

The legal structure of business environments



The legal structure a business chooses is vital to the way business operates. Decisions need to be made about how the tax is going to be paid, who will share out the profits and losses and what legal liabilities exist. A limited company exists as a legal entity in itself, separately from its owners or managers. Therefore, liability for debts is limited to the amount of issued share capital, whether the shares have been sold or not. The shareholders personal assets cannot be claimed for the payment of business debts to creditors. The creation of a limited company requires the lodging of various documents with the Registrar of Companies, which must include a Memorandum of Association and Articles of Association. If all documentation is satisfactory, a certificate of incorporation is issued, bringing the company into existence as a legal entity.

There are many advantages of public limited company like shares can be advertised and be sold through the stock exchange, much easier to borrow from banks compared to as smaller businesses, all shareholders have limited liability and bulk purchasing also makes a large difference when trying to lowest the costs.

However there also are some disadvantages of a public limited company. Starting with a loss of overall ownership which creates overall loss of control of the business, decisions take longer to make and there may be a lot of disagreement, the personal touch may be lost, there are more statutory regulations to conform to, profits are shared amongst a far greater number of people, published accounts have to be prepared.

Tesco is a public limited company (plc). A lot of big companies go public. As I have already mention in the advantages of being a PLC is because unlike a private limited, a public limited company is able to advertise the sale of shares and sell them to members of the general public though the stock exchange.

Organizational structure refers to the way in which jobs are arranged within the organization in order to help the organization in meeting its targets. Typical organizational structures include hierarchal structures, strategic business units and simple structures; however, the type of organizational structure chosen will vary not only depending on the industry and the company, but the host country in which the company was founded. Tesco has a flat hierarchical structure with just six levels between checkout staff and chief executive.

Tesco has chosen to pursue a strategic business unit (SBU) across all of its business areas in order to increase the degree of competitiveness within the individual market areas. The strategic foundation; size and scope of the operation; strategic thrust; the kinds of products or services sold and delivered; service quality and image; product/service brand identification and image; breadth of the product/service line; functions performed by the company; distribution outlets; customer market served; geographic market served; ownership; and financial targets.

The strategic business unit organizational structure provides Tesco with flexibility to expand its operations in many different directions. It also allows the company to be successful internationally, as it can choose its market

entry strategy to account for the needs of the new market, rather than simply copying the existing competitors or using the home country marketing. Tesco has been exceptionally successful at international business development, as is the market leader in five of its twelve international market areas (Tesco 2008).

Corporate culture is one of the main determinants of success or failure in a business development practice, because it largely determines how flexible, accepting of change and innovative a company tends to be. Thus, Tesco's corporate culture can be determined from its corporate responsibility statements, which describe its core values and core ideologies as well as some aspects of cultural artifacts.

2] Explain and analyse the various ways in which information and communication technology (ICT) affect aspects of the business done by large organisations. Illustrate your answer by referring to data from your case study organisation to show how ICT is essential for controlling and supporting business process. (20 marks)

That seems to me a vital point. It is incontestable that the spread of computing power has reduced radically the costs for companies of collecting, analysing, retrieving and re-using information. The growth of voice and data communications means companies are increasingly able to share and spread this information at great speed, over large distances.

So as computers become cheaper and more powerful, the business value of computers is limited less by computational capability and more by the ability

of managers to invent new processes, procedures and organisational structures that leverage this capability.

Just as electricity enabled development of the continuous production line processes, the decentralised availability of information through IT allows the reduction of hierarchical structures within firms and greater empowerment and capabilities for work teams and individual workers.

The advent of technology has made it easier for people to communicate with each other, whether they operate in the political, economic, social or general business arena at a local, national or global level. The technology that has made communication easier takes the form of mobile phones, fax machines, video conferencing, the internet and the World Wide Web.

Mobile phones have grown in popularity since the mid-1980s. Initially, mobile phones were (therefore visible) and expensive. Hence in the 1980s they were very much the necessary executive accessory. The first mobile phones were also heavy and cumbersome to carry around. The technology improved throughout the 1980s and 1990s and the size and styling of mobile phones improved to give small and slim model that slip easily into a jacket pocket or handbag. In line with improved technology and styling, the price of mobile phones fell and connection is possible for under \$50.

Video conferencing is becoming increasingly popular among businesses. Large companies such as British Petroleum (BP) have been using video conferencing since 1983 and have in house studios in global locations.

Organisation and the application of technology. In addition to the communications technology discussed above, organisations make use of other types of technology on a daily basis

At Tesco, technology is right at the heart of our business – helping to improve the shopping experiences for all our customers.

As you would expect from a world-class business, we need systems which are at the forefront of the industry – and if the technology doesn't exist, we're not afraid to innovate and be the first globally to develop and use it.

Our leading edge supply chain systems create effective stock control and product availability for all our customers.

Every customer experiences the checkout process, meaning our systems and processes at the tills need to be simple, smart and at the same time sophisticated.

Then there are new ideas like the ' Self Scan Checkout' (which, incidentally, our customers love).

Or what about the things you don't see – like technology which neatly predicts when we need to open more tills, before the queues have even started to form.

Technology is integral to all our business operations – from our numerous internal systems, electronic links with our suppliers and over 5, 000 office based users to support – IT is truly a business partner.

To us we're not here to provide just hardware or software, our contribution is to provide services and innovative IT solutions which improve the lives of our people and customers.

3] Discuss and evaluate some of the ways, in which a large organisation is affected by changes in the economic environment. Refer to the organisation you have chosen and illustrate your answer with specific examples from that organisation. (20 marks)

The economic environment consists of various factors in which affects many business such as Tesco. Factors such as employment, income, inflation, interest rates, productivity that influence the buying behavior of consumers and institutions, these would have a very big effect on Tesco positively and negatively.

The main factor that that affects the economic side is economic growth.

Economic growth is vital if businesses are to grow. Growth is measured as the change in the gross domestic product (GDP) of a country over one year. For comparisons over time this figure must be adjusted to allow for inflation and the resulting value is called 'real growth'. Over time real economic growth leads to major improvements in living standards, expanding existing markets and opening new ones. The real economic growth of one country relative to another is an important indicator of business opportunity.

Economic growth is affected by productivity and investment: using existing resources more efficiently and investing in new resources. Success in this process generates increased incomes which then fuel demand and encourage further economic growth.

When a business enterprise is setting objectives and strategy for the future, economic growth is a vital factor to consider. Firms with products that are necessities are much less affected by the upturns and downturns of economic growth. Supermarkets (Tesco) make a good example, although even they expand and contract their 'value' and upmarket brands according to economic conditions. But firms selling luxuries are much more sharply affected by changes in economic growth. Home furnishings, restaurants, holidays and cars are all types of product where economic growth is a critical factor when setting business plans.

The demand for change in organisations is caused by shifts in the external and internal environments in which they operate. The PEST issues " political, economic, sociocultural and technological " are drivers or sources of change that all organisations face. Additionally, the behaviour and demands of external stakeholders, including competitors, customers, financiers and shareholders, may drive change for an organisation.

The size of an organisation will influence which structure is most suitable. The most suitable structure is that which allows the best and most effective communication and co-ordination within the organisation. A large organisation or one that grown in size in term of more and bigger markets, a greater range of products and services, an increasing number of employees or a greater number of factories or outlets will require different structure from a small business that just opened its first factory or outlet.