

Example of essay on pros and cons

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



Management Issues for Global Family Business

Business definition

Loupacle is a company located in Luanda in Angola and operates in several sections. The company is divided into several departments with each department making different sale such as construction materials, IT, food sector department that has several restaurants. Loupacle Company is a private company with the owners being from one family that makes it a family business. In addition to participating in the relevant industry, Loupacle Company also offers health care services and job training to its employees.

A family business is owned and in most cases managed by members of a single family. The employees of the company are recruited by one or a group of the family members and in many instances a great percentage is taken by either the family members themselves or relatives and friends. Family businesses are therefore associated with some benefits that come up with shortcomings

Pros

Family members have full support to one another that makes the business run smoothly. The goals that are generated are almost similar and thus it is very easy to term them to common goals and formulate the company's objectives. Respect and care among the shareholders ensures solidarity and teamwork in the company as well as trust and shared values as these people willingly offer sacrifices for their business.

The work schedule is less rigid and the workers make a choice of working hours and when to have leisure. This is achieved when the business is

entirely managed by the family members with minimal or non-family employee. Fair judgments are made on mistakes and work related decisions are made in a tolerant manner that provides encouragement to the employees.

Cons

A major shortcoming of family business is the family conflicts that in most cases result from businesses. These conflicts might result from inheriting the property where the right share of inheritance was not defined. Moreover personal development might be hindered as working on personal issues could be viewed by other family members evading family business responsibilities.

Promotion might be done on the rate of relationship rather than competence in a particular field. It's a normal activity to offer support to a weak family member and this means assigning ever idle family member a job even if he lacks the necessary skills. These results to poor performance and can lead to collapse of the business.

Family business background

Family businesses are businesses formed by the family member. Formulation of a family business occurs as a result of family members agreeing upon some interests. Studies have shown that family business depends on the life of the family, tradition and parental background. Moreover financial status of the family and business experience by one or several; members of the family are also critical factors influencing an onset of family business.

Family life is a critical issue in determining the start of a business with a lot

of new ventures being related to entire life experience of the family members (Steier 2007). Family members must be very supportive and this calls for a great positive relationship between the family members for the success of the business (Mathew et al. 2009). Moreover the tradition and the living habits of family members are a great consideration in starting and the succeeding in a family business. A successful business would only be achieved in a family that believes in business and have a culture that does not have a negative perspective in business.

The background of a family can act as a motivator or de-motivator of family businesses creations. Studies have shown that a son of a successful businessman will definitely be interested in business and rarely becomes an employee (Hundley 2006). New venture creation is tactic that is created very young age and thus the environment in which one is raised brings about his career. In addition to morals and teachings that a child gets from the parent about business, the experience of the parent or any other family member motivates the child to start up business with them. Succession activities and work experience that is gained from working in parents enterprise can also make family members to join hands and hold shares in the company (Johannisson 2011)

The start of any business requires financial capital and family business are no exemption. Availability of finances makes the family business kick off, Aldrich and Cliff (2003) argue that the richness of the family contribute a lot to the activities that a family business can perform.

Macro environment for the family business in Angola

Angola is a third world country that is in the developing stage. Therefore the economic, social, political and technological issues that affect business are still at low levels as compared to the developed countries. Despite the fact that competition is low for the Loupacle Company, the expected returns are also low with high risk involvement.

PEST analysis

Political

Although Angola is a republic that after attaining independence in 1975 from Portugal adopted a democratic government system, the political sector has been unstable for many years thus making the environment unfavorable for business operations. However after the 2010 election that was certified by many international agents as free and fair, the political arena stabilized and brought about peace. With this happening Loupacle Company has managed to improve its productions. The restaurants no longer face looting and the construction materials and services have gained demand as individuals have settled. The education system has been improved by the onset of the new constitution and these have created skilled labor which was a large challenge to business firms

The laws of Angola are made to advocate for free markets a slight modification of the Portugal law system. A company is treated as a legal entity and has to register their memorandum of account from which it becomes eligible for taxation as well as has acquiring the right to borrow and invest. To facilitate foreign investment the government has segmented their cities into three zones and made different tax systems for the three. In the first zone tax

improvement is done after 15 years while in the second and third region the redemption is done in 12 and 8 years respectively.

Economic

The economic growth in Angola has been improving and these have created challenging moment for the business as well a tough business environment. Several rules have been in the country to protect consumers from exploitation an issue that leaves the business people with minimum profits. The Loupacle Company has foreseen these and set some strategies. The expansion of the company's business to restaurants is made to accommodate any losses that could result from the IT system.

With a rapidly growing GDP the climate for any business has been favored. Most of the earnings are used by the government for growth of the nation. These efforts have been made to improve the per capita income in addition to reducing crime and insecurity through increased government spending. Moreover the kwanza has been appreciating and assuring stability against the other currencies. The Foreign Direct Investment is enabled in Angola and has played a vital role in improving its economy. Inflow of investments as a result of FDI has maintained stable currency but the inflation rates have been alarming.

Natural existence of oil in Angola has made it a cheap commodity reducing operating costs for that machinery that requires oil as a fuel. Transport is cheaper as compared to other countries and its export makes the Angolan kwanza be readily convertible to other currencies. These facilitate external trade and as well as increasing profits majorly for the construction sector of the Loupacle company

Social

Being a developing country, Angola has an optimal population with majority being of the medium age that is between fifteen and sixty four (55%). Due to poor medical and health care services the mortality rate is still high 2.4% but it is overcome by the high birthrate of 5% that yields a population growth rate of about 2.5%. This population is very productive and the dependence ratio is low thus it enables the growth of nation. Moreover the literate group is higher than a half of the population with about 80% of the educated being men which shines light to the future state of the nation. This has been attained by the high government spending on the education.

Technology

The technology of Angola has recently been growing very fast due to the presence of power and fuel. The ICT sector has shown fast growth and communication made very efficient. There are several telecom operators that create competition in the It sector and thus encouraging the Loupacle company improve its IT output. Moreover the competition in internet provision improves the quality of internet provided that enables flow of information among companies department. In addition to the state-owned telecom other mobile network and internet providers are in operation together with implementation of new technologies such as the submarine cable to boost the coastal cities.

The transport system is still not to the world's current standard and thus can be termed as low. Having 39 airports and some kilometers of railway in is not sufficient for current development. The water transport system is reliable with six merchant moraine but all of them are foreign investment. Moreover

roads need to be improved and no company has stepped forward to facilitating the improvement of transport system.

Porter's 5 forces

According to Porter there are five forces that control the power of competition any business has and Loupacle is not an exemption. These forces include the supplier power, buyer power, and competitive rivalry, threat of substitution and threat of entry. These forces can either favor a business or affect it they are discussed in details below.

Supplier power

The Loupacle Company trades in different industries with each industry having different suppliers. Since suppliers can influence productivity by altering input prices Loupacle monitors all the risks involved. In the construction sector the supply side is powerless since most of the equipment's are imported and there are a variety of suppliers in the global market. However the IT section faces a great challenge as the internet service providers are limited.

Buyer power

The number of customer's increases the competitive power of the company and this is why many business entities strive to acquire a large market share. Loupacle Company has diversified its operations by operating construction services as well as IT technology and restaurants. This enables it to have a wide range of customers and increasing the quality of goods and services dealt with raises the cost of switching from consuming Loupacle to those of competitors.

Competition Rivalry

Competition is stiff in the Luanda as many businesses that produce goods similar to Loupacle have been established and thus the competitive power is actually low. However the many services that is offered in the name and branding of the Loupacle Company makes it enjoy some sense of monopoly to some customers.

Threat of substitution

The goods and services that the company offers are easily substituted. For example the use of restaurants that operate manually can be improved automating the request system. With improved technology and communication new inventors can come up with online ordering and payments and thus the company is experiencing a threat.

Threat of new Entry

Entering the foodstuff industry is quite easy as opening a restaurant requires very little capital. However Loupacle Company has an advantage on the other sectors such as the construction and IT section where the initial cost outlay is very high hence scaring other potential investors.

SWOT Analysis

It's important for any business to look at the internal and external environment to facilitate future planning. This is necessary since the success of a business comes from capitalizing strength while reducing the weaknesses in the internal environment as well as taking opportunities while overcoming threats. The SWOT analysis for Loupacle Company was done and the following obtained.

Strengths

Direct customer relation since sales are made directly to the consumer

Enjoys economies of scale and thus can maintain low prices.

Weaknesses

High cost of re investment

There are no proper records for top customers

Opportunities

The market can be expanded to other towns to enlarge market.

Having updated ICT technology the advertising costs are very low and these can be used to reduce operation costs.

Threats

Some companies such as Looker Mar have stronger brand names in the restaurant industry

Company life cycle

The life cycle of a business is the numerous stages of development that a business undergoes. Businesses starts its operations and at the incorporation stage where production and sales are low, then the initial growing stage where sales increase ant an increasing rate. Then the businesses expand its production and later at maturity sales start declining when consumers taste and preference on the products changes. The company should be aware of these stages and try to strategize on the declining session, coming up with ways in which to retain consumers.

System theory model of family business

In this theory, Bowen argues that the behavior of family members is interrelated and any changes made affect the whole family system. Different

individuals have different roles to play in a family according to set rules of the community and thus in business it might also not be eligible for some individuals be at a higher rank than others regardless of the professional qualification. Moreover, in case of conflict between two members, triangulation supports that a third person would be involved and thus expanding the issue.

Stewardship theory

This theory states that managers act on their self-interest and make policies that favor them neglecting the shareholders. Therefore for the success of a business the shareholders are supposed to be involved in decision making. Moreover if managers are different from owners then monitoring is necessary.

Methods and collection

Data for our project will be collected from secondary source in books and journals to get the demanded areas and strategies necessary to maintain the company in business. Direct interviews, questionnaires will be used to collect data about the site, type of products and the consumer taste for the already existing products.

Conclusion

The project was aimed at providing services to citizens in Angola as well as filling market gap. On the side of the investor, I the family expect to generate income that can be used to facilitate daily family requirements as well as saving for future generation. After the project is invented, unity among family members would be improved as the family works together to

achieve set objectives.

.

References

Donaldson, L., Davis, J. H., & Australian Graduate School of Management.

(2007). CEO governance and shareholder returns: Agency theory or stewardship theory. Kensington [N. S. W.: Australian graduate School of Management, University of New South wales.

Johannisson, K. (2011). Istoriâmelankholii: O strakhe, skuke i chuvstvitel'nosti v prezhnievremena i teper'. Moskva:

Novoeliteraturnoeobozrenie

Kerr, M. E., & Bowen, M. (2005). Family evaluation: An approach based on Bowen theory. New York: Norton

Mathew, K. M., & Mathew, M. (2009). Manorama yearbook, 2009. Kottayam: MalayalaManorama Co

Porter, M. E. (2008). On competition. Boston, MA: Harvard Business School Pub.

Steier, E. (2007). The living dawn of the night of the goth scouts: Cartoons. S. l: s. n.

Taft, C., Hundley, E., & UCLA Hammer Museum of Art and Cultural Center. (2006). Elliott Hundley. Los Angeles: UCLA Hammer Museum.