

# Contemporary issues in business commerce essay



**ASSIGN  
BUSTER**

## **1. 0 Introduction**

This report is based upon a critical evaluation of British Airways in response to a matter in contemporary issues in business. The report will first identify the issues to British Airways and then evaluations on how British Airways is dealing the issue by the means of using academic research critically.

## **2. 0 History of British Airways**

The British Airways group consists of British Airways plc and a number of subsidiary companies including British Airways Holidays Limited. British Airways is a world's leading airlines with a group that supply passenger and freight services to 149 destinations in 72 countries. In 2004/05, the company carried over 35 million passengers and nearly 900, 000 tonnes of cargo. Its airline network is based in the United Kingdom, where 85% of its 47, 500 workforce is found.

The mission of the group is to deliver a service that matters for people who care how they fly. To welcome this, the company recognises the importance of working in partnership with its stakeholders. This has influenced its approach to business social responsibility. Its approach has also been influenced by the acknowledgment that airlines generate major social and economic benefits, but also have significant impacts on the environment (for example, noise and air quality) and on areas around airports. British Airways (2010)

## **3. 0 Findings**

### **3. 1 The External Environment**

#### **3. 1. 1 The general environment**

This represents the outer layer of the environment. These dimensions influence the organisation over time but often are not involved in day to day transactions with it. The dimensions of general environment include international, technological, sociocultural, economic and legal-political.

#### **3. 1. 2 The international dimension**

This dimension of the external environment represents events originating in foreign countries as well as opportunities for U. S companies in other countries. The international environment provides new competitors, customers, and suppliers and shapes social, technological, and economic trends, as well.

Today, every company including BA has to compete on a global basis. High quality, low priced automobiles from Japan and Korea have permanently changed the American automobile industry. In cell phones and handhelds, US based companies face stiff competition from Korea's Samsung, Finland's Nokia and Taiwan's High Tech Computer Corporation (HTC). For many US companies, such as Starbucks and Wal-mart, domestic markets have become saturated and the only potential for growth lies overseas. E-commerce organisations too are making international expansion a priority. The US share of worldwide e-commerce is falling as foreign companies' set-up their own e-commerce ventures. This is the case for BA where they have to compete with foreign airlines offering similar services. Kotter (1979)

The most dramatic change in the international environment in recent years is the shift of economic power to China and India. Together, these countries have the population, brainpower and dynamism to transform the twenty first century global economy. If things continue on the current track, analysts predict that India will overtake Germany as the world's third largest economy within three decades and that China would overtake the US as number 1 by mid century. In China, per capita income has tripled in a generation, and leaders are building the infrastructure for decades of expansion, as reflected in the country's hunger for raw materials. In 2005, China represented roughly 47 percent of the global cement consumption, 30 percent of coal and 26 percent of crude steel. No one can predict the future, but it is clear that however things in India and China shake out, US and other western firms have no choice but to pay attention. This could be an area BA could go into and grow. Daft (2009)

The global environment represents a complex, ever changing and uneven playing field compared with the domestic environment. Managers who are used to thinking only about the domestic environment must learn new rules to remain competitive. When operating globally, managers have to consider legal, political, sociocultural and economic factors not only in their home countries but in various other countries as well. For example, the rising consumer class in China and India plays a growing role in setting the standards for high tech products and services such as cell phones, multimedia gadgets and wireless web services.

### **3. 1. 3 The technological dimension**

This includes scientific and technological advancements in a specific industry as well as in society at large. In recent years, this dimension created massive changes for organisations in all industries. Twenty years ago, many organisations didn't even use desktop computers. Today, computer networks, internet access, handheld devices, videoconferencing capabilities, cell phones, fax machines and laptops and the minimum tools for doing business. A new generation of handhelds allows users to check their corporate email, daily calendars, business contacts and even customer orders from anywhere there's a wireless network. Cell phones can now switch seamlessly between cellular networks and corporate wifi connections. This dimension for BA is crucial as it uses new technology all the time to maximise efficiency. Daft (2009)

### **3. 1. 4 The economic dimension**

This represents the general economic health of the country or region in which the organisation operates. Consumer purchasing power, the unemployment rate, and interest rates are part of an organisations economic environment. Because organisations today are operating in a global environment, the economic dimension has become exceedingly complex and creates enormous uncertainty for managers. The economies of countries are more closely tied together now. For example, the early 2000's economic recession and the decline of consumer confidence in the US affected economies and organisations around the world. Similarly, economic problems in Asia and Europe had a tremendous impact on companies and the stock market in the US.

One significant recent trend in the economic environment is the frequency of mergers and acquisitions. Citibank and Travelers merged to form Citigroup, IBM purchased Pricewaterhouse Coopers Consulting, and Cingular acquired AT&T wireless. BA is also considering merging with a foreign airline to help get through the economic downturn. Cope (1998)

### **3. 1. 5 The legal-political dimension**

This includes government regulations at the local, state, and federal levels, as well as political activists designed to influence company behaviour. The US political system encourages capitalism, and the government tries not to over regulate business. However, government laws do specify rules of the game. The federal government influence organisations through various administrations and agencies. Many organisations also have to contend with government and legal issues in other countries. The European Union adopted environmental and consumer protection rules that are costing American companies hundreds of millions of dollars a year. Companies such as Hewlett Packard, Ford motor company and General Electric have to pick up the bill for recycling the products they sell in the EU, for example. Pressure groups also work within the legal political framework to influence companies to behave in socially responsible ways. This is area is changing all the time because of threat of global warming and the need for governments to do something, and so it affects BA. Daft (2009)

### **3. 1. 6 Task environment**

A corporation's scanning of the environment should include analyses of all relevant elements in the task environment. Managers need to consider the competitive environment, also referred to as the task environment or

industry environment. The profitability of the firm and the nature of competition in the industry are more directly influenced by developments in the competitive environment.

### **3. 1. 7 Industry Analysis**

Industry – group of firms producing a similar product or service. The firm interacts with a more specific environment, the industry. Four main components that exert influence on industry:

1. Suppliers
2. Competitors and potential substitutes
3. Potential entrants
4. Buyers

### **3. 1. 8 Competitors, potential substitutes and potential entrants**

The number of firms operating within the industry as well as the number of firms wishing to enter the industry is regulated by barriers to entry which determine continued participation in and/or exit from the industry. Some of the constraints are the rate of industry growth, the level of fixed costs, and the degree of differentiation. Potential competitors are not limited to firms considering to offer exactly the same or differentiated products or services, substitutes to the existing products and services are also a potential threat. Substitute products/services may co-exist with the present range of products and services or may render the present range obsolete.

### **3. 1. 9 Buyers and Suppliers**

The competitive situation of business firms is influenced by the nature of its transactions with its buyers and suppliers. Buyers exert their power in the industry when they force down prices, bargain for higher quality or more services, and play competitors against each other. Suppliers can exert bargaining power over participants in an industry by threatening to raise prices or reduce the quality of purchased goods or services. In addition, we usually think of suppliers as other firms. But labour has to be recognized as a supplier as well – one that exerts great power in many industries.

### **3. 2 The organisation**

#### **Environmental Uncertainty**

Organisations must manage environmental uncertainty to be effective.

Environmental characteristics that influence uncertainty are the number of factors that affect the organisation and the extent to which those factors change. When external factors change rapidly, the organisation experiences high uncertainty. Companies have to make an effort to adapt to the rapid changes in the environment.

#### **Adapting to the environment**

If an organisation faces increased uncertainty with respect to competition, customers, suppliers or government regulations managers can use several strategies to adapt to these changes, including boundary-spanning roles, interorganisational partnerships and mergers or joint ventures.



## **Boundary-spanning roles**

Boundary Spanning is concerned with the detection of information. It has two primary roles 1) to detect information and bring it into the organisation. 2) Send information into the environment presenting the company in a favourable light. There are two main sources of information 1) business intelligence which is information about the general environment. 2) Competitive Information which is information about an organizations competitors.

## **Interorganisational partnerships**

An increasingly popular strategy for adapting to the environment is to reduce boundaries and increase collaboration with other organisations. North American companies have typically worked alone, competing with one another, but an uncertain and interconnected global environment has changed that tendency. Companies are joining together to become more effective and to share scarce resources. Head to head competition among independent firms is giving way to networks of alliances that compete for business on a global basis.

## **Mergers and joint ventures**

A step beyond strategic partnerships is for companies to become involved in mergers or joint ventures to reduce environmental uncertainty. A frenzy of merger and acquisition activity both in the US and internationally in recent years is an attempt by organisations to cope with the tremendous volatility of the environment. A merger occurs when two or more organisations combine to become one. A joint venture involves a strategic alliance or program by two or more organisations. This usually occurs when a project is

<https://assignbuster.com/contemporary-issues-in-business-commerce-essay/>

too complex, expensive, or uncertain for one firm to handle alone. BA is considering a merger with a foreign airline to help cope with the economic uncertainty.

### **3.3 The Internal Environment: Corporate Culture**

Corporate culture refers to the shared values, attitudes, standards, and beliefs that characterize members of an organization and define its nature. Corporate culture is rooted in an organization's goals, strategies, structure, and approaches to labour. As such, it is an essential component in any business's ultimate success or failure. "[It] is an unwritten value-set that management communicates directly or indirectly that all employees know and work under," stated John O'Malley in Birmingham Business Journal. "It is the underlying soul and guiding force within an organization that creates attitude alliance, or employee loyalty. A winning corporate culture is the environmental keystone for maintaining the highest levels of employee satisfaction, customer loyalty, and profitability."

Every company has a culture, though not every culture is beneficial in helping a company reach its goals. A healthy corporate culture is one in which employees are encouraged to work together to ensure the success of the overall business. Developing and maintaining a healthy corporate culture can be particularly problematic for entrepreneurs, as the authoritarian practices that helped establish a small business often must be exchanged for participatory management strategies that allow it to grow.

## **An Increasing Emphasis on Culture**

Since the 1980s, several factors have led businesses to evaluate corporate culture alongside such traditional “hard” measures of corporate health as assets, revenues, profits, and shareholder return. One such factor is the transition from a manufacturing-based to a service-based economy, with the corresponding shift in emphasis from the quality of a material product to the quality of business relationships.

Another factor is the need for American businesses to compete in a global marketplace against international rivals whose corporate cultures are distinct but demonstrably effective. A related factor is the need for many businesses to successfully adapt to technological advances in the marketplace or acquisitions/mergers that require assimilation of previously separate business entities.

Corporate culture affects many areas of a firm’s operations. One broad area of corporate culture involves corporate citizenship—the company’s relationship to the larger environment. In this area, a company’s culture helps determine its overall ethics and attitude toward public service. A second broad area of corporate culture involves human resource management. A company’s culture affects a variety of human resource policies and practices, including the nature of interaction between managers and employees, the responsiveness to diversity issues in the workplace, and the availability of flextime and telecommuting options, safety and training programs, and health and recreation facilities. In a smoothly functioning organization, all such policies and practices foster an internally consistent corporate culture. Daft (2009)

### **3. 4 Environment and Culture**

In considering what cultural values are important for the organisation, managers consider the external environment as well as the company's strategy and goals. Studies suggest that the right fit between culture, strategy, and the environment is associated with four categories or types of culture. These categories are based on two dimensions: 1) the extent to which external environment requires flexibility or stability; and 2) the extent to which a company's strategic focus is internal or external. The four categories associated with these differences are adaptability, achievement, involvement and consistency.

The adaptability culture emerges in an environment that requires fast response and high risk decision making. Managers encourage values that support the company's ability to rapidly detect, interpret and translate signals from the environment into new behaviour responses. Employees have autonomy to make decisions and act freely to meet new needs and responsiveness to customers is highly valued.

The achievement culture is suited to organisations concerned with serving specific customers in the external environment but without the intense need for flexibility and rapid change. This results oriented culture values competitiveness, aggressiveness, personal initiative and willingness to long and hard to achieve results.

The involvement culture emphasizes an internal focus on the involvement and participation of employees to rapidly adapt to changing needs from the environment. This culture places high value on meeting the needs of

employees and the organisation may be characterised by a caring, family like atmosphere. Managers emphasize values such as cooperation, consideration of both employees and customers and avoiding status differences.

The final category of culture, the use of consistency culture, uses an internal focus and a consistency orientation for a stable environment. Following the rules and being thrifty are valued and culture supports and rewards a methodical, rational, orderly way of doing things. In today's fast changing world, few companies operate in a stable environment and most managers are shifting toward cultures that are more flexible and in tune with changes in the environment. Lewin (1989)

Each of these four categories of culture can be successful. In addition, organisations usually have values that fall into more than one category. This is the case for BA, who has values in all of the above.

## **4.0 Conclusion**

To conclude to this report, it has been evident that British Airways to take in consideration of several contemporary issues especially in the Environment and Corporate Culture. In other words, by BA becoming more adaptable to environment and culture it has and still is a booming success. After several failures, BA learnt its mistakes and overcome them. Today knowing the fact that BA, as a company, is one the leading corporate culture companies in the world. Moreover, BA can handle change and innovation extremely well. In other words BA is dealing with issues that are faced their way pretty well. However, there are a few issues that BA is up against such as implementing

change, not everyone is happy for change specially if they are comfortable with the old.

## 5. 0 References

ADAAG Regulation (September 2002) online ADA Accessibility Guidelines for Buildings and Facilities, available from: <http://www.access-board.gov/adaag/html/adaag.htm#4.33> [Accessed on 20/04/10]

“ Apple Store-Store List”. Apple Inc.. available from: <http://www.apple.com/retail/storelist/>. [Accessed on 16/04/10]

Bartol, KM, Martin, DC al et (2001) Management: A Pacific Rim Focus . 3rd ed. Roseville, NSW: Mc Graw-Hill Book Company, Pages 576-578

BBC (2010) What’s the BA dispute about? Available at: <http://news.bbc.co.uk/1/hi/business/8413529.stm> [Accessed: 14/09/10]

Business Week (2008), How Nokia Drive Innovation available from: [http://www.businessweek.com/globalbiz/content/apr2008/gb20080430\\_764271.htm](http://www.businessweek.com/globalbiz/content/apr2008/gb20080430_764271.htm) accessed on [15/04/10]

Business Week (2009) available from: [http://www.businessweek.com/magazine/content/09\\_16/b4127046256572.htm](http://www.businessweek.com/magazine/content/09_16/b4127046256572.htm) [Accessed on 15/04/10]

Business Week (2009) available from: [http://www.businessweek.com/magazine/content/09\\_16/b4127046256572.htm](http://www.businessweek.com/magazine/content/09_16/b4127046256572.htm) [Accessed on 15/04/10]

Burnes, B. (2004) Managing Change 4th edn. Harlow: FT Prentice Hall

<https://assignbuster.com/contemporary-issues-in-business-commerce-essay/>

Cope M. (2003) Seven Cs of Consulting. 2nd ed, Harlow: FT Prentice Hall

Daft, R. L. (2009) New Era of Management. Cengage.

Dictionary, Bnet, [2009] available from: <http://dictionary.bnet.com/definition/organizational+change.html> [Accessed on 15/04/10]

Dillion , A (1999) A study of Toyota production system., New York, Sheridan books.

Glenn Peoples, Nashville (April 21, 2010) available from: [http://www.billboard.](http://www.billboard.biz/bbbiz/content_display/industry/e3i4062457efae56fa395d3a162524485be)

billboard.

[biz/bbbiz/content\\_display/industry/e3i4062457efae56fa395d3a162524485be](http://www.billboard.biz/bbbiz/content_display/industry/e3i4062457efae56fa395d3a162524485be) [Accessed on 20/04/10]

Kotter, J & Schlesinger, L. (1979) ' Choosing Strategies for Change'. Harvard Business Review. 57(March). pp. 106-114

Laurie A. Fitzgerald, Frans M. van Eijnatten, (2002), " Chaos in organizational change", Journal of Organizational Change Management; Volume: 15 Issue: 4; 2002 Conceptual Paper

Lewin, K. (1951) Field Theory in Social Science. Harper.

MacRumors. January 27, 2010. Available from: <http://www.macrumors.com/2010/01/27/apple-tablet-media-event-today-come-see-our-latest-creation/>. [Accessed on 18/04/10]

Mary (2009) online Cosmoloan, International Economy, Markets, <http://www.cosmoloan.com/markets/how-the-recession-is-affecting-economies-around-the-world.html> , [Accessed on 13/04/10]

McKeown, Max (2008). *The Truth About Innovation*. London, UK: Prentice Hall. ISBN 0273719122.

Michael Arrington (April 2, 2010). “ The Unauthorized TechCrunch iPad Review”. TechCrunch. Available from: <http://techcrunch.com/2010/04/02/the-unauthorized-techcrunch-ipad-review/>. [Accessed on 02/04/10]

Michael Oryl (January 22, 2009), Mobile Burn News available from: <http://www.mobileburn.com/news.jsp?Id=6118> [Accessed on 20/04/10]

Paczkowski, John (2010). “ Initial iPad Demand Greater Than Initial iPhone Demand”. All Things Digital. available from: <http://digitaldaily.allthingsd.com/20100223/initial-ipad-demand-greater-than-initial-iphone-demand/>. [Accessed on 07/04/10].

Ronald Rosenberg, Globe Staff (October 29, 1998 ) online HighBeam Research, available from: <http://www.highbeam.com/doc/1P2-8503301.html> , [Accessed on: 15/04/10]

Saskin. M, and Burke. W. W, “ Organizational Development in the 1980s,” *General Management* 13(1987): 393-417: and Richard Beckhard, “ What is Organization Development?” In *Organisation Development and Transformation: Managing Effective Change*, 1st ed. Wendell. L. French, Cecil H. Bell jr, Zawacki (BurrRidge, IL: Irwin McGraw-Hill 2000): 97-115  
<https://assignbuster.com/contemporary-issues-in-business-commerce-essay/>



Shiny Shiny (2010) available from: [http://www.shinyshiny.tv/2010/03/apples\\_creative.html](http://www.shinyshiny.tv/2010/03/apples_creative.html) [Accessed on 28/04/10]

Stephen P. And Mary C. (1996) Management 5th, San Diego State University