

Components constituting a business environment commerce essay



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The rapid changes in the healthcare environment have exerted significant pressures on the hospitals to pay attention to marketing strategies in general and health service strategy in particular. Therefore this research investigates the influence macro environment factors have on the health service strategy made by the hospital managers. This study proposes and tests a four factor macro environment model that explains the considerable variation in health service strategy in the hospitals. These factors include political, Economic, Social, and Technology, namely the PEST Analysis. The study goes on to conduct a SWOT Analysis of the organisation and critically evaluate how the organisation can accomplish to meet the stakeholders' expectations, and the influence that specific stakeholders have on a health and social care organisation. We will critically assess the role of information management systems for improving the performance of a health and social care organisation, and the decision making techniques that the management uses to come up with the business strategies of an organisation.

Components constituting a business environment

The two broad categories that any business environment can be classified into are external and internal environments. A macro environment is thus a part of the external environment.

BUSINESS ENVIRONMENT

INTERNAL ENVIRONMENT

EXTERNAL ENVIRONMENT

MACRO ENVIRONMENT

MICRO ENVIRONMENT

Figure 1: Business environment and its components

MACRO ENVIRONMENTAL FACTORS OF AN ORGANISATION

The new environment reality affecting the operation and performance of organizations is being characterized by continuous and often unpredictable change. As a result, many calls have been voiced for organizations to build the ability to respond and adapt to changing and uncertain environmental conditions, in order to sustain their competitive situation (Cardwell & Bolon, 1996; Godiwalla et al., 1997; Chung, 2008; Aapo & Tomas, 2008).

Macro environment has been the subject of considerable research in both business and marketing literature recently. Furthermore, it became an area of primary concern to all organizations, depending critically on a subtle understanding and analysis of both the industry within which the hospital will compete, and the competitors working in same arena. Studying macro environment factors is an important issue in terms of the increased pressure placed upon hospitals and the competition that exists between hospitals. Any attempt at conceptualizing the term “ macro environment” should, at some stage, involve an attempt to answer certain questions, such as:

1. What is the meaning of macro environment in hospital industry?

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2. What are the main factors of macro environment? And how do they influence health organizations?

MACRO ENVIRONMENT

Macro environment is largely external to the business enterprise. Macro environment factors are uncontrollable factors and beyond the direct influence and control of the organisation. Its factors are powerfully influence to its functions. External environment consists of individuals, groups, agencies, organisations, events, conditions and forces. These are frequently contacted by the organisation for its functions. It establishes good interaction and interdependent relations in form of conducts business transitions. Proper designing and administration of macro environment enable appropriate strategies and policies to cope with and make changes.

The major forces represent uncontrollable variables that hospitals must monitor and to which they must be respond. Marketers must also pay attention to interactions among forces to identify and take advantage of new opportunities and threats. For example of the offerings are affordable (economic), they may actually change attitudes and behaviour (social cultural) (Kotler et al., 2008). Macro-environment consists of broader forces that affect the actors in the micro environment (Armstrong & Kotler, 2011). There are several elements for a macro environment, a detailed picture of which is given below.

Figure 2: Macro Environment Elements

The importance of analyzing the macro environment arises from the critical role it plays in the growth and profitability of organizations. This fact has <https://assignbuster.com/components-constituting-a-business-environment-commerce-essay/>

been clearly highlighted by Kotha and Nair (1995), and later by Wagner and Gooding (1997). Thus, by understanding an organization's external environment, Fombrun and Shanley (1992), Gimeno and Woo (1996) indicate that strategic decision-makers can not only help improve its competitive position but also increase its operational efficiency, and win battles in the field of global economy. Based on this conclusion, Hill and Jones (1998) have further argued that to succeed, an organization must either fit its strategy to the industry/sector environment in which it operates, or be able to reshape the industry/ sector's environment to its advantage through its choice of strategy. Thus, " companies typically fail when their strategy no longer fits the environment in which they operate" (Hill and Jones, 1998).

Crucially, any study of the external environment should include the identification of four major factors, namely Political, Economic, Social and Technological.

PEST ANALYSIS

Political Factor:

A Political environment consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society (Armstrong & Kotler, 2011). The political factors that may influence the health service strategy in healthcare scenario in particular are government objectives, policies, decisions, legal restrictions, various governmental units sharing legislative authority, laws concerning taxation, and privatization decisions. The clinical governance structure has, at its fundamentals, the foundation philosophy of continuous quality improvement

(CQI) and total quality management (TQM). These two philosophies were developed first in manufacturing and industry, and then adopted by health services institutions in the early 1990s (Berwick, 1989; Kitson, 1994). The overall philosophy is to generate a culture of continuous quality based on effective cooperation between staff, systems spotlight, investment in people and staff, and self-monitoring (McLaughlin and Kaluzny, 1999; Ovretveit, 2000).

The political environment is based on the uncertainty. In some countries with multiple numbers of political parties, a political party does not get clear majority to form a government. In this situation, business activities collapse due to minority supported government. The political parties are unable to formulate stable government; it affects and fluctuate the government policies. Therefore, business organisation and public need a stable government to function smoothly.

Economic Factor:

The economic environment consists of factors that affect consumer purchasing power and spending patterns (Kotler et al., 2011). It includes the economic conditions, economic policies, and the economic system that is important to external factors of business. Economic fluctuations in the home market and inflationary factors are also impacts that have an influence, because they can produce both positive and negative effects on the demand for goods and services. For example, they could affect the specifications of certain goods or may require workers to receive specific types of training or preparation (George, 2009; Girijasankar & Bhar, 2011).

The economic conditions of the country include nature of the economy of the country, the general economic situation in the region, conditions in resource markets like money, material, market raw material components, services, supply markets and so on which influence the supply of inputs to the organisation, their costs, quality, availability and reliability of supply of products and services. The application of economic analysis in healthcare decision making, however, particularly with regard to medical necessity, has proven to be highly controversial. Evidence varies regarding the extent to which decision makers actually use economic analysis.

Socio-cultural Factor:

Social and cultural environment is made up of institutions and other forces that affect a society's basic values, perceptions, preferences, and behaviours (Kotler et al., 2011; Armstrong & Kotler, 2011). Socio-cultural trends can present both threats and opportunities for many hospitals. They are reflected in customer wants and needs in terms of a health service. Some of the constituents of the Socio-cultural factor are population, health, education and social mobility, and attitudes to these.

Socio-cultural environment is an important factor that should be analyzed while formulating company business strategies. If a company ignores the customs, traditions, tastes and preferences and education, it can affect the business. It consists of factors which are related to human relationships and the impact of social attitudes and cultural values. These are bearing on the business of the organisation.

Technological factors:

The technology is perhaps the most dramatic force now shaping, our destiny (Kotler et al., 2011). Technological factors include impact of emerging technologies, Impact of Internet, reduction in communications costs, increased remote working, research and development activity, and impact of technology transfer. Technological factors sometimes pose serious problems. A firm that unable to cope with technological changes may not be survived. Further, the differing technological environment of different markets may be called for service modifications.

Technology in health services organizations has released such good things antibiotics, robotic surgery, MRI. The technologies environment change rapidly. In the past most of healthcare managers did not know about the ever-updating technologies that they get to know of nowadays. New technologies create new markets and opportunities. Therefore, the healthcare managers should study these updating technologies around the world to adopt them in their healthcare business or hospitals. Dramatic advancements in updating technology affect not only the products and services offered by organizations to customers but also the work processes needed. They can offer opportunities to those who can take benefit of such advancements. Otherwise, expecting and responding to technological trends can prove to be costly (Kotler et al., 2008).

SWOT ANALYSIS

In order to determine factors both within the external environment and within the organisation, a SWOT (Strengths, Weaknesses, Opportunities, and

Threats) analysis have been carried out, the findings of which are enumerated as follows.

Strengths:

Healthcare brand in the UK is a universally known and well-respected brand.

An important sector in all local economies that is a major source of skilled employment.

National government prioritisation of the sector for assistance and skills development.

Future employment growth on an upward trend.

There is scope for greater integration and higher profile of social care

There are strong links between Department of Health and the other healthcare institutions like NHS

There are several dedicated communications resources working on social care

There are healthcare companies with working groups with key stakeholders already set up

Weaknesses:

Every healthcare organisation has strong links to the Department of Health, therefore are unable to establish as an independent organisation.

The complexity of the sector and its institutions.

A negative public perception of the sector as being characterised by low pay, anti-social hours and working conditions.

Substantial recruitment difficulties and skills gaps.

The healthcare staff come from different and varied cultures and countries and need to create a common identity of working. Intensive training has to be provided yet to all the staff, in addition to communication training; everybody's still learning the job.

Information collected has essentially remained the same for some time.

Decreased relevance and usefulness.

Perceived burden of collection among stakeholders.

Healthcare branding, for example the NHS, is a barrier for social care stakeholders.

Opportunities:

To be seen as a source of information independent from government and Department of Health.

Large-scale recruitment of new and skilled staff.

Engage new stakeholders.

Improved levels of service associated with a better trained and motivated workforce.

Potential for improved IT systems and skills to increase patient focus of care and early reporting of medical successes and shortcomings.

Radical pay reform agenda in the NHS which for the first time aligns pay and reward with knowledge and skills development.

Improve the online presentation of statistics.

Move from measuring activities to measuring outputs and outcomes will make information of more practical use in implementation and monitoring of services.

Chance to be seen to streamline collection processes.

Threats:

Loss of proper skills and knowledge.

Vast diversity in the cultural and communicational backgrounds of the staff and not being able to follow a single agenda.

The highly politicised nature of the NHS undermining medium and long term planning.

An older age profile than the average for all industries with proportionately low numbers of young employees entering the workforce.

A relatively high turnover of staff in some sub-sectors and occupations.

Lack of management skills.

Slippage to delivery of a common initiative, and its effect on the credibility of the programme.

Failure to adequately consult with and engage all stakeholders.

Wider local government agenda may be obstructive.

STAKEHOLDERS AND THEIR INFLUENCE ON THE HEALTHCARE SECTOR

The term Stakeholders refers to everybody who has an interest in the health and well being of the local population and the delivery and development of health and social care services. They can range from individual service users and carers to service providers such as primary care professionals, other statutory organisations and local Councils as well as the voluntary and community sectors and the wider public.

SERVICE PROVIDERS

CARE COMMISSIONERS

SERVICE USERS

Figure 3: Stakeholders that constitutes core elements of health

Stakeholders can be classified into four groups:

Key Players

Keep satisfied

Keep informed

Minimal effort

Key Players:

These are the most important Stakeholders – they have high power and high interest in healthcare sector and its activities. Such stakeholders need to be involved in all relevant developments and could have a considerable influence over the future of healthcare sector. They include health commissioners, Practice Based Commissioning (PBC) Groups, the NHS, specialist commissioners (For example, Neuro), healthcare providers, local full time officers of recognised unions, patient representative groups, healthcare sector employees, public health, GP's, board members, and local trusts.

Keep Satisfied:

This is a particularly difficult group to deal with. In this group, we often find regional representative or legislative bodies. They behave passively most of the time, but that can exert an enormous impact on the organisation. It is therefore necessary to analyze potential intentions and reactions of these groups in all major developments, and to involve them according to their interests. This group includes MPs, Interest Groups, Health Scrutiny Committee, CFT members, local media, Local Strategic Partnerships, Health and Well Being Board, Care Quality Commission, and other professional bodies

Keep Informed:

Stakeholders in this group have a high interest in the organisation and its actions. However, they have limited means to influence. Despite their lower

influence, such stakeholders could be valuable allies in important decisions. Therefore, it is advisable to keep them informed about the issues they are interested in. This group of stakeholders may include voluntary organisations, local communities, communities that are hard to reach, Mental Health Trust, Care givers and users, and other independent sector organisations and competitors.

Minimal Effort:

Stakeholders in this group have little interest in healthcare corporate plans. They also has little power to exert much impact. It is therefore appropriate to keep these groups informed, but not invest too much effort into them. They include housing, police and national media.

Focused on users, carers and communities, stakeholder involvement must focus on directly accessing the views of service users and carers who are using health and social care services as well as those living in communities who are experiencing the greatest levels of health inequalities to ensure they are having appropriate influence in shaping future priorities. Following are the principles that will underpin all stakeholder involvement:

Stakeholders must see that their input has a real impact on the decisions made and that they are making a real difference to how local services are being planned and delivered.

It is essential that feedback from involvement processes is communicated to participants and that the reasons for why particular decisions were taken are clearly outlined.

The level of involvement should be proportionate to the scale of the issue being considered.

The method of involvement should be tailored to ensure that appropriate stakeholders are accessed.

It is important that all stakeholders are provided with an opportunity to participate and are actively supported to become involved either at a locality level or on a specific issue basis.

It is recommended that, as far as possible, across Health and Social Care organisations, involvement with stakeholders on needs assessment and strategy development be taken forward jointly by the Regional Board, the Agency and Trusts. Staff working in each of the organisations should seek to form close working relationships to ensure that there is minimal duplication in involving local stakeholders and agree joint processes for taking forward this work. By adopting a more collective approach it will maximise the use of available resources both in terms of staff and information, minimise the time required from stakeholders to contribute to involvement exercises and ensure that all sections within the health and care sector hear the same messages and can plan services accordingly.

ROLE OF INFORMATION MANAGEMENT SYSTEMS IN HEALTH AND SOCIAL CARE SECTOR

Information management systems have much to offer in managing healthcare costs and in improving the quality of care (Kolodner et al. 2008).

In addition to the embedded role of information technology in clinical and diagnostics equipment, Information systems are uniquely positioned to

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capture, store, process, and communicate timely information to decision makers for better coordination of healthcare at both the individual and population levels. For example, data mining and decision support capabilities can identify potential adverse events for an individual patient while also contributing to the population's health by providing insights into the causes of disease complications.

All types of business need robust and comprehensive quality and business management systems however this takes on added importance when lives are in the hands of the business involved. Healthcare is certainly in that category. Another hallmark of healthcare information is that it is highly personal. As a result, any transfer of information between parties via technology involves risks that the information could fall into the wrong hands. Although electronic information can be made as secure as paper records, electronic storage may be perceived as having a higher likelihood of leakage, and such fears get further compounded by media attention. Thus, patients' perceived probability of compromised privacy is often higher than the actual probability.

An ideal Information management system should help the clients:

Provides complete data protection and privacy

Meet the business improvement objectives.

Provide interfaces to other existing database repositories.

Strategically unite and align quality and business process information that produces reliability improvement and meets standards

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Enable business governance and organizational communication.

Streamline access and utilization of data repositories and analytical systems needed for long-term business improvement.

Provide analytics and robust search features for healthcare process performance, analysis, management review, and planning.

Healthcare costs have been increasing and the demand for reasonably priced high quality services is also on the rise. Effectiveness of a hospital or nursing home depends on the efficiency of its operations and management systems. Some of the major factors determining the efficacy of a health institution include patient care management and patient satisfaction. In order to meet these requirements there has been the growing need to implement hospital information systems. The healthcare industry has witnessed an increased spending on IT with most of the hospitals and healthcare organizations shifting to electronically-based information systems.

Healthcare Information management system should provide equal access to medical records throughout the country by making the diagnosis online through different digital tools. This could make sharing information among physicians for treatment and consultation much easier. It should ensure improved quality and assurance, archiving capabilities. This is a major tool to measure clinical outcomes and control budget. It needs strong infrastructure to broadly utilize the data available online to provide continuity on database and information integration.

When you take a healthcare organisation, for example a hospital, the information management system should provide decision making processes based on qualitative information and knowledge. There should be a continuity of medical data and care information. This will aid in improving and increasing the efficiency of healthcare processes. It will also help in increasing clinical safety and the quality of the results. It is with no doubt that it can be said that better Information management system can provide better documentation and better customer services. The following diagram depicts an example of what an Information Management System in a hospital should include.

DEMOGRAPHIC PARAMETERS

VISITS AND HOSPITALIZATION

IMAGING

TREATMENT INFORMATION

MEDICATION INFORMATION

LAB RESULTS

FAMILY HISTORY

MEDICAL HISTORY

PATIENT

Figure 4: Patient Information Management System

DECISION MAKING IN HEALTH AND SOCIAL CARE SECTOR

Most decision-making techniques use a process used by leaders and managers to make decisions. This includes the following steps:

Identifying and defining the problem.

Gathering information, facts and assumptions.

Analyzing the situation.

Developing options and solutions.

Comparing and evaluating these options and solutions.

Select the solution that best addresses the problem, or a best alternative decision.

Acting on the decision.

The way in which decision making is approached is recognised as an important function of leadership and management in health care. This increasing interest in the process of decision making as a function of management is evidence of a much larger shift in management thinking among the academic community. Although we traditionally associate leadership and management in health care with individuals, the complexity of change required in the health care system means a new paradigm of management is required. Relational approaches to healthcare management offer an alternative view. Rather than being the function of an individual, <https://assignbuster.com/components-constituting-a-business-environment-commerce-essay/>

leadership is considered to be an outcome of the processes that emerge when several individuals interact. Relational processes are being recognised as just as influential in changing peoples' attitudes, behaviours and actions as the direct influence of a formal manager.

CONCLUSION AND RECOMMENDATIONS

In conclusion, this study mainly focuses on the healthcare sector and the external factors that affect the management of the healthcare issues. Macro environment is a very important aspect in the healthcare sector. The study assesses the macro environment and its impacts on the health service strategy with the help of analytical tool like PEST analysis. The empirical conclusions drawn from this study are multi-faceted and as a consequence it is important that healthcare managers pay attention to the influences of PEST environment elements on health service strategy. The study concludes that healthcare scenario requires new health services, for enabling the hospital to meet the needs and wants of the largest possible market. Also if medical technology worldwide is updated it helps hospitals to gain opportunities that lead to increased market share and new market penetration.

This study has outlined the stakeholder management strategy for healthcare sector to support the delivery of its organisational objectives and its development. It has established the current state of understanding of stakeholder power and impact, identifies key stakeholder groups and the influence of each group on the healthcare organisation. It also identifies the how the key strategic priorities and action plan for improving stakeholder relationships will be developed. The decision making process has been <https://assignbuster.com/components-constituting-a-business-environment-commerce-essay/>

shifted from the main management and doctors to a wider range of management.

Some recommendations for further research in this area:

The study could be replicated with other services to further examine the transferability of the macro environment in the healthcare industry.

Study the proposed model in other European countries in order to gain more validation for the model and more generalised findings.

Study other service sectors, like public sector, in order to develop a model that represents the service sector more generally, rather than representing the healthcare sector alone.