their relations to the business: -Primary stakeholders: Also called key stakeholders. They have direct influence and the business cannot exist without their constant participation. Some of the primary stakeholders could also have secondary interest. This definition includes Investors, shareholders, employees, customers, suppliers and contractors. Page | 4 Secondary stakeholders: Individuals or organizations having direct or indirect influence on business or influenced by the business.

Secondary stakeholders have temporary affect on the company's operation. The category includes government, local authorities, trade unions, regulatory bodies, media and action groups. Primary and secondary stakeholders are also known as internal and external stakeholders. (Creative Commons Attribution, 2013) To identify stakeholder's power and interest a company can use a tool called stakeholders mapping. 1. 3 MI As an example take a small phone shop owned by a partnership of two individuals: -

Primary stakeholders: Owners (partners), investors - Secondary stakeholders: Competitors, customers, suppliers, local authorities, trade union, regulatory bodies, local residents, government, lenders, employees  
Low Interest Low Power Page | 5 Media, Local residents Employees c High Customers, Suppliers, Competitors, Government, Trade Union, Local authorities, Investors, Owners Regulatory bodies, Lenders In this particular business, majority of stakeholders fall into quadrant C, as based on the nature of the business they have relatively high power to influence the business activity but no direct financial interest in business.

The company has to focus on keeping satisfied every individual or organization in this category by delivering excellent customer care, maintain the relationship with suppliers, being ethical to competitors, follow the laws, regulations, restrictions and keep loan repayments up to date. In quadrant A, media and local residents to mention as they have no financial interest and very low power, they potentially could have affect on the business on temporary basis. Media and local residents require minimal effort from the company as they only can affect the company if it has some activity with negative

Employees are categorized into quadrant B, as they have high interest in business but relatively low power to influence it. Employees need to kept informed to ensure the satisfaction and the maintenance of the relationship. Investors and owners are the key stakeholders in this particular business as it shows in mapping they fall into quadrant D, having the highest interest and power to influence the business activities. Every organization owes responsibility to its stakeholders. These responsibilities are divided into two main groups as legal responsibilities and ethical issues. Legal responsibilities: Includes all legislations at workplace.

Equal opportunity: - Equal pay act 1970: men and women performing the same role are entitled to same conditions in terms of payments and benefits

Page | 6 - Sex discrimination act 1975: men and women should be treated fairly and equally at work -Employment equality (sexual orientation)

Regulation - direct and indirect: direct - no discrimination against people because of their sex, indirect - any action of the employer should not affect only a large number of males or females, including recruitment process,

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treatment and dismissal -Disability discriminations act 1995: deals with discrimination against existing or prospective employee based on their disability; Job advert must comply with the legislation Employment protection: - Employment act 2002: additional rights to employment act 1996 stating maternity, paternity leave, termination, Sunday working and writing pay slips - Employment relation act 2004: deals with recognition for trade unions, unfair dismissal, grievance and disciplinary hearing Health and safety: - Health and safety at work 1974; office, shops and railway premise act 1963: protect the interest of both employee and employer by setting health and safety standards for all individuals at work Ethical issues: Includes everything around laws of society and environment, like fair trade or global warming issues Understand the nature of the national environment in which business operate

2. 1 Economic systems: " Frameworks for the distribution and allocation of goods and services in a nation or society. Socialism, Capitalism, Feudalism, and Mercantilism are examples of several economic systems. A nation's choice of economic system can produce both positive and negative effects on its internal economy and economic interactions with other nations. " (Webfinance, Inc. , 2013)

our categories: - Land: Anything on Earth what is natural, or is in its natural state - Labor: Human capital, those human being that are working in the economy - Capital: Money, the most important basic to acquire everything else.

At national level, it includes infrastructure, roads, ports, sanitation facilities and utilities - Entrepreneurship: Skills, Ideas of people work for a business

page | 7 To define economy, nation needs to answer to three questions and the way they answer it defines their economy. - What services and goods



should be produced? - How should it be produced? - For whom should it be produced? Economic systems fall into one of the following categories: - Market (or Capitalist) system: So called Pure/Free Market Economy as the only regulations is that demand and supply regulated by price but no government decision involved. If there is shortage of supply price rising, if surplus then price falls keeping the market balanced. The answer to what, how and who: Customers decide what to buy, businesses decide how, it just needs to be profitable and people who have more money can buy more.

Advantage of this system that free market economy automatically runs so keeps competition in place what is beneficial for customers. Disadvantages that competition in practice may be limited, it may cause inequality in market, may result in adverse environmental and social consequences.

Allocation of resources is determined by demand and supply. - Command (or Planned) system: Production is controlled by the government and the government makes all decisions and answers the three questions. A dictator or a group of government officials decide about production, the government owns all factors to produce, and it is also government decision who will receive products and services.

Advantage of command system is that rapid growth, inequality and avoidance of unemployment can be addressed directly. Resources in this economy are allocated by the government through its centralized planning. - Mixed Economy: In this economy business activities are carried out by both government and investors. Private sector allocates resources depending on demand and supply, whilst public sector allocates them through the centralized planning. In current society no economy can be purely market or

command type, elements of both exist in all economies. There are different factors that can help determine a countrys economy. Two main factors are Fiscal Policy and Monetary Policy.

Page | 8 Fiscal Policy “ The government uses fiscal policy to influence the economy by adjusting revenue and spending levels. Fiscal policy is based on the theories of British economist John Maynard Keynes, which state that increasing or decreasing revenue (taxes) and expenditures (spending) levels influences inflation, employment and the flow of money through the economic system. ” (Chad Brooks, BusinessNewsDaily Contributor, 2013) As Fiscal policy is based on the control of government expenditure and taxes, and it allows the country to control and maintain the economic balance or dealing with ecession. There are two types, Contractionary and Expansionary Fiscal policy that can be used to control the economy depending on demand.

Contractionary Fiscal policy: This type of Fiscal policy is for the purpose to tighten up the system by increasing tax rates and in the same time cut back on government expenditure, such as investments in development, spending on NHS, benefits, road maintenance... etc. This results in people finding difficult to cope with their life as unemployment rate begins to increase, prices of goods and services are increasing in line with tax increase, so eople need to start using their savings and apply for credit facilities. This policy obviously has its impact on businesses. As corporation tax rises less people invest in businesses and as a result the capital stock is rising.

Increase in price of goods and services creates a change of customers behavior as people need to focus on supplying needs and decrease the

spending on “ de-merit goods”. Expansionary Fiscal policy: When a country is in recession, GDP low and unemployment is high, the Expansionary Fiscal policy can provide solution to balance the economy by increasing government spending and reducing tax rates. Government increases its expenditure, release money for transport infrastructure, health care or education that creates a demand for manpower, so it automatically reduces unemployment. As people earn more money by fulfilling the new vacancies the demand for goods and services begins to increase. Reducing taxes gives opportunity and inspiration to the public to start new businesses.

As a result of people earning more money, savings Monetary Policy “ One of the Bank of England’s two core purposes is monetary stability. Monetary stability means stable prices – low inflation – and confidence in the currency. Stable prices are defined by the Government’s inflation target, which the Bank seeks to meet through the decisions taken by the Monetary Policy Committee. Page | 9 A principal objective of any central bank is to safeguard the value of the currency in terms of what it will purchase. Rising prices – inflation – reduces the value of money. Monetary policy is directed to achieving this objective and providing a framework for non-inflationary economic growth.

As in most other developed countries, monetary policy usually operates in the I-JK through influencing the price at which money is lent – the interest rate. However, in March 2009 the Bank’s Monetary Policy Committee announced that in addition to setting Bank Rate, it would start to inject money directly into the economy by purchasing assets – often known as quantitative easing. This means that the instrument of monetary policy shifts

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towards the quantity of money provided rather than the price at which the Bank lends or borrows money. Low inflation is not an end in itself. It is however an important factor in helping to encourage long-term stability in the economy. Price stability is a precondition for achieving a wider economic goal of sustainable growth and employment.

High inflation can be damaging to the functioning of the economy. Low inflation can help to foster sustainable long-term economic growth. " (Bank of England. 2013) Monetary policy is lead by the government and carried out by Bank of England. Manipulation of the economy delivered through setting the interest rates to control excess liquidity. There are two ways to control it, with expansion or with contraction. Contractionary Monetary policy: In case of excess liquidity, government is aiming to reduce liquidity rate. In order to do it, Bank of England increases the interest rate on borrowing and at the same time ncreases interest rate on savings. This is to discourage people to spend and borrow.

The result of the contraction that businesses terminate investments as borrowing become too expensive so unemployment rate is slowly rising and personal spending drops, on the other hand the policy encourage people to save more. Contraction may help to generate recession. Expansionary Monetary policy: In case of low liquidity rate, government starts to expand money supply by ordering Bank of England to decrease interest rates both on borrowing and savings. When there is a low rate on borrowing that encourages businesses to start investing, pending more and more people to start business activity. It generates more employment so that allow people to increase their personal spending too. In line with there is not enough

money in the economy after decreasing the rates, upon decision Central Bank can print more money as part of the expansion process. 2. page | 10 “ Policies intended to prevent collusion among firms and to prevent individual firms from having excessive market power. Major forms include oversight of mergers and prevention of price fixing and market sharing. ” (Webfinance, Inc. , 2013) The best use for a countrys resources the greatest way is to allow a competitive arket operation, however the development of anti-competitive activities is unavoidable. These activities can be harmful for consumers and together with that it can hold back innovation and growth. One of the activities that considered being anticompetitive is the scenario when two firms come to an agreement of charging the same price for identical or even similar goods.

They can achieve higher profit margin but it punishes customers with lack of choice. As a protection from anti-competitive activities, the government constantly reforming, improving competition laws and policies. All related laws, powers and institutions called together as competition regime. When stating anti-competitive activities mergers, monopolies and cartels are included under this umbrella. The direct regulatory body is the Office of Fair Trading. Competition Act 1998 “ The Competition Act 1998 is comprised of two prohibitions: ??? The Chapter I prohibition prohibits agreements between businesses that prevent restrict or distort competition to an appreciable extent in the I-JK.

The Chapter II prohibition prohibits conduct which amounts to an abuse of a dominant position. ” (OFT, 2013) A great real life example, OFT dealt with to protect consumer’s rights for the fair service: “ Insurers Ageas Insurance <https://assignbuster.com/hnd-level-4-business-environment-assignment/>

Limited (formally Fortis Insurance Limited), Aviva plc, AXA Insurance UK plc, Liverpool Victoria Friendly Society, RBS Insurance Group Limited, Royal Sun Alliance and Zurich Insurance plc, and the IT software and service providers Experian Limited and SSP Limited have all offered formal commitments to the OFT. This follows an OFT investigation which identified an increased risk of price coordination among motor insurers using a specialist market analysis tool by Experian called Whatif? Private Motor.