

Essay on business environment

[Business](#), [Business Environment](#)



INTRODUCTION Business is an economic system in which provided goods and services are purchased and sold in attempt to make a profit. Businesses have objectives, and in order to meet these objectives they need to identify the internal and external influences on their stakeholders. Mothercare plc is a specialist retailer of mothers and children's products under the Mothercare and Early Learning Centre brands. It was first listed on the London Stock Exchange in 1972. The company operates in high streets as well as online, and also worldwide, through franchises in Africa, Europe, Far East and the Middle East, under 'Mothercare' brand name.

Mothercare has been transformed over the years, from a predominantly UK retailer into a global company. However, the company is aware of the big opportunities as well as the risks of global economy.

1. MISSION, VALUES, OBJECTIVES AND RESPONSIBILITIES OF AN ORGANISATION

1. MISSION, VALUES, OBJECTIVES AND STAKEHOLDER INFLUENCE ON MOTHERCARE

It is known that every organisation has its mission, which helps the organisation to meet its business objectives. Mothercare's mission is to meet the needs and aspirations of parents for their children, worldwide.

The group's objectives are: -to sustain high level of consumer satisfaction -to make Mothercare group become the world's leading specialist retailer of children's products -to increase growth -to increase sales

Stakeholders have different interests in an organisation. Some stakeholders' interests are in common with other stakeholders, and some others are in conflict. For example employees and shareholders' share interest is to see the organisation succeed. On the other hand, managers have interest in organisation's growth, but this might be at expense of short term profit.

However, current and future strategies of the organisation are affected by the external pressure (competitors, shareholders, customers, pressure groups, government), and the internal pressure (employees, managers, the organisation's commitments).

1. 2. ACHIEVEMENT OF STAKEHOLDERS' OBJECTIVES IN MOTHERCARE

An organisation tries hard and builds up strategies to meet the objectives. The key step for Mothercare in development to achieving their goals was the acquisition of the Early Learning Centre in 2007.

According to Mothercare, the group's aims will be achieved by -the best specialism of their staff (employees and management) -developing original own-brand products (Mothercare and ELC brands); and last but not least - their growth strategy

Since their acquisition of the ELC, the group's products have improved and the number has increased. Mothercare also operates online, worldwide, to meet all the customers' needs, and also to maximize the company's profit. Regarding the products, both Mothercare and ELC source products from around the world.

There are three main sourcing offices, in Shanghai, in Hong Kong and in Bangalore, through which Mothercare co-ordinates the sourcing of its products. Furthermore, there is their growth strategy, operating through four channels: - UK retailing -Direct -Wholesale -International franchise

UK retailing: The group's target since 2008 has been to increase the number of parenting centres in the UK to 120. To meet this target the group had to go through three phases, which involved closing more in-town lower profits stores, and opening more out-of-town parenting centres.

They achieved this in 2009/2010. Direct: Direct has had a rapid growth in the year. The development of online shopping in the UK has had an impact in the transformation of Mothercare retail. Wholesale: Wholesale is still small, according to Mothercare, but it also represents growth opportunity in the UK and globally. In February, Mothercare made a partnership with Boots, so they will supply childrenswear to Boots UK on a wholesale basis. International franchise: Mothercare holds two joint venture agreements in China and India.

This is the largest growth opportunity for Mothercare, and it is achieved by the strength of their brands, the unique network of their strong franchise partners and their state-of-the-arts logistic network.

1. 3. MOTHERCARE CORPORATE RESPONSIBILITY

There are four aspects to Mothercare's approach to Corporate Responsibility: Responsible sourcing is a programme about people and the environment. Their Responsible Sourcing Code covers 10 key areas:

- No forced labour
- Workers can choose to join a trade union
- Safe and hygienic working conditions
- No child labour
- Reasonable and fair wages
- Reasonable working hours
- No discrimination
- Regular employment
- No physical or verbal abuse
- Environmental protection

Environment: Mothercare recognizes that the products they sell have an environmental impact. The Greenshop on Mothercare website was launched to allow customers to find greener and more sustainable alternatives. This is their start, but the group knows they have more to do to strengthen their position in this area. Their aim is to extend their range of Organic, Fair trade, Forest Stewardship Council certified wood and recycled product.

Community: Mothercare's aim is helping parents, and Mothercare Group Foundation is one of the ways to helping the community. Its charitable

objectives are linked to the customers' and staff's interests: -ensuring good health and well being of mums-to-be, mothers and their children -special baby care needs and premature births -family well-being The group organises charity activities to support direct donations to the Foundation. Our people: Training and development is essential for Mothercare's future growth.

The group's relation with Norland College is a very good example of the quality of the training they provide to their staff. They also consult with their employees on a regular basis, to ask and find out their opinions, hopes, desires and concerns. Mothercare was voted one of the Top 20 Best Companies to work for, by their staff.

2. ECONOMIC, SOCIAL AND GLOBAL ECONOMY INFLUENCE ON ORGANISATIONS

2. 1. ECONOMIC SYSTEM AND EFFECTIVE ALLOCATION OF RESOURCES

By producing goods and services, a society aims to meet people's needs and wants.

This is known as an economic system. In any economic system, those who are willing to participate in the market place (individuals, businesses, government), are the ones who decide about production and consumption. From the countries' point of view, the production of goods and services is influenced by scarcity. This means that the government has to decide the allocation of limited resources among competing claims. Therefore, opportunity cost becomes primary. Organisations come across difficulties deciding how to best allocate these limited resources among the others.

First decision that all organisations, including Mothercare, are considering are: -what to produce -how to produce -for whom to produce There are three types of economies through which resources are allocated: •Free market economy where supply and demand and the ability to pay influence decision

making. Companies tend to produce goods and services which make profit.

- Command economy where resources are allocated and planned by the government. This means that individuals cannot choose what to produce and consume. However, society benefits of the goods and services produced.

Mixed economy is the type of economy that most countries adopt. In mixed economy, both government and private sectors control the allocation of resources. The UK falls into this type as well, but the allocation of resources in mixed economies is different from country to country. However, it is considered to be the most efficient type. In the UK the government organises and provides defence, roads, hospitals, schools, a legal system and other public goods, while private sectors have a higher level of efficiency in responding to customers' needs and wants.

2. IMPACT OF SOCIAL WELFARE AND INDUSTRIAL INITIATIVES ON ORGANISATIONS AND COMMUNITY

The government and organisations in the UK, including Mothercare, provide services which are thought to bring a real difference to the lives of the community. The social policy of the government aims to reduce poverty, to help society with needs for education, health, and social security. The government in the UK tries to meet these goals by providing social services to the community. Like all organisations, one of Mothercare's main responsibility is to look after the welfare of its own people.

In this way its employees would be able to care about the society. It is the duty of Mothercare to ensure the health, safety and welfare at work of all its employees. Mothercare Group Foundation is doing a really good job by helping families and children around the world through its donations. Most recent activities include donations supporting researches as Wellbeing of

Women (? 87, 000), The Stroke Association (? 41, 554), The Cambridge Baby Growth Study (? 90, 000) and also involved in many other charity works, helping mothers, families and children worldwide.

Industrial policy emphasizes cooperation between government, private sectors, banks and employees to strengthen national economy. Mothercare is a retail company, and retailing is one of the major economic sectors of the country. The government's aim is to raise productivity growth, and to narrow productivity gap, which applies to all economy sectors. Even though the cooperation between government and retailers has not always been very good, the government recognises the importance of retailers as employers and investors, and they deserve attention. 2. 3.

MACROECONOMIC POLICY INFLUENCE ON UK BASED ORGANISATIONS To improve the overall performance of the economy, and to achieve their objectives, governments intervene through their macroeconomic policies. Main strategies include: Fiscal policy which involves taxation, borrowing and the use of the government spending. Monetary policy which involves the relationship between the interest rates in the economy, so it can control the level and rate of growth of mass demand. The UK is one of the world's most globalised countries, and as such, it has been influenced in many ways by the global economy.

Mothercare, being a global company, is also faced with these factors:
*Political and legal environment - Mothercare exports and also has joint ventures abroad, including developing countries where the political and economical situation is usually less stable than in the UK. This means that the company has to monitor their local political situation very carefully. Both

legal and political environment changes, at home and abroad, can affect the company, so Mothercare aims to achieve a full understanding of these environments. Economic environment - The failure to react appropriately to economic environment changes is considered one of the highest risks affecting Mothercare's customers in the UK and international markets. This includes levels of unemployment, reduction of incomes caused by any contraction of the global economy, future tax increases, interest rate movement, and the ability of consumer credit. *Cultural/social environment - As most of the global companies, Mothercare's decision in what to produce is affected by the customers' demands worldwide.

Achieving this objective would mean gaining market share for Mothercare. *Technological environment has influenced the development of many products. According to Mothercare, any failure of distribution and IT strategies of the group, may restrict the ability to make products available in the stores network and Direct business, affecting sales and profit. There are other factors that affect Mothercare's production of goods and services, including birth rate fall in the UK, while people tend to live longer. This has made the company offer products targeted at older age groups. .

ORGANISATIONAL BEHAVIOUR STRATEGIES IN THE MARKET ENVIRONMENT 3.

1. DEVIATION OF MARKET STRUCTURES FROM PERFECT COMPETITION The market consists of buyers and sellers, and this increases the competition among organisations. Neither buyers nor sellers have much effect on the going market price. The Mothercare group is faced with the competition from other organisations that have the same product line, and also from

othersocial networkingsites (mumsnet. com) are targeting the same demographic as Gurgle. com, which is a part of the Mothercare group.

However, through its swot analysis, Mothercare has achieved a competitive advantage over others. Market structure types: -Monopoly: single seller/producer with considerable control over the prices. -Oligopoly: several large sellers with some control over the prices. -Perfect competition: many buyers and sellers, none having influence over the prices. -Monopolistic competition: many buyers and sellers trading over a range of prices. - Monopsony: single buyer on the market. -Duopoly: two sellers offering products of homogeneous character. Many factors lead organisations to deviate from competition.

It could be the absence of competitors; the restriction of other retailers to enter the market; competitors going out of business; other competitors not producing of homogeneous character products. Mothercare has to follow the market situations, gathering information about other retailers which are known as Mothercare's rivals (Tesco, Babies R Us, Asda, Mamas and Papas), in order to be able to compare with them. 3. 2. RELATIONSHIP BETWEEN MARKET FORCES AND ORGANISATIONAL RESPONSES Any company must understand the nature of its competitive environment, in order to establish appropriate strategies.

Porter identified five forces which impact the organisations' behaviour in a competitive market. These are known as the Porter's five forces analysis.

<http://alfrancobakerhughes.wordpress.com/2010/02/03/porter%E2%80%99s-five-forces-%E2%80%93-successful-marketing-strategy-2/>

Mothercare has many competitors, including Tesco and Babies R Us. The

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company establishes strategies to retain their competitive advantage. Their competitors offering substitute products only makes Mothercare improve their existing ones (for example making better pushchairs).

Like this Mothercare offers valuable products to their costumers, and customers get value for their money. 3. 3. MOTHERCARE STRATEGIES AND ROLE OF COMPETITION COMMISSION Mothercare is already a trusted brand and hopes to achieve a competitive advantage by creating a synergy between its shops, catalogue and its online site. The company has put the Web as its main strategy of winning and keeping customers. Mothercare has created a site that looks the same as their catalogue, to make it easier for the consumers to research for the products they need. Many retailers see multi-channel as a threat.

On the other hand Mothercare seems to be committed to getting its site, shops and catalogue together. Many analysts have argued that Mothercare is a trusted brand, and because of that its online operation has potential. The group's aim is to increase sale by reducing space. Offering their products online is a very good way of achieving this objective. The Competition Commission (CC) is an independent public body whose role is to ensure healthy competition between companies in the UK economy. It achieves this by investigating mergers, market and regulated sectors.

By investigating, the CC directs companies into taking certain actions to improve competition. However it can only investigate following a referral from another authority, usually the Office of Fair Trading, whose role is to make market efficient for the consumers. The CC operates under the guidance of the Enterprise Act 2002. 4. INTERNATIONAL TRADE AND EU

POLICIES 4. 1. IMPORTANCE OF INTERNATIONAL TRADE, ECONOMIC INTEGRATION AND GLOBAL MARKETS IN THE UK International trade is buying and selling products across national borders. Most of the producers try to profit from an expanded market.

The UK having a global economy deals with a lot of importing and exporting of products worldwide. International trade occurs for many reasons: -lower production costs in one region versus another -lack of natural resources - consumer demands -specialized industries Lower production costs are one of the most debatable components of international trade. To control this, the EU has put some restrictions on imports from some Asian countries. However, consumers are happy to take advantage of cheaper, imported goods. This does not stop certain brands of very good quality (Rolex, Scottish wool, etc. expanding in the world's market. Even though consumers like to pay less, they also recognize that some countries are better at producing certain goods, and are willing to support the importation of these products.

4. 2. TWO EU POLICIES INFLUENCING UK BUSINESS The UK is a member of the European Community, and as such has agreed to join with other members to achieve the objective of EU's trade policy to make the EU the most competitive economy in the world, by arranging imports from and exports to non-EU countries. These arrangements are decided through the Community's Common Commercial Policy.

The EU's trade policy therefore establishes common rates including a common custom tariff; a common import/export regime and liberalization, and instruments to protect trade. This means that any product entering the Community will be subject to the same tariff, regardless the port of entry.

Another policy that has an impact on the UK business is the EU's internet policy. The internet has become one of the most important ways of conducting business. It offers enormous possibilities to European companies, including the UK companies like Mothercare. Through e-technologies, Mothercare is growing in the international market.

But for the world to be better connected, the internet needs to go through many changes. Broadband gap policy seeks to bridge the gap of speed, quality, access and price in broadband between urban and rural areas, aiming to achieve high-speed internet coverage for all citizens as part of European Economic Recovery Plan. Thus more internet access to people, more customers to companies which will result in bigger growth.

4. 3. UK ECONOMIC IMPLICATION OF ENTRY INTO EMU

The EMU objective is the adoption of a single currency by its Member States. The UK negotiated an opt-out in this area.

However, according to the Chancellor of the time, there are five tests on the UK entry to the EMU:

- Convergence: are economic structures compatible so that the UK could live with euro interests in the long run?
- Flexibility: would there be enough flexibility to deal with the problems, if they occur?
- Financial services: would it affect the competitive position of the UK's financial services industry?
- Investment: would it stop firms investing in UK, or would it make better conditions for investment?
- Employment: would it increase unemployment, or increase jobs?

On the other hand, Britain has put forward some arguments against the EMU, which include:

- No guarantee that EMU will be a success, considering the facts that currency unions have collapsed in the past, which could lead to

economic stagnation and unemployment. -Possibility that EMU will not be sustainable. -Entry into EMU would mean a permanent transfer of domestic monetary autonomy to the ECB. -Poorer countries within the EU will need substantial fiscal transfer to reduce economic inequalities; UK might not be able to afford that. These are some points taken from the argument. Personally I could support both arguments.

It is true that joining the EMU would mean UK handing its most financial decisions to EU, but on the other hand, I think in order to have the advantages, UK should share the risks, too. CONCLUSION Mothercare has always shown a reliable commitment towards its stakeholders. For a business to achieve its goals, to retain competitive advantage, it needs appropriate stable corporate governance. Mothercare should focus on recognizing its responsibilities on its business environment, in order to prevent future problems, and in order to satisfy its employees and consumers and other stakeholders.