

Business environment essay sample

[Business](#), [Company](#)



Introduction

This report will explore the different categories of organisations that exist in the current market. It will identify the responsibilities of these organisations and compare them to others. It will also discuss how these organisations use certain components to meet their responsibilities when compared to others, and how this can affect organisational strategies. This report will also give examples of external and internal environmental analysis tools that can be used to assess an organisation, and examine the affects that stakeholders can have on a business. For the purpose of this report example case studies have been used throughout.

Categories of organisation

An organisation is an arrangement of people, pursuing common goals and achieving results. (Edexcel, HNC & HND Business. 2004). The Environment in which an organisation is surrounded can force key aspects onto a business, and the organisation must then respond to these. There are different types of organisations that meet different needs and can serve a variety of purposes.

. Public Limited companies are traded on a stock market, tend to be owned by a wide range of investors, and are usually set up for the interest of the public community. They are able to raise funds by selling shares to investors but this can often mean more responsibility to their shareholders.

Private Limited companies tend to be private individuals who have any number of shareholders that provide dividends. Sometimes it can be hard for

a Ltd company to get shares in an open market. The owners have limited liability meaning they are protected from debts on their personal belongings if a company was to suffer. (Edexcel, HNC & HND Business. 2004).

There are some exceptions to the public and private sector companies, an example of which is known as a Sole Trader. Sole Traders are single individuals who stand alone in the day to running of a business, this keeps costs minimal as there are no shareholders, however is a sole trader business was to fail the individual would be held personally responsible. Another exception is known as a Partnership, this is where 2 or more individuals form a business, it combines individual skills and knowledge for good business performance but again if a business was to fail they could be held personally responsible as there is no liability. Another is the voluntary sector which normally consists of charities gaining donations from organisations or individuals, they are non profit making and are very dependent on their supporters. (Worthington, I. Britton, C. 2009).

For the purpose of this report a case study that has been reviewed is Robertson Simpson Limited (hereinafter RSL). RSL are an established, limited, multi-disciplinary Chartered Surveying and Architectural practice based in the North East. They formed in 2002 and since then have rapidly expanded and now operate from offices in Gateshead, Sunderland and Stockton-on-Tees.

As a Ltd company RSL have responsibilities that they must adhere to, one being that they must submit yearly accounts to Companies House.

Companies House examines and stores company information delivered

under the Companies Act, their job is to make this information available to the public. At the business year end which is 31st May, RSL must finalise their accounts and report to Companies House, this must be done online by a certain date. If RSL did not abide to this rule then they could incur a fine. RSL must also submit a tax return to HMRC at the year end, the HMRC collects taxes from businesses on behalf of the government. RSL must offset the tax they have incorporated from the purchase ledger from the tax incorporated from the sales ledger and pay this to HMRC, again if this is done late then RSL could incur a fine. RSL also have responsibilities to governing bodies such as the RICS, and RIBA, as staff have achieved qualifications in these areas they must abide by their codes of practice, the codes of practice for these governing bodies are regularly printed and kept up to date.

Mission, Vision, Objectives of Organisations

An essential requirement for a meaningful strategic plan is the establishment of a set of goals and objectives for an organisation. According to John Harvey Jones (1988) “ The business that is not being purposely led in a clear direction which is understood by its people is not going to survive” (Martin, J. 2012). The main ways in which a business can communicate its direction are through Vision Statements, Mission Statements, Aims & objectives, and Social responsibility policies (CSR).

Vision statements are a future state of the business, they set out the strategic intentions of an organisation, and are normally internal. Whereas Mission statements can be used as a public relations tool and outlines the role that a business aims to fulfil. (Campbell, D. Craig, T. (2008).

RSL's mission statement reads 'Robertson Simpson Limited aims to become the leading independent multi-disciplinary surveying and architectural practice in the North of England, whilst increasing the services it provides for its corporate clients on a national basis'. (RSL, 2012). This is there motivate and inspire staff, is used as an external body and sets out what RSL intends to do.

RSL's vision, which can be found in their company brochure, (See Appendix A), describes how they are distinct from other companies. Some of these are the extensive geographic coverage that they have in the UK, and the level of expertise available.

A case study of a public organisation that can be compared to RSL is Christie Group Plc, they offer a portfolio of professional business services for the leisure, retail and care sectors. They operate predominately in the United Kingdom, Continental Europe and the Middle East but also in other parts of the world. Their vision reads 'we continue to flourish as a business services group serving the needs of predominantly European clients'. This differs to the vision of RSL as they only strive to provide for clients within the UK, offering a personal service each time. Christie Group Plc's objectives are to build on their substantial strengths and successes in their chosen sectors. This is similar to RSL in that they both offer high expertise in their chosen areas of business. (Global 3 Digital, 2012).

All organisations have objectives for measuring the performance of their organisation, these are the key elements for the organisations success. (Campbell, D. Craig, T. (2008). These objectives can be split into primary

objectives and secondary objectives. A primary objective of a business could be to continue to exist, or simply survive in the current market, whereas a secondary objective may concern customer service or product quality. The objectives of private and public companies can differ, such as RSL's objectives are to provide the highest quality of a personal service that is affordable, they offer their services at a lower cost compared to private sector competitors. Whereas Christie Group Plc's main objective reads. " The Directors are committed to delivering high standards of corporate governance to the Company's shareholders and other stakeholders including employees, suppliers and the wider community". (Christie group plc, 2012). This involves satisfying stakeholders needs and gaining market power. An organisation can analyse their business objectives by using what is known as a SMART chart, they need to categorise their objectives as Specific, Measurable, Achievable, Realistic, and Time bounded (SMART). (Martin, J. 2012).

Strategy

" Managers should think constantly about how to apply and refine strategy, rather than see it as something to be planned in advance and implemented inflexibly". (Witzel, M. 2012). The strategy of a business can be split into Corporate, Business, and Functional Strategy. Corporate Strategy decisions for a business will take into account how to manage the relationships between different businesses. Business Strategy decisions involve the mission of a business and sets out the way an organisation will compete in

its current market. Functional Strategy decisions involve managing resources and sets out roles that will contribute to the strategic decisions of a business.

There are three different approaches to strategy and these consist of, The Design Lens approach which is a rational way of thinking involving careful analysis and planning. The Experience Lens approach, which involves strategies developing as an outcome of people's experience, assumptions and culture and is also known as an incremental approach. The Ideas Lens approach which involves variety and diversity which exists in and around organisations, also known as the Emergent approach.

In 2012 during the economic downturn RSL's strategy was to expand their company and incorporate a new office based in Gateshead. This had a significant impact on RSL as they then became an established company in different areas of the North East. Another company that grew their business during a recession was Arc Steel Limited (formerly known as Agri-Fab Engineering Services Ltd). Owned by entrepreneur Jamie Doak and located in Perthshire, they have almost doubled their turnover in 2008 and are set to hit the one million mark in the current financial year. It is said that they achieved this by always setting a financial budget as this helps a business to set goals and measure progress, and to always keep on top of debtors. (Doak, J. 2012).

For the purpose of this report a case study that has been looked at is SCS Ltd. SCS Ltd are a leading sofa and other associated home furnishing retail company, they have over 100 stores based in the UK and rely heavily on branding and advertising to market their products. In their attempt to attract

business and continue to be recognised as a well known home furnishing provider, their business strategy was to update all of their van livery with brand new logos. (See appendix B). They have also erected new signage to most of their local stores. As SCS rely heavily on press and television advertising they need to maintain their branding to the highest possible level. (SCS Marketing Dept. 2012).

Stakeholders

A stakeholder is any person or any party that has an interest or is affected by the success of an organisation. Stakeholders can be Internal such as management, or staff, they can be Connected such as shareholders, and suppliers; and they can be External Stakeholders such as the government. (Edexcel, HNC & HND Business. 2004).

All organisations have responsibilities to their stakeholders, once the stakeholders are identified then stakeholder's needs can be considered. An organisation can then move forward with strategies, systems, and processes that can be put in place for what needs to be achieved. Ways in which a business can do this is by conducting a Stakeholder Analysis.

When a Stakeholder of the Management Department of RSL was conducted (see Appendix C) it can be seen that all stakeholders have a high impact on the department, due to the fact they are so closely interlinked as one person's duties rely on another. Most stakeholders are internal and any external stakeholders are the responsibility of the Director or Management Surveyor to control. The management strategies of all stakeholders are

regular update meetings, again showing that they are all closely interlinked and all can influence each other. The risks that are apparent from conducting this analysis are that there are some internal concerns on training; processes being put in place in order to manage workload. The stakeholder with the most influence on the department would be the Client, as they supply the business contracts to RSL, effectively keeping the department running.

Business Ethics & Corporate Social Responsibility (CSR)

Business Ethics are moral principles that guide the way a business behaves. It involves adopting a morale code and identifying what is right and what is wrong. Ethics in organisations relate to issues of social responsibility and exist at three levels. The macro level where the role of the business in society is involved, the corporate level where the issue is focused on implementing strategies and the individual level which concerns the behaviour of employees of a business. (Edexcel, HNC & HND Business. 2004). RSL as an organisation has what is known as a code of conduct which defines a set of rules for the way in which individuals should behave in the workplace, an example of one of these rules is to treat others as you would expect to be treated.

Corporate Social Responsibility can be defined as the obligations that an organisation has towards the people and the environment. RSL as a small limited company has the responsibility of providing a quality service to its customers in order to gain more reputable business and in turn to profit the shareholders. It can be seen from the stakeholder analysis that was conducted on SCS (See Appendix D), as a larger company their main

responsibility is to their shareholders as they are legally bound to supply profit. Many organisations strive to have a meaningful stakeholder economy, but their attempts can often fail as their main responsibility will always be to their shareholders and stakeholders.

SWOT Analysis Tool

There are a number of strategic planning tools that can assist organisations in keeping up with their environment. One of these tools that can be used is known as SWOT (Strengths, weaknesses, opportunities, and threats), this tools can analyse the internal and external environment that affect a business. (Campbell, D. Craig, T. (2008).

When conducting a SWOT Analysis of RSL (see appendix E), it can be seen that one of their main strengths is they do not need to rely on external funding, they have a constant cash flow running through the business, this enables them to pay their overheads throughout the financial year, such as staff payroll and rent.

In comparison when looking at a company that relies fully on income expenditure from a bank, such as Greywolfe Ltd, this can have a significant effect on whether a business can survive throughout a financial year.

Greywolfe Ltd, a former tenant of RSL, ran a textile merchant business from an office in Gateshead. Their company was seasonal, meaning that their business would surge in different periods throughout the year. They relied on a Bank roll for the rest of the year, meaning that the bank would fund them for these quieter periods adding interest each time. Unfortunately they

suffered a bad selling period and could not afford to pay the interest back to the bank, the business began to fail as a result of this. (Robertson, A. 2012).

When looking at the SWOT Analysis of RSL (see appendix E), it can be seen that the largest threat to RSL was the director leaving the company. As the director had minor shares in the company it may be hard for RSL to find another buyer for these shares, they also may be at risk as the current office based in Sunderland has no manager which may mean a reshuffle amongst staff and may cause disruption; this could also lead to some client base being lost. (Robertson, M. 2012).

PESTLE Analysis Tool

There are many factors in the macro-environment that will affect the decisions of a manager of any organisation. A way of doing this is by using a PESTLE Analysis, PESTLE is a forward thinking external analysis made up of Political, Economic, Technological, Social, Legal, and Environmental factors that an organisation must take into account.

When a PESTLE Analysis of RSL was conducted (See Appendix F), one of the main Political factors that was found to affect the business was the Local Government increasing Business Rates on both occupied and vacant properties. This has resulted in tenants paying higher bills, and also, as RSL's tenants (Grewolfe Limited) vacated in early 2012; this means they will have to pay a higher relief for their currently vacant office unit. It could also be seen that the main Legal issue that affected RSL is the Health & Safety Risk assessments laws that are currently in place, RSL must ensure that all of

their managed properties have regular risk assessments carried out on the buildings or they could incur a fine.

Some other factors that can affect a company can be seen from a PESTLE Analysis that was carried out on SCS Ltd. One Environmental issue is the new recycling and trade waste laws, this affects SCS due to the plastic and polythene that their products are wrapped in for delivery, they resolve this by outsourcing all of their trade waste to Biffa who are a national trade waste collection company. Another Technological factor is the use of instant messaging to communicate with their customers about new products, up until 6 months ago SCS were not currently doing this, and to keep up with their competitors they needed to improve this facility.

Conclusion

This report has explored the different categories of organisations and how they use components to design their company strategy. It can be seen from looking at organisations such as RSL and Christie Group Plc that all of these components that have been discussed are vital for any business, but they must be relevant and appropriate to that specific business and what they wish to achieve. This report has also explained the purpose of company strategy for a business and compared strategies, it can be seen when comparing the strategy of RSL to that of SCS, that organisational strategy again changes for different types of companies, SCS are reliant on branding and marketing, whereas RSL are reliant on good client base.

A stakeholder analysis comparison has been conducted and it can be seen that stakeholders can often be powerless. It is often thought that shareholders have the power and by looking at SCS's Stakeholder Analysis, it can be seen that stakeholders are often only there to make shareholders a reasonable profit. Both Internal and external analysis tools have been evaluated in this report, and it can be seen from doing so that managers need to assess which factors within their organisation and which factors of their external environment are most likely to change, and which ones will have the greatest impact on them.

Bibliography

Asimov, I. (2004) [Online] Available at: http://www.thephoenixprinciple.com/quotes/2004/11/isaac_asimov_th.html (Accessed 20th March 2012)

Beckford, S. (2012) 'Here's how I ensure our business complies with environmental legislation', Business Link, [Online] Available at: (Accessed 09th March 2012).

Campbell, D. Craig, T. (2008) Organisations and the business environment. 2nd Edn. Oxford: Butterworth-Heinemann.

Christie group plc. (2012) [Online] Available at: <http://www.christiegroup.com/cgroup/en/about/overview/> (Accessed 21st March 2012).

Companies house. gov. (2012) [Online] Available at: <http://www.companieshouse.gov.uk/about/functionsHistory.shtml> (Accessed 13th March 2012)

<https://assignbuster.com/business-environment-essay-sample/>

Creditriskmonitor. (2012) [Online] Available at: <http://www.crmz.com/Report/ReportPreview.asp?BusinessId=5486247> (Accessed 2-th March 2012).

Doak, J. (2012) 'Here's how I grew my business during a recession', Business Link, [Online] Available at: http://www.businesslink.gov.uk/bdotg/action/findContentBank?bank=CASE_STUDIES (Accessed 08th March 2012).

Edexcel HNC & HND Business. (2004) Business environment supporting foundation degrees. 1st Edn. London: BPP Professional Education.

Eselgroth, Z. (2012) 'Here's how I implemented an environmental management system', Business Link, [Online] Available at: http://www.businesslink.gov.uk/bdotg/action/findContentBank?bank=CASE_STUDIES (Accessed 08th March 2012).

HMRC. gov (2012) [Online] Available at: <http://www.hmrc.gov.uk/thelibrary/> (Accessed 14th March 2012).

Marketing Dept. (2012) Brand investment van livery. Sunderland: SCS Ltd.

Martin, J. (2012) Week 1 'Business Environment' Powerpoint Presentation. [Online] Available at: <http://moodle.citysun.ac.uk> (Accessed 7th March 2012).

Oxford university press (2007) PESTEL analysis of the macro-environment [Online] Available at: http://www.oup.com/uk/orc/bin/9780199296378/01student/additional/page_12.htm

<https://assignbuster.com/business-environment-essay-sample/>

Robertson, A. (2012) Discussion with Alison Robertson, 14th March 2012.

Robertson, M. (2012) Discussion with Mark Robertson, 14th March 2012.

Robertson, M. (2012) Providing excellence. Gateshead: Robertson Simpson Limited.

SCS Ltd (2012) Annual accounts report. [Online] Available at: <http://wck2.companieshouse.gov.uk/ec5d0ae51c812877824389896bae8db3/wcframe?name=accessCompanyInfo> (Accessed 21st March 2012).

Turnbull, R. FD (2012) Email to Lauren Turnbull, 15th March 2012.

Witzel, M. (2012) ' Strategic thinking the organic way, Issue 196, Feb 2012', ICAEW, [Online] Available at: <http://www.icaew.com/en/technical/business-and-financial-management/business-strategy/general-strategy/strategic-thinking-the-organic-way> (Accessed 08th March 2012).

Witzel, M. (2012) ' Strategy and leadership, Issue 192, Oct 2011', ICAEW, [Online] Available at: <http://www.icaew.com/en/technical/business-and-financial-management/business-strategy/general-strategy/strategic-and-leadership> (Accessed 09th March 2012).

Worthington, I. Britton, C. (2009) The business environment. 6th Edn. Essex: Prentice Hall.

Appendix A – RSL'S Vision

Robertson, M. (2012) Providing excellence. Gateshead: Robertson Simpson Limited.

<https://assignbuster.com/business-environment-essay-sample/>

Appendix B – SCS Branding

Marketing Dept. (2012) Brand investment van livery. Sunderland: SCS Ltd

Appendix C – RSL – Stakeholder Analysis

Appendix D – SCS Stakeholder Analysis

Appendix E – SWOT Analysis of RSL

Strengths

- * Constantly changing with the growing environments needs
- * Constant flow of income & expenditure – do not require funding
- * New computer systems being put in place
- * Broad range of services
- * Personal professional service
- * Hard working staff
- * Positive client base
- * In house I. T. support department
- * Introducing training programmes
- * Many graduate jobs available
- * Some good working relationships amongst staff
- * Highly skilled staff
- * Low staff turnover

Weaknesses

- * Poor communication between departments
- * No consistent process as constantly changing

- * Low morale when changes are implemented with no say
- * Some poor working relationships
- * Poor management systems
- * Now only 1 director after other has resigned
- * Tenants of current office have gone bankrupt and vacated

Opportunities

- * To gain more clients through current positive client base
- * Larger companies needing services as offer lower hourly rates (referrals)
- * Collaborating with companies (investing)
- * Entertain clients at football games (networking opportunities)
- * More training for staff

Threats

- * One director has recently left the company
- * Larger companies being able to produce better reports as more funding to spend on software
- * Other small Ltd companies (Competitors)
- * Tenants vacating
- * Fully trained staff leaving for other companies

Appendix F – PESTLE Analysis of RSL

Political Environment

- * Local Government applying higher Business Rates to properties.
- * Local Government applying higher Business Rates to vacant properties.

- * VAT rising – confusion in payment of invoices.
- * Cost of tuition fees rising – RSL reluctant to help employees with these fees.

Economic Environment

- * Inflation – may provoke higher wage demands from employees and raise costs
- * Taxation – Cost of products rising, cost of RSL services needing to be revised.
- * Interest rates rising – Bank charging more for people to borrow money for property, causing RSL management department to have less landlords offering business.

Social Environment

- * Ageing Population – increased costs for RSL as they are committed to pension payments for their employees.
- * Attitudes towards work.
- * Social Networking – becoming more popular method of making business.

Technological Environment

- * Use of CAD (Computer Aided Design) within architectural department but no other.
- * Own ‘ In House’ I. T. Technicians.
- * Incorporating document management system.

Legal Environment

* Health & Safety Law – Risk Assessments / H & S Assessments / DDA Audits
– RSL must ensure all are carried out and kept up to date on managed properties in accordance with current legislation. * Government policy on Tuition Fees.

* Landlords and Tenants Covenants Act (1995).

* Planning Permission Policies – RSL’s properties for sale / to let may require planning permission before sold for particular use. Can be lengthy and can put potential occupiers off a sale.

Environmental Environment

* Health & Safety Law – Risk Assessments / H & S Assessments / DDA Audits
– RSL must ensure all are carried out and kept up to date on managed properties in accordance with current legislation. * Trade Waste collection – RSL must arrange for trade waste to be collected at all managed properties to comply with current legislation. * Energy use at managed properties