

Rajshahi University of Engineering and Technology

Department of Computer Science & Engineering

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**Assaignment on business environment and organization:**

**Introduction:**

Business environment is composed of two words ‘Business’ and ‘Environment’. In economic sense ‘Business’ means human activities like production, purchase or extraction or sales of products or services that are performed to earn money. Meanwhile ‘Environment’ means the aspect of surroundings. Business environment is the set of conditions institutional, political, economical, legal or social that is uncontrollable and affects the functions of the organization.   
Business environment consists of two components: external environment and internal environment.  Internal environment includes of 5 M’s like management, money, machinery, material and man. On the other hand, External environment consists of demo-graphical factors, socio-cultural factors, political factors, geo-physical factors, government and legal factors.

**1. Understand the organizational purpose of business**

**1.1**  **Identify the purpose of different types of organizations**

There are different types of organizations and mainly all kinds of organizations are divided in three sectors: public sectors, private sectors and voluntary sector organizations. The purposes of those organizations are not same. Public sector is owned and run by the government for the people. People pay taxes to the government and this money is used to finance most of the public sectors. The main purposes of public sectors organizations are to provide essential public services and to use resources well for the benefit of the community. Private sector businesses are owned and run by private individuals. Examples of private sector businesses are franchises, companies (private and public), partnership and sole traders. Purposes of private sector organizations are making profit, growing their business, increasing market share and maximize sales. Voluntary groups are not owned by any individual people. However, some will be responsible for ensuring that it sets targets and budgets and does what it is set up to do. In most instances they try to help particular types of people like guide dogs for the blind or Oxfam etc. In order to survive they normally must at least break-even (for an example spend no more than they take in through fundraising, grants and donations etc)

**1.2**  **Describe the extent to which an organization meet the objectives of different organizations**

There are many fast food restaurants and among them some are famous and they are operating in most of the countries of the world like McDonald’s, Burger King, Pizza Hut, KFC, and Subway and so on. Normally there are three kinds of organizations like Public, Private and Voluntary organizations. The objectives of those organizations are different. For example, public organizations are more likely to serve people with low cost while private organizations want to do more profit, extend their business, and increase their sales and so on. McDonald’s is a private company and their objectives are: to become the world’s largest ad best quick service restaurant. They want to provide outstanding quality, service, cleanliness and value, so that they can make every customer in every restaurant smile. The objectives of McDonald’s are:

        We place the customer experience at the core of all we do

        We are committed to our people

        We believe in the McDonald’s system

        We operate our business ethically

        We give back to our communities

        We grow our business profitably

        We strive continually to improve

Most of the fast food restaurants are following the above objectives. All of them have same objectives but they have different products and services.

**1.3**  **Explain the responsibilities of an organization and strategies employed to meet them**

The responsibilities of McDonald’s:

        Develop and produce more foods for children

        Increase children well-being by various programs and initiatives which give “fun with a purpose”

        Give customers useful information regarding nutrition and suggest foods which are suitable for customers.

        Improve their supply system by using better technology and communication system

        Develop a global forestry policy which will apply to their purchasing products

        Implement global forestry policy in consumer packaging and other sectors

        They will design their packaging by considering environment.

        Innovation practice will be increased and employees are encouraged to participate in innovation activities

        Maximization of energy efficiency in their outlets.

        Produce more Hamburger University-certified restaurant managers

        Increase the employee value proposition to motivate employee commitment.

        Recruit skilled employees and train their existing employees for better performance

        Increase support to Ronald McDonald House Charities through communication outreach (McDonaldUSA, 2011)

Strategies follow by McDonald’s: it provides franchising opportunities to other to expand their business all over the world. It allows franchisee shareholders, management and members to share their risks and rewards. This model is working very well; now they has less risk but they are gaining the revenue by rent and profit share. Rest of the organizations is adopting this model. They invest huge money on product development and innovation to produce goods which customers want. They develop their products on basis of economics, demography and local factors.

**2.**  **Understand the nature of the national environment in which businesses operate**

**2.1**  **explain how economic system attempts to allocate resources effectively**

There are different economic systems and those economic systems are implemented in different countries according to their demand. There are free market economy, centrally planned economy and mixed economy. In free market economy government has fewest or no intervention on supply and demand and decision making. Decisions are made on basis of market mechanism. In free market Condition Company can easily export or import products from other countries. Here government doesn’t take decision but most of the organizations take decision and government has very little intervention. In a command economy, government is responsible for making decisions and distributing resources. Normally socialist countries have fully command economy. Here government distributes all the resources according to the people demand and demography. Most of the countries in the world follow mix economy which is the combination of command and free market economy. Here organizations are run either by government or private organizations. Public organizations are owned by the government and it takes the decision of those organizations. Private organizations run their operation independently but under government supervision. Government monitors the activities of those organizations.

 (Peh, E., 2009)

**2.2**  **Assess the impact of fiscal and monetary policy on business organizations and their activities**

Fiscal and monetary policies have great impact on business organizations and their activities. Fiscal policies are determined by the government and it is the amount of tax organization has to pay to government. If government increases the tax level, firms have less money to invest and recruit. Organization may charge more money to customers for their products and services. If government imposes low taxes, firms want to invest for many sectors which create job for people. Central bank controlled the monetary policy. Monetary policy has effect not only on the business organization but also the entire economy. It is the ability to obtain credit. Expansionary monetary policy ensures low interest rates and availability of credit. Contractionary policy lessens the money supply and makes it tough to borrow money for organization. The activities of organizations largely depend on those policies. Expansionary policies reduces taxes, increases government expenditure and an augmentation of money supply and those things are opposite in contractionary policies. (Hall, S., 2012)

**2.3**  **Evaluate the impact of competition policy and other regulatory mechanism on the activities of a selected organization**

McDonald’s is the top most fast-food restaurant in the world. Fast food industry is very challenging and every company invests lot of money on product and service development and they are competing with each other to get competitive advantage. Competition policy promotes competition and makes markets better and improves the efficiency of various organizations. It ensures wider customer choice; technical innovation which promotes dynamic efficiency and effective price competition between supplies. Competition policies are based on four policies: antitrust & cartels, market liberalization, state aid control and merger control. All those policies restrict competition including price fixing and other abuses. Competition policy breaks the monopolistic market and ensures easy entry on new competitors. On the other hand, regulations are enforced by government to forecast how a market works and the outcomes which results for both customers and manufacturers. Some regulations are fair trading, standard customer services, and environmental policies and so on. Regulatory committee monitor prices, ensures standards customer services, surrogates competitors and opening up markets (Riley, G., 2012).  McDonald’s are facing challenges from other competitors like Burger King, KFC and Subways for price, quality of food and services and so on. All the products price of those companies are almost same.

**3.**      **Understand the behavior of organizations in their market environment**

**3.1**  **Explain how market structure determine the pricing and output decisions**

Market structure plays an important role to determine price and production. There are few market structures like monopolistic competition or competitive market, oligopoly, monopsony, oligopsony, monopoly and perfect competition. In monopolistic competitive market, there are large numbers of firms and every organization has small portion of the market share. Those organizations don’t have that much impact on pricing and output. They normally constantly supply products in the market. In oligopoly market condition there are a small number of firms which together control the most of the market share and they determine the price and supply. In monopsony market there is only one buyer who solely determines the price and supply. If there is a great demand in the market, company increases the price but excess price can deter the demand of the product. In olgopsony market structure there are many sellers but only few buyers, so sellers try to keep price at low as much as they can. In perfect completion market, there are unlimited number of buyers and consumers and price are perfectly elastic.

**3.2**  **Illustrate the way in which market forces shape organizational responses using a range of examples**

Market forces illustrate the relation between supply and demand within a market. Organizational response is the reaction given by a business or a company to a business or economical circumstances. Organizational response to market forces has great impact on the company’s reputation and profits. Most of the successful companies do proper market research and analysis to ensure that they are able to provide service or products to their customers. McDonald’s able to judge the market demand for their products correctly which keeps their customers happy by supplying products in right amount what customer ordered. The profit of McDonald’s is increasing as they judge their margin correctly to be able to supply and sell as much of their products as possible without over stocking, bringing added finance to the business. Some of their brunches are facing loss as they judged very poorly. As a result they are either leaving customers empty handed as not enough products has been supplied or leave their business overstocked as customers don’t want the quantities supplied. If the company is not able to satisfy its customers the reputation may be tarnished. The relationship between market forces and organisation response is therefore paramount in terms of business success and customer satisfaction.  For this reason, market research is key in order to determine market forces so that an organisation can respond correctly to the market they are operating in.  It is also important to continue in monitoring market forces to ensure that an organisation can respond to any changes in market conditions.  More or less product may be needed to match customer demand during different market seasons (Philips, I.).

**3.3**  **Judge how the business and cultural environments shape the behavior of a selected organization**

Business and cultural environment has great impact on organizational behavior. There are two kinds of business environment: economic environment and non-economic environment. The economic environment includes economic system, economic policies and economic condition. On the other hand non-economic environment consists of natural, demographic, technological, legal, political, social environment. McDonald’s is operating more than 119 countries in the world. Their operation largely depends on the business and cultural environment of the countries where they operate. Economic environment is not same for all countries. For example, per capita income of UK and India are not same. UK has higher per capita income than India. Product prices are higher in UK than India. Economic policies like industrial policy, fiscal policy, monetary policy, foreign investment policy and export-import policy are not same for those two countries which have great impact on the organizational behavior. Social environment of business includes social factors like life expectancy rate, literacy, poverty, beliefs, values, traditions and customs. In Indian culture beef is prohibited for Hindus, so most of the people don’t eat beef. McDonald’s does not sell beef in Hindu communities and pork in Muslim communities. Political environment includes the political system, the government policies and attitude towards the business community and the unionism. All these aspects have a bearing on the strategies adopted by the business firms. The stability of the government also influences business and related activities to a great extent. Legal environment refers to set of laws, regulations, which influence the business organisations and their operations. McDonald’s has to obey, and work within the framework of the law. Technological environment include the methods, techniques and approaches adopted for production of goods and services and its distribution. The varying technological environments of different countries affect the designing of products. Demographic environment refers to the size, density, distribution and growth rate of population. All these factors have a direct bearing on the demand for foods of McDonald’s. The natural environment includes geographical and ecological factors that influence the organizational behavior. These factors include the availability of natural resources, weather and climatic condition, location aspect, topographical factors, etc.

**4.**    **Be able to assess the significance of the global factors that shape national business activities**

**4.1**  **Discuss the significance of international trade to UK business organizations**

International trade is very important for every nation as it is not possible to grow or produce all goods or services within a country. Some goods are available in some countries, so it needs to exchange the products and services which are not possible to execute without international trading. International trading is very profitable and economic. Some of the benefits of international trading to UK business organizations will be described in the following part:

        Broadens Horizons and Markets: if UK based companies produce products only for domestic use, they will fully limit their potential. They can exports those products to other countries. By doing trading domestically they can attain steady growth but if they do it internationally they will gain international reputation as well as great revenue. International trade increase traffic, sales and consumers.

        Production Costs: By trading in other countries, the company also opens itself up to lower production costs. For example, McDonald’s imports many products from other countries for cheap price and availability. McDonald’s has many outlets in many countries. Some time the employees of UK go other countries outlets to work which give them the opportunity to earn remittance.

        Materials: for many productions, UK largely depends on other countries. Many raw materials are comes from other countries like banana and mango did not grow in the UK and for those products UK have to export from hotter countries. Similarly many countries need expensive and luxurious materials like arms, cars, engines which they import from UK. It is quite tough to be self-dependent in all sectors. International trade gives the opportunity to exchange products otherwise there will be very scarce choice for each nation.

**4.2**  **Analyze the impact of global factors on UK business organizations**

**International trade and the UK economy:** Global factor give the opportunity to make international trade which is boosting UK economy. Many of the UK organizations are operating in other countries where they get cheap labor and raw material.

**Market opportunity:** UK has good reputation all over the world for their advancement in technology and global factor gives the opportunity to UK business organizations to conduct business all over the world.

**Global growth:** global factors give the opportunity to expand business all over the world which is very positive for UK economy.

**Protectionism: it** is the [economic policy](http://en.wikipedia.org/wiki/Economic_policy) of restraining [trade](http://en.wikipedia.org/wiki/Trade) between states through methods such as tariffs on imported goods, restrictive quotas, and a variety of other government regulations designed to allow (according to proponents) "fair competition" between imports and goods and services produced domestically.

**World trade organization:** The World Trade Organization (WTO) deals with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.

**Emerging market (BRIC economies- Brazil, Russia, India and China):** the economies of those countries are growing rapidly and in near future they will lead the world market. Those countries are really threat for UK economy.

**Government Impact:** government makes rules and regulation according to the global factors which will be convenient for UK organizations.

**4.3**  **Evaluate the impact of policies of the European Union on UK business organizations**

After joining to the EU, UK businesses have to maintain the all rules and regulations. Now EU laws are same for all European Union’s countries. All countries have to follow the Union’s legislation. If any organization or EU countries want to do business, it needs to contact with European Money Union and it needs to transect in Euro. EU policies have immense influence on UK businesses through spending and taxation law, spending and directive, inspiring business activity through support and subsidies. All UK companies can exchange their product with other EU countries without any barrier. There is no boarder barrier. If UK companies have licenses they can easily export their products to other EU countries or import products from other EU countries. National authorities can monitor the activities of the business organizations locally. Directives have to be implemented in national legislation.

**Conclusion:**

It is very important for every organization to understand its business environment. By analyzing the business environment organization can recognize its strength, weaknesses, opportunities and threats. For proper understanding of the business environment, organization will monitor political, economic, social and technological factors at regular basis. McDonald’s will monitor its environment regularly and make its strategic plan according to the situation.