

# Sm prime holdings essay



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### **Introduction**

Organizations are dynamic presents. One ground for this is the complexness of the environment they belong to and the demand to constantly respond to this elaborateness. Environment consists of assorted factors that affect how organisation operates. These constituents include both internal and external factors that can either do or interrupt the company ' s success. In add-on to this, they have to respond to assorted tendencies in which they are capable, for illustration the emerging environmental consciousness of the populace. To set all of these into position, one company will be used to exemplify how these factors influence the operations of the company.

SM Prime Holdings ( SMPH ) is the mall operations arm of SM Investments Corporation which is today ' s one of the Philippines ' biggest pudding stones, busying a dominant place in most of its lines of concern, viz. shopping promenades ; retail selling ; banking and finance ; and belongings. It all started with a simple vision of its laminitis and president, Mr. Henry Sy, to sell places to every Filipino ( SMIC, 2009 ) .

Today, SMPH is the Philippines ' largest promenade operator that owns and runs world-class promenades over the state, supplying 1000000s of square metres of floor country for a to the full incorporate shopping, dining, and amusement experience ( SMIC, 2009 ) . Furthermore, it manages the parking country and the amusement installations of the promenade such as SM Cinemas, SM Ice Skating and SM Science Discovery Center.

As of December 2008, there are 36 SMPH promenades - 33 here in the Philippines and 3 in China - and this twelvemonth it is expected that three new SM promenades are opening. By the terminal of 2009 the entire gross floor country ( GFA ) of all SM promenades would number to 4. 5 million square metres, a 5 % addition from 2008 ' s GFA. Above all, SMPH recorded a good fiscal public presentation twelvemonth last twelvemonth as it delivered a seven per centum addition in net net income to Php6. 4 billion, from a 12 % growing in grosss deserving Php17. 8 billion ( SMPH, 2008 ) .

### **Overview of the Internal Environment**

Every organisation differs from one another. Each has its ain alone features that contribute to the over-all success of the company. These alone features are frequently called the internal environment, which is composed of elements within the organisation. These elements include employees, direction, and corporate civilization ( Cliffs Notes, 2009 ) . Out of all of these elements, there are two typical properties that are critical to a company and these are its construction and civilization. These two provides background on how the company operates.

### **SMPH ' s Internal Environment**

For SMPH, understanding how their internal construction and civilization operates allows them to form, to take advantage of their strengths, to better their failings, and to develop an environment that breeds and encourages success among its employees ( Organizational Culture 101, 2007 ) .

Furthermore the success of the whole SM Group is attributed to its laminitis, Mr. Sy, whose finding and passion is considered exceeding. His influence has

remained strong and seeable both in its organisational construction and civilization.

### Organizational Structure

Harmonizing to Drucker it is the right design of construction which is of the most important in finding organisational public presentation ( Mullins, 2005. p. 597 ) . In SMPH, they made sure that the construction is chiseled so that it will decrease confusion for their employees as it limits and controls what they do, for the organisation is structured about high degrees of formalisation and specialisation. Besides the company has a rigorous attachment to concatenation of bid that helps employees to place their place in the company. Last, it is extremely centralized wherein all determinations have to be made by higher ranking functionaries ( Robbins, 2003, p. 575 ) . In other words, the organisational construction of SMPH describes the direction doctrine of Mr. Sy which is conservative yet with all right tuned inherent aptitudes.

### Organizational Culture

Like every person, organisations besides have their ain personality that set them apart from others. In instance of SMPH, their work moralss is outstanding. For them everything is a serious concern. Furthermore, they are guided by traditional Confucian values which are extremely influenced by Mr. Sy who is an immigrant from mainland China. Hard work, frugality, subject, love of survey, selflessness for the household public assistance and harmonious societal relationships are the Confucian values integrated to the

company. These are the ground tackle values of SM Group which are the edifice blocks of their success ( Flores, W. L. , 2007 ) .

### **Overview of the External Environment**

Aside from pull offing its resources, organisations operate in a larger graduated table called the external environment. But unlike their internal resources wherein they have a full control of, the external environment suggests otherwise and in some instances may be considered as a menace. The figure of the external environment factors is virtually limitless for there are many macro factors that could impact organisation ' s productiveness. The lone differentiation between these factors is the grade of its impact to the company ( NetMBA, 2007 ) .

### **SMPH ' s External Environment**

SMPH, being the figure one promenade operator in the Philippines, on a regular basis reviews its external environment. In their position, understanding the environment they belong is critical to the planning map of direction for it influences the company ' s success rate. They identify and analyze the cardinal tendencies, forces, and phenomena holding a possible impact on the preparation and execution of their schemes. In consequence, the environmental appraisal efforts to fix the organisation to acclimatise to environmental alterations to take advantage of chances and to minimise the inauspicious effects of menaces ( Appelbaum, 1991 ) .

Politicss

The Philippines is a democratic democracy with an elective bicameral legislative assembly, and a multiparty system. Filipinos exercised their right

to vote every three old ages and despite the rumours to the reverse that the current President, Ms. Arroyo would non step down from office ; there would be an election following twelvemonth ( US Department of State, 2007 ) . This issue is of import for the concern sector as the following state ' s leader may impact the operations of their organisations. This can act upon them due to the reforms the new public functionaries would take. For SMPH, the consequences of the approaching election would greatly impact them because it may impact the stableness of the state and may sabotage their assurance in their enlargement programs.

### Economicss

The state ' s economic system is assorted economic system wherein most of the companies are owned in private ; nevertheless, authorities can command when the demand for it arises. One of the characteristics of the Philippine economic system, it is consumer driven and the gross revenues at the state ' s biggest promenades have been a gage of tendencies in consumer disbursement. Almost 70 % of the state ' s gross domestic merchandise ( GDP ) is contributed by consumer disbursement. Furthermore the 30 % of this entire consumer disbursement happens inside promenades, and two-thirds of this piece of the pie is accounted to SM entirely ( Balea, 2009 ) .

But harmonizing to the Fitch Ratings Inc. the state ' s GDP is predicted to be at its lowest at 2.5 % , which is lower than the 1998 Asiatic Crisis ( Burgonio, 2009 ) . Given this prognosis, this can foretell how SMPH would execute this twelvemonth. This economic downswing will most likely affect the company and would be seeable in its fiscal statements.

## Social-Cultural

One social-cultural factor that affects organisations is the consumer purchasing behaviour. Consumers are the beginning of net income of the company and that is why they are researching in great item to learn the purchasing behaviour of their consumers in order to track consumer tendencies and respond to it. Understanding the buying patterns replies what consumers ' bargain, where they buy, how much they buy, when they buy and why they buy ( Kotler & A ; Armstrong 2007. p. 129 ) .

In a recent study conducted by the planetary market research house Synovate, it revealed that during the six month stretch of December 2008 to April 2009, 92 % of occupants in Metro Manila, which is comprised of all societal brackets and where promenades are concentrated, have cut their disbursement, while 61 % did less unprompted purchasing. Furthermore 55 % said they ' ve focused on nutrient and other necessities and spent less on diversion every bit good as luxury points. In short, Filipinos are still passing but they are passing for the cheaper and basic things ( Balea, 2009 ) .

Although SMPH may non be straight affected by this purchaser behaviour, this may impact its renters ' entire gross revenues. Since renters ' lease fees are determined through a per centum of their income or through a fixed monthly rent footing, SMPH ' s entire gross may squash ( Narciso, 2009 ) .

## Technology

The uninterrupted betterment of engineering has dramatically changed every organisation ' s procedure ; for illustration new selling channels were introduced like the cyberspace. Here in the state, internet incursion is still

low. As of 2008, merely 14.6 % of the Philippine population is internet users ; nevertheless it is forecasted to enter a 23 % growing yearly. If this tendency continues it will revolutionise the manner Filipinos live. A good illustration of this is e-commerce, wherein markets, which were one time unapproachable because of distance and costs, are now unfastened through internet ( Internet World Stats, 2009 ) .

Although e-commerce is still an unfamiliar district here in the state wherein merely 3 % in National Urban Philippines made on-line purchase, it has a strong promise particularly in the coming old ages due to the increasing handiness of the cyberspace, greater Personal computer incursion and passage by the authorities of suitably strong e-commerce statute law ( Internet World Stats, 2009 ) . With this deduction SMPH may happen a new rival by agencies of the alleged e-malls. This can be a serious menace for the company since this brings many advantages to consumers such as convenience, handiness, interactivity and immediate response.

## Legal

The current legal system of the Philippines is based on the 1987

Fundamental law but there is an ongoing motion that is aimed to revise the current system. Harmonizing to several lawgivers the concern sector would be the figure one donee of the constitutional alteration as the proposed amendments include creative activity of a more efficient and competitory concern environment among others ( Rubio, 2009 ) . SMPH is extremely subjected to this alteration. If this would force through, all corporate Torahs may be altered which would impact how the SMPH operates - revenue



enhancements may lift, new labour codifications may be enacted, ownership act may be amended.

### Eco-Environment

The Philippines is a developing country and as a consequence of this is the debasement of the natural environment. That is why there ' s environmental statute law and proviso that protects public assistance of the environment. Hence these should be followed purely by both the private and public concern sectors. For SMPH, this is really much applicable since they are mall developers. They have to be in conformity with the regulations and criterions or else they would be penalized ( Kirk, 1998, p. 83 ) .

A peculiar illustration of an environmental statute law that should be followed by SMPH is to procure an Environmental Conformity Certificate ( ECC ) during the conceptualisation phase of their enlargement programs. Getting an ECC certifies that the undertaking under consideration will not convey about an unacceptable environmental impact and the advocate has complied with all of the environmental statute law - preventing and controlling H<sub>2</sub>O, air and land pollution. Procuring an ECC is of import for SMPH because if they fail to make so all their enlargement programs will be put on a arrest ( Kirk, 1998, p. 83 ) .

### Competition

Here in the Philippines, promenades have become a immense phenomenon in the state. Most frequently than non, whether for recreational, dining or shopping intents, Filipinos go to mall. With this high demand for shopping

promenades, this translates competition for SMPH and as of now there are three primary participants in the shopping promenade industry and these are Ayala Land, Robinson ' s Land and of class SMPH.

Although the industry seems attractive with merely 2 rivals for SMPH, the competition is still high since both Ayala Land and Robinson ' s Land are besides spread outing and has its ain loyal clients. But an advantage being in the mall operations concern is that it has high barriers to entry due to the immense capital needed to get down up a promenade, to happen strategic locations and to pull reputable ground tackle renters. With respects to SMPH ' s base against its rivals, SMPH, with a 51 twelvemonth experience under its belt, is still the promenade of pick for renters since they can bask heavy consumer traffic with about 2. 5 million pes traffic. This tremendous figure of SMPH ' s clients is due to their promenade ' s convenience, affordability and diverseness, and these translate to high client power. But there ' s besides menace for replacements like no-fuss shopping composites ( e. g. Tutuban Centermall, Greenhills ) that is going a serious hazard due to its cheaper monetary values.

### Knowledge Management

In our day-to-day lives, cognition is considered as power. Lapp goes in concerns. But knowledge direction is non simply garnering all the informations, for it is more involved in treating all these information into a cohesive cognition. Bing efficient with the sourcing, analysing, airing and storage of cognition can be a beginning of competitory advantage for a company. With the instance of SMPH, cognition direction is indispensable

particularly during times of enlargement wherein they gather all information - demographics of the country, disbursement capacity, competitory environment degree of commercial and retail activities in the enviroing country and distance from other SM promenades that will help them in decision-making ( SMPH, 2008 ) .

### Fiscal Management

The full universe ' s economic system depends upon the exchange rate. The currency exchange rates consequence planetary concerns like a thermometer, it measures the wellness of planetary economic sciences ( JD Files, 2009 ) . Last twelvemonth the Philippine Peso ( php ) was one of the worst executing currencies in Asia, shutting at 47. 52 php to a dollar. This is a 15 % diminution from the 2007 ' s 41. 29 php. ( James, 2008 )

This can impact SMPH, since most of the Overseas Filipino Workers ' remittals are spent by their donees in shopping promenades, touristy and amusement. If the peso weakens, it increases the value of dollar remittals and this translates to more OFW donees passing in their promenades.

### International Market Entry

Many companies successfully operate in a niche market without of all time spread outing into new markets. However, some concerns could accomplish increased gross revenues, trade name consciousness and concern stableness by come ining a new market ( My Business, 2009 ) . For case, the company could reexamine new geographical market to function and at this

clip of globalisation, many companies try to perforate the international market as a beginning of their growing.

Associating this to SMPH, the company expanded internationally through an acquisition of three SM shopping promenades in China through a portion barter understanding. This move allowed SMPH to derive a bridgehead in China ' s aggressive economic system and utilize this as a platform for long-run growing outside the Philippines where it is clearly the dominant participant in the promenade concern ( SMPH, 2007 ) .

### **Ecology**

Harmonizing to Cary Institute of Ecosystem Studies, ecology means the scientific survey of the procedures act uponing the distribution and copiousness of beings, the interactions among beings, and the interactions between beings and the transmutation and flux of energy and affair. ( n. d )  
In other words, ecology is about environmentalism.

Today, one of the biggest issues in ecology is the increasing consequence of planetary heating. Global heating as its name suggest is the gradual addition in the temperature here in Earth. This is caused by C dioxide ( CO<sub>2</sub> ) and other air pollution that is roll uping in the ambiance like a inspissating cover, pin downing the Sun ' s heat and doing the planet to warm up ( NRDC, 2009 ) . Major beginnings of CO<sub>2</sub> emanations are deforestation and combustion of fossil fuels.

This planetary concern is dismaying for it may convey about natural catastrophes that may impact people ' s wellness, conveying ecological instability, rise in sea degrees and alteration in harvest and nutrient supply.

Here in the state, the effects of planetary heating are now being felt.

Harmonizing to World Wide Foundation ( WWF ) , “ The Philippines is highly vulnerable to the depredations of climate alteration. Food and fresh water deficits, withdrawing coastlines and an addition in political and economic convulsion are the black image that climate alteration pigments for the country.” ( Burgonio, 2007 )

With these effects organisations have taken extra steps to react to these impending calamities since they have the purchase to get down the alteration and besides they are besides the biggest wrongdoers. In add-on to this, assorted force per unit area groups, like WWF, are negotiating the companies to follow energy-efficient salvaging steps in their operations to assist in the planetary attempt to cut CO2 emanations, the taking cause of planetary heating. ( Burgonio, 2007 )

### **Ecology and SMPH**

SM CARES aims to unite and incorporate all SMPH ' s CSR initiatives that are geared towards caring their shoppers and fostering Mother Earth. Under SM CARES, the company has hence taken an aggressive stance in protecting the environment through four major enterprises: Solid Waste Management, Water Conservation, Energy Efficiency, and Air Quality Efficiency. Below are some of SM CARES plans ( SMPH, 2008 ) .

#### SM Cares Activities

Solid Waste Management- Samarium Supermalls holds Trash to Cash, a recycling market every first Friday and Saturday of the month in all SM Prime promenades in the state. Here, the populace can change over their

reclaimable rubbish into hard currency. To day of the month, Trash to Cash has generated over Php10 million in reclaimable points and is estimated to hold saved about 11, 000 seven-year-old trees. Mall renters are besides educated on the benefits of waste segregation. As a consequence, solid waste in the promenades ' refuse terminals has been reduced by every bit much as 20 % a month and two dozenss of refuse per promenade is diverted off from landfills every hebdomad.

Water Conservation- Since its origin a few old ages back, SM Supermalls now saves about 2. 4 billion litres of cherished H<sub>2</sub>O every twelvemonth through third intervention workss that recycle H<sub>2</sub>O for usage in the chilling towers of the promenades ' air-conditioning systems, lavatory flushing, and landscape irrigation. Add to that, the usage of waterless urinals in work forces ' s lavatories save another 315 million litres of H<sub>2</sub>O yearly.

Energy Efficiency- Samarium promenades control their air-conditioning systems through the Focus Enterprise Building Management System. This computerized procedure closely monitors the edifice temperature to optimally equilibrate supply versus demand for cool air. As such, mall countries that are full of people are made ice chest while those less engorged are left a spot heater. The system saves about 50 million kW hours of electricity per twelvemonth. All third intervention workss mentioned before use a device known as a consecutive batch reactor that saves up to 500, 000 kW hours yearly. To cut down the usage of light bulbs during the twenty-four hours, the new SM promenades are designed to hold glass walls and ceilings to illume up the promenade with sunshine. Lighting has besides been replaced from fluorescent to energy efficient bulbs and has saved the

promenades a considerable sum of kwh yearly. SM CARES besides avidly supports Earth Hour, an one-year planetary motion that encourages families and constitutions to close down all power beginnings for an hr, thereby rising consciousness for energy preservation.

Air Quality Efficiency- Samarium purely enforces the no-smoking policy inside the promenades, and requires all public public-service corporation vehicles come ining and parking in its promenade terminuss and terminals to show certifications of holding passed smoke emanation proving. They besides encourage the usage of bikes by supplying safe parking infinites for them.

Green Bags- Pioneering attempts to advance eco-shopping in the Filipino retail industry, SM Supermalls late unveiled the new SM Supermalls Greenbag. The SM Supermalls Greenbag enables shoppers to take part in the planetary cause to cut down the usage of plastic shopping bags. The SM Supermalls Greenbag which is available in all SM promenades is made from 100-percent polypropene ( PP ) stuff. It is reclaimable, non-toxic, allergy free and nonreactive to human tegument. The Greenbag ' s size is tantamount to two regular SM Supermarket shopping bags and has an estimated life span of two old ages. It is really light, ready to hand and can be folded into a little battalion. The SM Supermalls Greenbag comes in four sole designs by world-renowned creative person Manuel Baldemor, turning this public-service corporation point into a prized art piece.

Another part of SMPH to ecology is through green architecture. Early on this twelvemonth SMPH unveiled their first promenade to turn “ green” , the SM

North EDSA via the Sky Garden. It uses roof gardens that help in neutralizing planetary heating for roof gardens are known to cut down the effects of 'urban heat islands' and are energy efficient that cut down up to 20% air-conditioning costs. It besides catches rainwater, which will be released into a storm H<sub>2</sub>O substructure that is later recycled for landscape gardening and auto park care. Last roof gardens besides lessen the plumbing design and systems outgo. With all of these green characteristics, the Sky Garden is an illustration of how a large-scale belongings developer can lend to the betterment of the environment ( The Philippine Star, 2009 ) .

### **Policies and Decision Making**

Since SMPH is a mall developer, ecological factors like planetary heating are ever portion of their treatment. As a affair fact continuing the environment is portion of SMPH ' s aims and that is to guarantee environmental sustainability through assorted plans on energy, H<sub>2</sub>O and air preservation. For them more than merely following with the legal criterions ( e. g. environment statute law ) , they besides have the duty to the community since their company is in the place to do a difference ( SMPH, 2008 ) .

The direction on a regular basis holds meetings to discourse their consequence to the environment every bit good as to discourse the effectivity of their plans and their energetic activities. One state of affairs wherein SMPH considers the environment in their decision-making is every clip they expand and unfastened new promenades. During the conceptualisation phase, SMPH invariably explores breakthrough architectural theoretical accounts for its promenades that are environment-friendly. The Sky Garden at SM City North EDSA, which is a first in the



Philippines, is a notable show window of the company ' s advanced thought. Using the latest in green architecture, the Sky Garden brings their clients closer to nature and at the same clip contributes to environmental preservation ( The Philippine Star, 2009 ) .

To emphasize even more SMPH ' s integrating of ecology in its company, they held a conference on Sustainability, Energy, and Green Design Initiatives. The conference was aimed at supplying a fresh position on how green design enterprises can act upon sustainability and advance environmental saving. Some of the state ' s seasoned designers and applied scientists shared their positions on the topic with SM ' s executives to convey more consciousness on how these timely topics can impact their promenade operations ( Manila Bulletin, 2008 ) . Through this conference, the direction reassessed its policies refering the environment and recognized the nexus between a healthy economic system and a healthy ecology.

### **Evaluation and Recommendation**

With all these enterprises on reacting to the ecological issues, it seems that SMPH is responding good but really they are sort of late already. Their rival, Ayala Malls, has been the innovator to this tendency and is successful in integrating ecology plans in their system. Ayala Malls was the first to retrofit the bing construction of their promenades to a more eco-friendly 1. Furthermore all of their promenades show a close-to-nature consequence ; in contrast to SMPH wherein most of their promenades look like a concrete jungle.

As a recommendation, SMPH may reconstitute all of their promenades. But this could be done small by little so it will non disrupt the promenade ' s activities. Another safeguard is that this can be really dearly-won but if SMPH is truly determined to be environment-friendly in all their promenades this is the best agencies to demo it. An alternate method is to set more in-door workss and garden to do their promenades at least appear as eco-friendly.

Another first by Ayala Malls is their integrating with its promenade renters by agencies of " Greenology" that bolsters the promenade ' s environment consciousness run. Through Greenology, Ayala Malls mark the tendency of being an eco-friendly and eco-chic constitution by showcasing singular events that aims to capture the Black Marias of concerned promenade frequenters and conservationists ( Ayala Land, 2008 ) . Although SMPH besides has their ain mall-wide activities such as Trash to Cash and their Green bag, they do non hold monthly activities like the Ayala Malls. In addition to this their renters do non actively take part every bit much as those in the Ayala Malls.

A likely proposal for SMPH is to make an earth-friendly doctrine embracing all promenade activities that are related to preservation of the environment. Then do an disposed rubric to it so that it will make consciousness to the people, like the Ayala Mall ' s Greenology. SMPH should besides pass on to its renters to back up and take part in the activities. Together they can brainstorm and come up with thoughts that are appropriate with the aim. For illustration, every month all the promenade renters would have a merchandise that would assist in continuing the environment or are made with environment-friendly stuffs.

But the good intelligence for SMPH is that even though they are non proactive in reacting to ecological factors, what matters most is that they are seeking to maintain up and make all their best to continue the environment. All of their plans are really well-thought of and practical. Their protagonisms for Solid Waste Management, Water Conservation, Energy Efficiency, and Air Quality Efficiency are decently executed. As a affair of fact, SMPH has received some awards for these activities including an Outstanding Accomplishment in Energy Efficiency and Conservation from Don Emilio Abello Awards for Energy Efficiency and Conservation Best Practices for Buildings ( SMI, 2008 ) .

However with all of these good schemes what is missing to SMPH is promotion. They do non make so much bombilation about their environmental concern and activities that makes the public think that they are non making anything for the interest of the environment. That is why Ayala Malls remains to be the top of head of the clients when it comes to being eco-friendly promenade.

To counter this SMPH should do usage of public dealings to demo their programs in connexion to greener lifestyle. They should use the different sorts of media to make consciousness that they are good corporate citizen. Besides they can patronize events such as the annual jubilation of Earth Day to demo their support for nature every bit good as to utilize this event to advance the earth-friendly installations of their promenade.

All in all, SMPH has been sound with all its action programs towards the emerging environmental consciousness and it would likely hold a 65 % tagging since there ' s still a room for betterment.

### **Decision**

Through the old ages, SM malls has become synonymous to the phrase one-stop shopping. You can inquire any Filipino about what promenade comes foremost into their heads and without batting an cilium, they will react and state SM. This is how great the impact SM has to the Filipinos. It is more than merely the shopping, dining or amusement experience - it is portion of the civilization already. But before SM became an icon in the state, it started like any other shreds to riches narrative.

Its success can be traced back to its laminitis, Mr. Henry Sy. Even at his age, Mr. Sy is still really hands-on with the concern. The state ' s shopping promenade baron is a contrarian who non merely survived but prospered after every political and economic crisis in the last five decennaries. This is because he surveies the environment really good and handles every downswing as a challenge to seek new chances. These work moralss of Mr. Sy is seeable in the company and are the chief drivers for the uninterrupted accomplishment of SM. ( Tan-Co, 2001 )

Besides lending to the achievement of SM Group is its response to ecology. Although it is still dawdling behind its rivals, SMPH is making its portion to conserve Mother Nature. They have opened their first green promenade and have conducted assorted activities to counter their tremendous C footmark. All these attempts towards being environment-friendly, shows the

committedness of SMPH to be the promenade of pick that cares to continue the nature.