

The impact of competition policy business essay



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These days, different businesses are involved in different kind of activities, so different kinds of people are involved in starting those businesses initially.

Mainly, there are three types of organizations that need to be considered here. These are

Public Sector Organization

Private Sector Organizations

Voluntary Sector Organizations

The main purpose of public sector organizations is to provide all the essential public services and to use the resources of a country for the best benefit of its community. Private sector organizations are owned and run by private individuals who may take the form of sole traders, partnerships, companies and franchises. Main objective or purpose of private sector business organizations is to make profit, increase their market share, and maximize the sales and to trigger continuous growth. On the other hand, voluntary groups are not owned or governed by individual people however some individuals will take the responsibility for ensuring that organization is on track of its purpose and is doing what it is set up to do. Main purpose of these types of organizations is to try to help particular type of people and such type of organizations must achieve a breakeven for survival.

As far as my case study is concerned, Anglo American has an economic purpose of making profits, social purpose to provide returns to the society and environmental purpose to minimize the bad effects on the environment.

Different Stake holders

As we talking about the stakeholders of Anglo Americans, first comes employees. Employees of Anglo Americans enjoys respect and employee empowerment from company they are trained in way to perform their duties positively in the best interest of the company. Company with different kind of incentives and benefits motivate employees for better performance as a research and development company of medicine. As far as communities are concerned Anglo American makes a valuable contribution to the society and community. Such as compliance with the law and regulatory framework plus compliance with the ethical standards and fulfilling the human rights by providing jobs to the economy. Suppliers are one of the most important stakeholders of every business organizations as the bargaining power of suppliers can create problems for business. So for the smooth working of every company strong and long lasting relationship between suppliers and business organizations plays a vital role. Anglo Americans has a diverse supply chain management which fulfils the health and safety and quality standards of the organization.

Responsibilities and strategies

Anglo Americans identifies its stakeholders and contact with all stakeholders who have a legitimate interest in the projects. Talking about communities as a stake holder of the organisation, the strategy of Anglo American is talking to the local communities in aligning their aspiration needs. Anglo American aims that where they operate proper benefits should be taken from their presences. It benefits to the communities as stakeholder of the organization results in socio economic development, as it provides employment

opportunities to the local community which helps in the development and progress of peoples' life style. It works in Sustainable environment concern about the health and environmental issues which cause problem to the community as well as environment. Anglo American believes on safe working process which ensures sustainability. Talking about shareholders, Anglo American fulfils the responsibilities of shareholders through well defined channels. For example by securing their interest and investments by showing them the progress and development of company through regular dialogs and fulfils the statutory requirements. This progress is communicated to the shareholders and investors through a range of reporting documents such as annual reports and accounts and report on sustainability. Talking about government as a stakeholder, it interacts with government in a legal and regulatory framework of country. The organization fulfils its responsibility by paying tax to the government and by giving the entrepreneur opportunities and helping the government in achieving revenue transparency.

Task 3:

The impact of competition policy and other regulatory mechanisms on the activities of Anglo American

The competition policy in the UK economy is currently based on the Competition Act 1998, Enterprise Bill 2002, Office of Fair Trading (OFT) and the Competition Commission (CC) as well as other regulatory mechanisms including the Companies Act 2006, the regional policy, industrial policy, enterprise strategy, training and skills policy and so on (Sloman and Stuccliffe,

2003). The impact of UK's competition policy on Anglo American, for example, would be:

To restrict it from monopoly formation;

American won't be able to set up its own prices and have to go with the market price of the products.

Make managers more efficient and effective

Since competition will be high, managers will have to come up with more innovative solutions to achieve an edge;

give improved quality at low costs;

Since, Anglo American is involved in mining work used by different economies; it has to keep costs low while maintaining quality.

increase consumer choice, in short, augment the consumer and shareholders' interests (Fernando, 2011)

Different Market Structures and determination of Pricing and Output

Market Structures with Pricing and Output determinants

How market structures determine the pricing and output decisions of businesses

The market structures and the pricing and output decisions are illustrated in the diagram below (Sloman and Stuclyffe 2003):

Demand Supply Curve

<http://upload.wikimedia.org/wikipedia/commons/thumb/7/7a/Supply-and-demand.svg/240px-Supply-and-demand.svg.png>

Market prices are determined according to the shift in demand or supply. If the demand shifts to the right, a higher price and higher quantity is set, this is the new market equilibrium price. Moreover, pricing decision also depends on market structure. For instance, firms undergoing perfect competition have to set the market determined prices and are known as price takers. While firms operating in monopolist environment have this differentiation advantage and it makes them capable of setting their own prices. Such firms usually target the niche market.

The way in which market forces shape organizational responses

Majority of the decision making of organizations depends on the market forces including:

Demand and Supply of the product:

The key point that answers the questions of what, how and for whom to produce depends on the demand and supply in the market; leads to allocation of scarce resources in a profitable manner (Lowson, 2002). For example, if Cadbury has to decide which type of chocolate to produce, it will look for the product where demand is high and divert majority resources in producing that particular chocolate.

Elasticity of demand and supply:

Pricing and output decisions are also affected by the responsiveness of the quantity of demand of the product to changes in price, known as the elasticity of demand and the responsiveness of the supply as well (Lowson, 2002). For example, an organisation providing bus travel services might tend to charge higher prices at the peak time of the demand for buses, as people will consume the service to get to their destinations, no matter what the price is. In case of supply, if the cost of oil increases which causes their total cost of one unit to rise, they may reduce their production.

Economies of scale:

A phenomenon where increase in output lowers costs therefore, giving firms the incentive to produce more as it would consequently lead to higher profits (Sloman and Stuccliffe, 2003).

Consumer expectations and actions:

Promptness in foreseeing and reacting to consumer demands will always be a significant element of competitive advantage for firms and cannot be ignored when making major decisions (Chang, 2005). For example, the Apple Company might determine the expectations of its consumers and innovate a product accordingly.

The short run and long run phenomenon:

The short run period is where at least one factor of production is fixed; whereas in the long run all can vary, thus affects the decision making or response of firms, for example what machinery to use. (Sloman and Stuccliffe, 2003).

Employee skills/technology/processes:

As globalization has taken, it is imperative that every firm takes advantage of it to achieve competitive advantage in the market and attain its strategic goals. For example, businesses can do this by providing employees with the latest skills and knowledge that would allow them to perform their job effectively and efficiently as well as streamline all the processes/activities of the organisation by using improved technology and methods (Dessler, 2007).

How the business and cultural environments shape the behaviour of an organization

A business operates within an environment where both are inter-reliant and constantly interact with one another. The factors determining the business environment are shown below (Fernando, 2011):

Factors forming the business environment

Economic:

For example, if a new economic policy is set, the firm must adjust the functioning of their organization accordingly;

Technological:

if new technology replaces the existing one, the firm must consider streamlining their processes in order to benefit the organization;

Legal:

if a legal policy comes into existence, the firm must analyze how to comply with the new policy; or using processes, activities or technology.

Environmental:

Trend has been set towards having business operations that are environmentally friendly as required by the government, in order to assist in the controlling of global warming and being socially responsible. Therefore, it is believed to be the duty of businesses to amend its behavior in line with the environment in order to run successfully (Fernando, 2011).

Social/Cultural:

The cultural environment on the other hand refers to the influence on the behavior of the organization by the cultural factors of the environment it operates in, which are beyond the control of the organization. The way culture may impact a business is asserted below (Trehan and Trehan, 2010):

What type of product to produce, its price, packaging, promotion and place

Consumers preferences, beliefs, attitudes, values would affect the product development for example, McDonalds does not serve beef in India.

The attitude towards work or the internal culture of the organisation for example, the attitude of employees towards a diverse organisational environment.

The labour workforce division at the organisation, for example whether both men and women should be employed or should majority of men be working and other decisions related to recruitment.

The ethical guidelines to follow in every process of the business.

The element of communication and dialect so there is effective communication of the organisation within, as well as outside the organisation with customers, suppliers and so on.

Task 4:

4. 1 The significance of international trade to UK business organizations

The UK is positioned as the fourth most open economy in the world. The importance of international trade to businesses operating in UK including the mining Industry (Secretary of State for Business, Innovation and Skills, 2011):

Technological improvements lowering communication and transportation costs; innovation of business products and services.

Helps these businesses to build larger networks in terms of customers, suppliers, shareholders, employees and other stakeholders.

Transfer of capital at low costs therefore consequently leading to growth opportunities, better and streamlined processes and activities

Transfer of intellectual assets; ideas; skills; tacit knowledge

Employment creation; improved training processes; better and improved skills, knowledge and behaviour of employees

Increase in investment enticement; growth of investment; greater shareholders

Increases competition, making its products better and more consistent with the competition; offer better value and choice of products

International trade gives an opportunity for the organizations to expand and outsource their businesses, reaching a wider market as well as lowering costs. Moreover, UK products/services are now exported to many other countries increasing their overall revenue.

4. 2 The impact of global factors on UK business organizations

The global factors impacting UK businesses and the way they will impact them is explained below (Secretary of State for Business, Innovation and Skills, 2011):

The economies of Brazil, Russia, India and China (BRIC) are being seen to grow rapidly. This could be seen as a threat to the businesses operating in UK as competition for them would get tough or it could be seen in positive light as being viewed by the UK government currently, where it intends on building strong ties with these countries.

Globalization and global growth will provide these businesses with better market opportunities to develop and expand and building on export markets as well.

US regulatory environment and litigation risks however, may cause businesses to be affected negatively.

Potential synergies may develop between UK businesses and businesses of other countries. Mergers and acquisitions may take place giving

organizations an opportunity to have sustainable business growth and target a wider market.

Can take advantage of the opportunities provided by the World Trade Organisation (WTO).

The UK government is also functioning to persuade the EU to implement a more tactical, organized and continuous move towards lobbying on market entrance and business issues, particularly through the High Level Economic and Trade Dialogue established in 2008.

Much scope to develop by exporting to Commonwealth countries.

Capitalize on opportunities present in developing economies by outsourcing businesses and hiring labour.

The impact of policies of the European Union on UK business organizations

The various policies undertaken by the European Union (EU) and their impact on UK businesses are as follows (Sloman and Stuccliffe, 2003):

The Climate Change Act which has set target for the UK of reducing carbon emissions. To help meet this target, the EU introduced various policies. This would impact the business organisations in terms of their productivity or in terms of the kind of machines they use. Moreover, non compliance with these policies may also impact the businesses in a negative way such as building on an unfavourable image of the business.

Regional Policy of the EU which endows with grants to firms in destitute regions thus, helping such businesses to improve in terms of sales, profits, activities and so on.

Monopoly and restrictive practice policy putting restrictions on those businesses that are operating in more than one state for example Tesco.

Adjustment of tax rates causing considerable differences in VAT taxes among member states. Thus, for example, Sainsbury's will have to charge different VAT rates in different states.

Social Policy requiring businesses to implement specific health and safety, employment, equal opportunity policies in their organisations and non compliance may cause the business to suffer.

Other policies may include exchange rate policies; policies to comply with the legal framework of UK businesses and policies of meeting certain standards for long-term operations.