

Political, legal and social factors essay sample

[Government](#)



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A description of how political, legal and social factors are impacting upon the business activities of the selected organisations and their stakeholders (P6). BAE Systems and Oxfam have a number of influences on their activities. You need to describe a range of factors which have an impact on each business – you may want to refer to how these may be very different in countries outside of the UK.

An analysis of how political, legal and social factors have impacted on the two contrasting organisations (M3) Once you have explained in detail how political, legal and social factors affect the two organisations you need to analyse how they have had an effect on their operations and direction over a period of years with clear examples.

A) Political factors – how is political stability important, what government support is available, how does taxation affect them, how is infrastructure important, does the education system help them, are they affected by membership of the EU?

Politicians make decisions in countries which are extremely important for society and have massive impacts. Whether that's creating new laws, changing interest rates or taxes, businesses and individuals are going to be effected positively and negatively depending on their situations.

Political stability favours businesses because manifestos are creates which are publicised and therefore businesses like BAE systems can make future plans and be aware of any changes that could benefit or harm them.

BAE Systems

Domestic or foreign, any changes in the law need to be known by BAE systems so that they don't commit anything illegal. If they do licenses can be taken away and potential loss of job for some individuals or even shut down of the business completely. With their being wars held in countries, BAE systems are affected by this field in particular. Being a massive provider for the UK and USA with planes and other combat machinery, it is crucial they are aware of any potential outbreaks and plans that governments may have in the future so they can satisfy the needs of their consumers. Therefore any political commitments relating to such activities benefits BAE systems.

An important political factor BAE systems had to face in 2009 was bribery charges. The constant accusations from the fraud office has led to disruption and alterations to BAE systems as a business. With the company being accused of such activities the company's reputation would have almost deteriorated. The controversy of this case would almost mean that client would soon lose interest in the business to invest and therefore profits being lost. BAE systems would have been affected by this case majorly and would have wanted to regain the trust in clients again.

<http://news.bbc.co.uk/1/hi/business/8284073.stm>

Taxation for business in general is not a beneficial activity. They effectively take away some of businesses profit through corporation tax which is a direct tax on profits. Other taxes such as; income tax effects the employees of a business and other income earners. Businesses also have to pay a compulsory national insurance to pay for pensions and any unemployment

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benefits. VAT and customs duty tax on imported and exported goods is extra costs on trade and purchasing of products. Business are therefore highly interested in fiscal policy alterations made by the government. Larger businesses like BAE systems have less of a burden when dealing with taxation as they will have its own accounts department, where as smaller businesses with few employees may have to tax on the extra task of dealing with forms and paperwork for taxes. Smaller businesses do not sometimes have the luxury to afford such departments.

In terms of government support there is not a lot for PLCs not run by the government. Government owned PLCs can get cover from the government of any losses made. However the government does subsidise many public and non- profit making activities like education, infrastructure health services and many more. This therefore shows that there is government support available for the basic necessities needed like roads to travel to and from work, education to gain a more experienced labour force which in turn favours businesses like BAE systems, even though they are not directly targeted.

Moreover the government provided the centre of funding for infrastructure of the economy. It maintains transport links such as railways and motorways, this is of course beneficial for trade domestically. The government also provide help to private providers like BT to ensure all have internet links available to them. Even in libraries on buses, this wireless connection that is essentially needed for many businesses, education and general public is provided by the government. The government also help to increase training and skills of the future working population. From training courses to <https://assignbuster.com/political-legal-and-social-factors-essay-sample/>

apprenticeships, the government investigates those industries which are going to succeed and need a strong workforce so provide such training to enhance skills of individuals, in turn benefiting the economy. Relating to BAE systems this means their workforce are able to travel when needs be, and there is that stability of an educated workforce to replace those who leave in the near or distant future.

Creating international links is another factor affecting businesses across the UK, in particular those who are involved a lot in trading. And this certainly applies to BAE systems, heavily involved in exporting goods and having links with the likes of the US and India, a large source of BAE systems income is from these countries. In terms of the EU however, BAE systems are not really in contact with European countries. Ian King the chief executive was asked whether BAE would be affected if Britain quit the EU, Mr King said it wouldn't " fundamentally" change the defence contractor as " we don't do a lot with the EU". But he added: " Do I think it is the right thing for the UK to stay? Yes, to maintain the stability we have got". But as the quote above says, maintaining stability by being part of the EU is still a goal of BAE, so the European union do benefit BAE systems. They are affected in a positive way as there is no direct issue with being part of the EU. In addition the UK benefits from the free flow of skilled workers with qualifications needed for roles in businesses like BAE systems. Oxfam

Due to Oxfam being in close connection with deprived countries across the globe they will need to be aware of all political factors around them when operating abroad. This therefore means Oxfam need to be careful of their workers who travel away so they are not in any threat of potential

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dangers with wars and any other domestic conflicts. Also the support of the foreign government needs to present when Oxfam are working in a particular country. However Oxfam cannot directly interfere or change a foreign government's aims and actions, they can advise the government and help out individuals within the country who are affected, maybe those who are refugees or who are seeking asylum. For example in 2008, Oxfam helped out over 1 million refugees in the democratic Republic of Congo due to the war that broke out.

<http://news.bbc.co.uk/1/hi/england/7740190.stm>

Within the UK voluntary sector organisations like Oxfam are supported by the Government. A variety of grants are given to those who benefit the wider community as Oxfam do certainly. In addition to this, tax reliefs are given to these organisations on the premises they own.

In terms of taxation as mentioned charities like Oxfam and other organisations who benefit others are not directly affected by taxes because they are seen as a help to the country because of the services they provide. However it is known that small percentages of money donated by individuals is given to the government or other businesses who have some sort of agreement with this process of donating. This therefore means Oxfam receive less of the money donated by donators and this could result in regular individuals being put off because their money is not being used in the way they hoped it to be. Overall Oxfam and other similar charities who do have a process of donating which claims taxes on UK tax payers, are large some of their income will be lost. On the plus side many sites now offer

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a chance to reclaim this money lost in tax if the individual pays UK income tax. Taxation is therefore an important political factor that Oxfam have to be aware of.

As BAE systems benefit so do Oxfam from infrastructure provided by the government. Oxfam work in many different places domestically and abroad, so travelling from A to B to get to specific locations to help out a community or area is vital to the success of this non-profit organisation.

B) Legal factors - what are the effects of laws such as contract law, employment law, consumer protection and competition law?

BAE systems

Businesses must operate within the law to avoid imprisonment of directors. There are 3 crucial areas that businesses are affected by: company law, contract law and competition law.

BAE systems as a PLC are required to publish their financial documents at the end of every year including their profit and loss account and balance sheets so their shareholders know what the company is about and their performances. Businesses also form contracts with individuals and groups outside of the business. The most frequent contract used is the 'sales of good act' which is for consumer protection. This states the products/services sold by the business are of satisfactory quality and do what is said on the packaging. For instance if BAE systems were to have sold a fighter jet which is guaranteed to last a specified amount of time or go a particular speed, if the product did not prove this when used, the consumer protection states legal action could take place.

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As well as contractors and creditors, employees are also protected at work so they are not treated in an unfair and in appropriate manner which their legal binding contract states. A contract of employment helps with this in terms of hours and how often this person will work, how much they will be paid. With this binding agreement the employee can claim if they are treated differently under their contract of employment, action can be taken. Many laws and acts have been put in place so everyone at the work place is treated fairly and feels protected. For example the minimum wage regulations which states employees are entitled to a minimum hourly rate of pay, another is the equal treatment directive which does not allow any discrimination on the grounds of sex, family status, race and many more.

For BAE systems the health and safety act will affect how the business is run. With a lot of practical and hands on work taking place when constructing large products like boats and fighter jets, safety precautions have to be in place for every individual's safety. Moreover the correct safety equipment such as helmets, eye protection and gloves need to be provided for the labour doing such tasks.

<http://www.hse.gov.uk/pubns/law.pdf>

There are also laws put in place to regulate competition between companies. Monopoly and merger legislation stating businesses cannot come together to dominate a particular market. Also laws against resale price management so that one business does not control and manipulate the price at which a retailer can sell their good.

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Oxfam

Oxfam being in the voluntary sector obviously differs from how an organisation like BAE systems is set up. They have to register first once all details such as the name, purpose, recruited trustees are all chosen. The law states before they register most charities have to have a minimum income of £5000 a year. Set up in 1942, Oxfam would have not been faced with as many legislations as there are today so setting up a charitable business similar to Oxfam would be a slightly different process. Therefore over the years as times have changed technologically, legally and socially Oxfam would have been able to set up more freely.

In addition to this, with contract laws ranging from suppliers of equipment to lenders and consumers, outside of the business Oxfam have many relations so many legal binding forms have to be processed. Oxfam have many stakeholders for instance donor, volunteers and partner organisations. Being a worldwide organisation, worldwide stakeholders are present and therefore Oxfam are going to want to be loyal and faithful to their stakeholders, so legal factors saying that for charities that all the money donated by donors goes to the cause of what they want it to be crucial. Like services provided by BAE, Oxfam have to provide a loyal service that the money donated is used in the correct manner. Legal binding contracts help with this situation and provides support that Oxfam are not making a profit.

Moreover regarding profit and money making, competition within the charitable industry should not be high. Therefore no monopolies should exist, only the existence of helping others around the world. So the governing of competition certainly applies to organisations like Oxfam. Stakeholders don't

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want to be a part of a charity which is looking to be the best in terms of who makes the most, they want to be a part of those who give the most and are loyal to their donors. Therefore competition laws provide that stability like some political factors to stakeholders.

C) What social issues are impacting them in terms of demographic changes, social changes, views on ethics and the environment

In society there are constant changes which are relevant to the performance of businesses whether it is demographic changes or education and ethic changes, all of these have an impact on the way businesses function.

BAE systems

Firstly education is a big part of large businesses. Businesses like BAE systems want a promising, hardworking and skilful workforce in the future to maintain their successful status. With the population growing there is an increase in demand for education such as: schools, universities, apprenticeships and many more. Good education qualifications are in every young person's mind-set to achieve so then the outcome of a good job is almost certain. Therefore a growing population and this incentive to be the best can only create more competition and theoretically a more determined workforce. Attitudes to work have changed so more hours are put in by employees. So businesses like BAE systems will then be provided with individuals who are skilful and qualified to work because they want to have a successful career. This is beneficial to the company.

In addition to attitudes to work, although the UK not leading in average hours worked, immigration of labour has been made easier over time and has <https://assignbuster.com/political-legal-and-social-factors-essay-sample/>

increased. This results in skilled and potentially cheaper labour from South East Asian countries or other European Union countries. So those coming into the UK to work are used to high hours worked like South Korea who work around 45 hours. This can only mean again a more motivated workforce. Benefiting the UK's GDP and economic growth. Another change to society is the growing awareness and protection of the environment. Ethics today are highly influential on decisions made and principles an organisation goes by. All businesses are encouraged to produce their services and products in an environmentally friendly way. This most certainly applies to BAE systems and their core products. Producing large aircrafts and combat objects, they are going to need to be made so that they are not damaging the environment. Being more concerned with how products are made and how their waste is distributed BAE systems will also save money, and being a profit organisation any way to reduce costs is a given.

http://www.baesystems.com/article/BAES_020347?_afrLoop=706036123160000&_afrWindowMode=0&_afrWindowId=null#!%40%40%3F_afrWindowId%3Dnull%26_afrLoop%3D706036123160000%26_afrWindowMode%3D0%26_adf.ctrl-state%3Dikkt9il0c_4

Finally the public's attitude to conflict and war is a potential large threat to the popularity of BAE systems. Providing such resources for the government to go into war if such events occur can cause groups of people to go against BAE systems, harming their reputation. Consumers and shareholders of BAE systems could go against BAE systems because of their service and what they portray, this resulting in loss of sales and turnover. However the <https://assignbuster.com/political-legal-and-social-factors-essay-sample/>

Government's decision is always final and small minorities against war go unnoticed.

Oxfam

For voluntary sector organisations like Oxfam changes in society also affect them. For instance households and families are becoming much smaller in contemporary society. Marriage certainly has decreased and has resulted in many single person households containing those who have a driven mind-set to work. In addition female's roles have completely changed and equal rights have occurred. This has led to independent women who have secure and successful career. These factors relate to how Oxfam performs. If there are less people in household then there is more disposable income for that one individual as they do not have others to concentrate on and provide for. This is similar to how women's roles have changed, being in paid job and not doing domestic work, families are gaining more money as both adults are earning. Overall this money earned and the better people are in terms of finance, means there is more chance of charities like Oxfam gaining money through donations.

Another influence on Oxfam through social factors is celebrity culture. Today a lot of celebrities help promote organisations like Oxfam to primarily help those in need but also to gain a good image for their fans with the hope they will do the same. With shows like children in need and comic relief, celebrities are seen travelling to places in poverty and famine where desperate need is helped. These sorts of shows make people who are wealthy feel the need to donate to gain a slight self-reward of helping others.

An evaluation of how future changes in economic, political, legal and social factors may impact on the strategy of a specified organisation (D2). It is vital that both organisations can respond to future changes. Choosing BAE or Oxfam, identify the key 'SLEPT' factors which will impact on their strategy over the next ten years. Explain the impact the factors will have and make supported judgements on the degree of the impact and the effects it may have on the organisation's future direction.

It is unknown what can unfold in the future, but what businesses must do whether in the private, voluntary and public sector is be prepared for any issues that may affect them in the near future and potential threat to the outcome of the business.

BAE systems being a public limited company and what they provide for stakeholders and how they operate can mean a number of social, legal, economic, political, and technological changes can affect them as a business.

Socially, the world is continually changing and adapting to different environment through technological advances and the standards of living. Especially in the UK, with the death rate decreasing over time, infant mortality rate decreasing but the birth rate declining this leads to a growing and older population. Therefore there is potential for more products in demand, although this may not effect BAE systems directly through sales and demand by the general public, the labour force is certainly impacted. The labour force with the current state of society and future will struggle as people are getting older and less able to work for companies like BAE. And

also with a future where there is a decrease in births means a decrease in skilled workers. There will be a burden of dependency ratio relating to the economy as the increase in the number of older people will be relying on the younger generation to provide for them.

This is a factor BAE systems will have to take into account as they will want a bright future and if this social change has an impact on the performance of BAE systems it could be crucial to the outcome of the companies' future.

However it is now apparent that there the infant mortality rate has decreased as lifestyles are becoming healthier and as a Nation with more knowledge than 50 years ago and technological advances, there is life saving treatments to stop young deaths. Therefore it may not be the case the population will decrease just that less babies are born each year due to the success and increase of the fertility rate. Overall the UKs population has differed in a positive way and Businesses like BAE will benefit in 10 years or so time. Furthermore, immigration has had large influences on the economy today. With the ONS stating that 560 000 people immigrated to the UK in March 2014 which is an increase by 68 000 from the previous year, proves that the UK is growing in popularity to work here.

With immigration not only comes social change in terms of a multi-cultural society but immigration brings hard driven knowledgeable labour. In addition to this, countries around the world are on lower wages and salaries to those in the UK so when immigration occurs, there is the chance for cheaper labour for businesses. Immigration is predicted to continue to rise in the UK, but also emigration. This can bring diversity to the UK and new ideas in the future. Therefore BAE systems could take advantage of this situation but also <https://assignbuster.com/political-legal-and-social-factors-essay-sample/>

benefit from other ideas and technological advances immigrants bring. In addition, growing immigration brings competition to businesses amongst the UK workforce, this results in hard working and motivated individuals, generating successful production and services which BAE systems as an expanding and prosperous business will thrive off.

Legal changes made by the Government are constantly occurring with good intentions of making everyone better off in some way. With a different party potentially being elected every election, changes by the Government are almost certain due to different perceptions on how the country should be run. Businesses always have to be aware of any legislations and laws that may be applied so they can reduce any chance of a negative impact.

Changes in the economy are constantly occurring and there is always slight uncertainty amongst groups and individuals as to whether the economy is booming or if we are at a stabilized stage and if there is potential for recession. In the past 10 years the UK has been in an unstable state with the recession. Currently the UK is in stable period and we are growing at a constant rate since the disastrous stage of 2008-2009 when the UK was in that critical recession. Firstly, houses of prices calculated in august have 'accelerated' as the land registry confirms. [http://www. bbc. co. uk/news/business-29374969](http://www.bbc.co.uk/news/business-29374969) With prices accelerating in the housing industry this can only be negative for the general public.

Houses or a shelter of some kind are one of the basic needs every individual needs to survive and live a steady life, if the prices of houses start to become unaffordable then people are going to struggle to find a place to

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live. Relating to BAE systems if their members of staff have to move away to be able to afford a house then this could mean a successive number of resignations within the company. Or on the other side, BAE systems could see members of staff demanding higher wages to meet the growth of house prices, either way the business could have their profits damaged and sales decreased in a period where the stress of individuals affects the operation of the business. BAE systems will then have to be careful and be aware of how the housing market differs in the next few months so they can be prepared for any issues in the short run which could negatively impact them in the long run.

Forecasts of 2015 and 2016 by economic experts state continuous and accelerative growth. As this article states that growth of 2.5% in the following year and a significant difference of 4% in 2016 this is both promising and alarming for the UK economy and businesses within. This growth can be seen by many as steady over the next year of 2.5% which meets the UK's average trend rate growth which is of course a positive. This will lead to high consumer confidence and targeted sales for businesses like BAE. However following a 2.5% growth to 4% could be a dangerous position for the economy.

One of the aims of the government for the economy is to generate stable growth. As soon as growth increases dramatically and above a stable trend rate, inflation hits hard and businesses and consumers then lose confidence and have less demand as they did before. Affecting business sales and then decrease in prices leading to of course a recession. BAE systems will always have to be prepared for any nervous changes within the economy and

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especially these predictions. They can do this by increasing their prices at a steady rate to not alarm and harm consumer confidence especially within the government, but also be careful to not keep prices low so profits are damaged. A balance will have to be found by BAE when potential unstable growth occurs.

Political. Many political factors affect businesses if it is conflict or changes in law and legislation made by the government. BAE systems being highly involved and impacted with war can prosper with sales when wars or conflicts occur. Currently there has been a lot of debate and concern as to whether the UK will invade with ISIS in the Iraq to end the current conflict and problems the group are bringing to the world. BAE systems will be heavily used in this mission with their production of weaponry and defence. The main plan of attack is going to be an air strike which BAE systems also provide. <http://www.bbc.co.uk/news/uk-politics-29385123>

As this article says, the UK are committed to participating in air strikes against Islamic extremists. In addition, Saudi Arabia as one of several Arab states against the Islamic extremist organisation are also a part of the air strikes. BAE systems are of course in high connection with Saudi Arabia and operate out there.