BUSINESS ASSESSMENT

Prepared by:
YASIRU PRABODHA

Student Id:
CL/OTHMFL3/11/90

2024

Table of Contents

REPORT

Bank First
Cooperation

UNDERSTAND BUSINESS STRUCTURES

2024

Prepared by

Yasiru Prabodha

Author id

cl/othmfl3/11/90

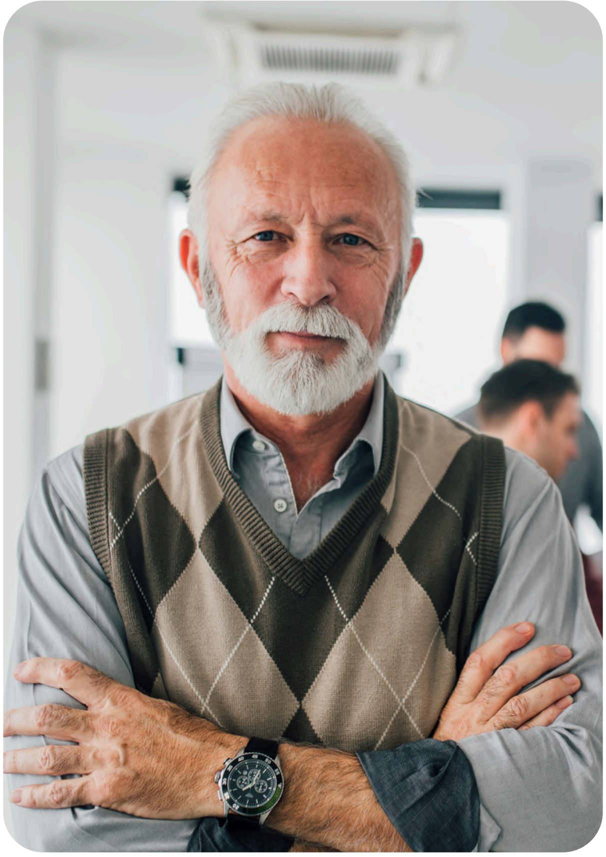
Introduction

Understanding the foundational aspects of business and organizational structure is crucial for any aspiring business professional. This report aims to provide comprehensive insight into key concepts related to business organization, legal requirements affecting business structure, formation options, and the variations in legal structures across different sectors.

Firstly, the distinction between an organization and a business will be clarified, emphasizing their respective roles and functions. Subsequently, the legal requirements that influence how businesses are structured will be explored, highlighting the regulatory framework that businesses must navigate. The report will then delve into the various formation options available to entrepreneurs, detailing the advantages and considerations for each. Finally, it will examine how legal structures vary across the public, private, and voluntary sectors, illustrating the diverse regulatory environments in which organizations operate.

This foundational knowledge will equip apprentices with a robust understanding of the organizational and legal frameworks that underpin businesses, fostering informed decision-making and effective management practices.

Acknowledgement



Yasiru Prabodha

Business Administration
Apprenticeship Co-ordinator

I would like to extend my heartfelt thanks to Ms. Inoka for her unwavering support and expert guidance throughout the development of this report. Her mentorship has been instrumental in shaping the content and ensuring its alignment with our educational goals.

I am also grateful to my colleagues at BFC PLC for their valuable input and encouragement. Their constructive feedback has been invaluable in refining the content and enhancing its clarity.

Lastly, I acknowledge my role as the writer of this report, dedicated to delivering comprehensive and informative material that will serve as a valuable resource for our apprentices. This project has been a collaborative effort, and I am thankful for the opportunity to contribute to our learning community.

Yasiru Prabodha

Table of Contents

Organization vs Business

Definition of an Organization

An organization is a structured group of people working together to achieve specific objectives. Organizations can exist for a variety of purposes beyond just profit-making, including social, cultural, educational, and humanitarian goals. They encompass a wide range of entities such as non-profits, governmental agencies, charities, clubs, and more. The structure of an organization can vary significantly, from formal hierarchies to informal networks, depending on its purpose and size. (Fisher, Houghton and Jain, 2014)

Definition of a Business

A business is a specific type of organization that engages in commercial, industrial, or professional activities with the primary aim of generating profit for its owners or shareholders. Businesses are typically structured to optimize efficiency, productivity, and profitability. They operate in various industries, including manufacturing, retail, services, and technology. Businesses can take several legal forms, such as sole proprietorships, partnerships, corporations, and limited liability companies (LLCs). (Franco-Santos et al., 2007)

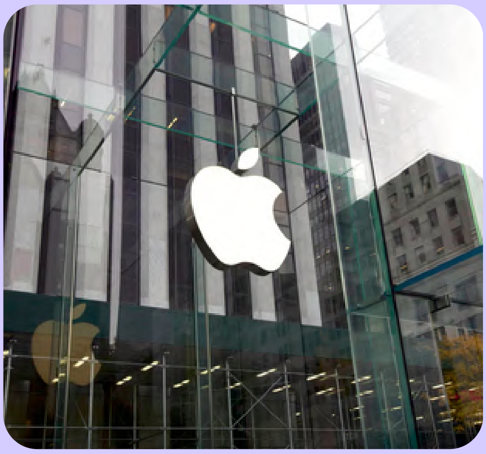
Key Differences

- **Objective**
  - **Organization:** The objectives of organizations can be varied and multifaceted, including social service, cultural enrichment, advocacy, or community development. For example, a non-profit organization like UNICEF aims to provide humanitarian aid and advocacy for children's rights.
  - **Business:** The primary objective of a business is to generate profit for its owners or shareholders. For example, a retail business like Amazon aims to sell products and services to consumers for profit.
- **Revenue Generation**
  - **Organization:** Revenue generation may not be the primary focus. For instance, a charity organization may rely on donations, grants, and fundraising activities rather than selling products or services.
  - **Business:** Revenue generation is central to its operations. A business like Apple generates revenue by selling electronic devices and related services.
- **Structure**
  - **Organization:** The structure can vary widely depending on the purpose. Non-profits, for example, might have a board of directors and volunteers rather than paid staff. Their structure is often aligned with their mission and the need to engage stakeholders.
  - **Business:** Businesses are usually structured in a way that maximizes operational efficiency and profitability. This includes a clear hierarchy with defined roles, departments, and management levels. For example, a corporation like Microsoft has a structured organization with various departments such as finance, marketing, and research and development.

- **Funding**
  - **Organization:** Funding can come from donations, grants, membership fees, and fundraising events. For example, the Red Cross receives donations from individuals and grants from governments and other organizations.
  - **Business:** Funding is typically generated through sales, investments, and loans. A business like Tesla funds its operations through the sale of vehicles, stock issuance, and loans.
- **Regulation and Reporting**
  - **Organization:** Non-profits and other types of organizations are subject to specific regulations and reporting requirements related to their tax-exempt status, fundraising activities, and governance. For instance, charities in the UK must register with the Charity Commission and file annual reports.
  - **Business:** Businesses must comply with commercial laws, tax regulations, and reporting standards. They are required to file financial statements and tax returns, and publicly traded companies must adhere to stringent reporting and governance standards set by regulatory bodies like the Securities and Exchange Commission (SEC) in the U.S.

Examples to Illustrate the Differences

- **Non-Profit Organization (UNICEF)**
  - **Objective**: Provide humanitarian aid and advocacy for children's rights worldwide.
  - **Revenue Generation:** Relies on donations, grants, and fundraising.
  - **Structure:** Governed by a board of directors, employs staff, and works with volunteers.



- **Business (Apple Inc.)**
  - **Objective**: Generate profit by designing, manufacturing, and selling consumer electronics.
  - **Revenue Generation:** Sells products like iPhones, iPads, and services like iCloud and Apple Music.
  - **Structure:** Organized with a clear corporate hierarchy, including departments for product development, marketing, sales, and customer service.

While both organizations and businesses involve groups of people working towards common goals, the key differences lie in their objectives, revenue generation methods, structural organization, funding sources, and regulatory requirements. Understanding these differences is crucial for apprentices at BFC PLC as it enables them to navigate and operate effectively within different types of entities in the professional world. (Dess and Robinson, 1984)

Legal Structure Requirements

The legal structure of a business determines its formation, governance, taxation, and the level of personal liability for its owners. Different business structures have different legal requirements that must be met during formation and throughout their operation. These requirements ensure that businesses operate within the legal framework and protect the interests of stakeholders. (Whisenand, 1995)

Key Legal Requirements

1. **Business Registration and Formation**
    - **Sole Proprietorship**
        - **Registration**: Often requires minimal registration with local or state authorities.
        - **Licensing:** May need specific permits or licenses depending on the industry and location.
        - **Fictitious Name Registration:** If operating under a name different from the owner's legal name, a DBA (Doing Business As) must be registered.
    - **Partnership**
        - **Partnership Agreement:** While not always legally required, a partnership agreement is crucial to outline the roles, responsibilities, and profit-sharing arrangements.
        - **Registration:** General partnerships may require minimal registration, whereas limited partnerships must file with state authorities.
        - **Licensing:** Necessary permits and licenses based on the business activities.
    - **Limited Liability Company (LLC)**
        - **Articles of Organization:** Filed with the state, including information about the members and the management structure.
        - **Operating Agreement:** Governs the LLC's operations and outlines the members' rights and responsibilities.
        - **Annual Reports:** Some states require LLCs to file annual or biennial reports.

2.Taxation

- **Sole Proprietorship**
  - **Income Reporting:** Business income is reported on the owner's personal tax return using Schedule C.
  - **Self-Employment Tax:** Owners must pay self-employment taxes for Social Security and Medicare.
- **Partnership**
  - **Tax Reporting:** Partnerships file an annual information return (Form 1065) and issue K-1 forms to partners, who report their share of income on personal tax returns.
  - **Self-Employment Tax:** Partners may owe self-employment tax on their share of partnership income.
- **Corporation**
  - **Corporate Tax:** Corporations pay corporate income tax on profits (Form 1120).
  - **Double Taxation:** Shareholders pay taxes on dividends received, leading to double taxation of corporate earnings.
  - **S-Corporation Option:** Can elect S-corporation status to pass income directly to shareholders, avoiding double taxation.
- **LLC**
  - **Tax Flexibility:** Can choose to be taxed as a sole proprietorship, partnership, S-corporation, or C-corporation.
  - **Pass-Through Taxation:** Often taxed as a pass-through entity, where profits are reported on members' personal tax returns. (Blazek, 2012)

3.Employment Laws

- **Compliance with Labor Laws:** All businesses must adhere to federal, state, and local labor laws regarding minimum wage, overtime pay, child labor, and workplace safety.
- **Employment Taxes:** Businesses must withhold and pay Social Security, Medicare, and federal and state unemployment taxes.
- **Employment Agreements:** Ensure contracts or agreements comply with employment laws and protect the business and employees.

4.Intellectual Property Protection

- **Trademarks:** Businesses must register trademarks to protect brand names, logos, and slogans.
- **Patents:** Inventors should obtain patents to protect inventions and processes.
- **Copyrights:** Creative works such as literature, music, and software need copyright protection. (Lee and Mansfield, 1996)

5.Reporting and Compliance

- **Financial Reporting:** Corporations and larger LLCs may be required to prepare and disclose financial statements.
- **Annual Reports:** Required by some states for corporations and LLCs to maintain active status.
- **Regulatory Compliance:** Depending on the industry, businesses may need to comply with specific regulations, such as environmental laws, health and safety standards, and industry-specific regulations.

6.Insurance Requirements

- **Liability Insurance:** Protects against legal claims and lawsuits.
- **Workers' Compensation:** Required for businesses with employees to cover job-related injuries and illnesses.
- **Professional Liability:** Essential for businesses providing professional services to protect against negligence claims.

Understanding the legal requirements affecting the structure of businesses is crucial for compliance and successful operation. These requirements vary based on the business type, industry, and location. Ensuring proper registration, adhering to tax obligations, complying with employment laws, protecting intellectual property, and maintaining necessary insurance coverage are fundamental to establishing and operating a legally sound business. (Iwai, 2002)

Business Formation Options

When forming a business, there are several structures to choose from, each with its own advantages, disadvantages, and legal implications. Here's an exploration of the primary formation options (Skripak, 2016)

1. Sole Proprietorship

- **Description:** Corporations and larger LLCs may be required to prepare and disclose financial statements.

- **Advantages:**
  - **Simplicity:** Easy and inexpensive to establish and dissolve.
  - **Control**: The owner has complete control over decision-making.
  - **Tax Benefits**: Profits are taxed as personal income, potentially lowering the tax burden.

- **Disadvantages:**
  - **Unlimited Liability:** The owner is personally liable for all business debts and legal actions.
  - **Funding Challenges:** Difficulty in raising capital since funding options are limited.
  - **Sustainability:** The business ceases to exist if the owner retires, passes away, or is incapacitated.

2. Partnership

- **Description:** A partnership involves two or more individuals who agree to share the profits and losses of a business.

- **Types:**
  - **General Partnership:** All partners share equal responsibility and liability.
  - **Limited Partnership (LP):** Includes both general and limited partners; limited partners have restricted liability and usually do not manage the business.
  - **Limited Liability Partnership (LLP):** Partners have limited liabilities and are not responsible for each other's actions.

- **Advantages:**
  - **Shared Responsibility:** Workload, risks, and management are shared among partners.
  - **Combined Resources:** Partners can pool their resources and expertise.
  - **Tax Benefits:** Profits are taxed as personal income for the partners.

- **Disadvantages:**
  - **Unlimited Liability:** In a general partnership, partners are personally liable for business debts.
  - **Disagreements:** Conflicts can arise between partners over business decisions.
  - **Instability:** The business can be affected if one partner leaves or passes away.

3. Corporation (C-Corp and S-Corp)

- **Description:** A corporation is a legal entity separate from its owners, providing limited liability protection. (Davani, 2014)
- **Types:**
  - **C-Corporation:** Standard corporation where profits are taxed at the corporate level and again as shareholder dividends.
  - **S-Corporation:** Allows profits and losses to be passed through to shareholders' personal income without being subject to corporate tax rates, subject to certain restrictions.
- **Advantages:**
  - **Limited Liability:** Owners (shareholders) are not personally liable for business debts.
  - **Capital Acquisition:** Easier to raise capital through the sale of stock.
  - **Perpetual Existence:** The corporation continues to exist regardless of changes in ownership.
- **Disadvantages:**
  - **Complexity and Cost:** More regulations and higher costs to establish and maintain.
  - **Double Taxation:** For C-Corps, profits are taxed at both the corporate and personal levels.
  - **Regulatory Requirements:** Subject to extensive record-keeping, operational processes, and reporting.

4. Limited Liability Company (LLC)

- **Description:** An LLC combines the benefits of both the partnership and corporate structures. (Tricker, 2019)
- **Advantages:**
  - **Limited Liability:** Owners (members) are protected from personal liability for business debts.
  - **Flexibility:** Offers flexibility in management and profit distribution.
  - **Pass-Through Taxation:** Profits are taxed on the members' personal income tax returns, avoiding corporate tax.
- **Disadvantages:**
  - **Complexity:** More complex than a sole proprietorship or partnership.
  - **Costs:** Can be more expensive to establish and maintain than a sole proprietorship or partnership.
  - **Varying Regulations:** LLC laws vary by state, which can complicate operations across state lines.

5. Cooperative

- **Description:** A cooperative is a business owned and operated by a group of individuals for their mutual benefit. (Patrizia Battilani and Schröter, 2012)
- **Advantages:**
  - **Member Control:** Each member has an equal vote in business decisions.
  - **Shared Benefits:** Profits are distributed among members.
  - **Community Focus:** Often aligns with the interests and needs of the local community.

- **Disadvantages:**
  - **Decision-Making:** Consensus decision-making can be slow and challenging.
  - **Capital Challenges:** Raising capital can be difficult without traditional investment incentives.
  - **Complexity:** Establishing a cooperative can be complex and requires adherence to specific regulations.

6. Nonprofit Organization

- **Description:** A nonprofit is an organization formed for charitable, educational, religious, literary, or scientific purposes, and profits are reinvested into the mission rather than distributed to owners or shareholders. (Smith, 1992)
- **Advantages:**
  - **Tax Exemption:** Exempt from federal and state income taxes.
  - **Grants and Donations:** Eligible for public and private grants and tax-deductible donations.
  - **Mission-Driven:** Focused on social, educational, or community goals.
- **Disadvantages:**
  - **Funding Dependence:** Reliance on donations and grants can be uncertain.
  - **Regulations and Compliance:** Must adhere to strict regulations and reporting requirements.
  - **Limited Profit Distribution:** Cannot distribute profits to members or directors.

Choosing the Right Structure

When choosing a business structure, consider the following factors:

- **Liability**: How much personal liability you are willing to assume.
- **Taxes:** The tax implications of each structure.
- **Control:** The level of control you wish to maintain.
- **Funding Needs:** Your ability to raise capital.
- **Complexity:** The administrative and regulatory requirements.
- **Future Goals:** Long-term goals and plans for the business.

Each business structure offers distinct advantages and challenges, so it's essential to carefully evaluate your specific needs and consult with legal and financial professionals before making a decision.

Legal Structures Across Sectors

The legal structure of businesses can vary significantly across the public, private, and voluntary sectors. Each sector has distinct characteristics and regulatory requirements that impact how they operate. (Fontana, 2021)

Public Sector

The public sector comprises government-owned and government-operated organizations. These entities are typically funded by taxpayer money and aim to provide public goods and services.

- **Legal Structures:**
  - **Government Departments and Agencies:** Operate directly under government control.
    - Example: UK Department of Health and Social Care.
  - **Public Corporations:** State-owned enterprises that operate with more autonomy but are still accountable to the government.
    - Example: BBC (British Broadcasting Corporation).

- **Characteristics**
  - Funded by public money.
  - Subject to stringent regulatory oversight and accountability.
  - Aim to serve the public interest rather than generate profit.

Private Sector

The private sector consists of businesses that are owned and operated by private individuals or groups. These organizations aim to generate profit for their owners or shareholders.

- **Legal Structures:**
  - **Sole Proprietorship:** A business owned by a single individual. The owner is personally liable for business debts.
    - Example: Local shops, freelance consultants.
  - **Partnership:** A business owned by two or more individuals. Partners share profits and liabilities.
    - Example: Law firms, accounting firms.
  - **Limited Liability Company (LLC):** Owners have limited liability for the company’s debts and obligations.
    - Example: Tech startups, small to medium-sized enterprises.
  - **Corporation**: A legal entity separate from its owners, providing limited liability to its shareholders.
    - Example: Multinational companies like Apple, Google.

- **Characteristics**
  - Primarily driven by profit.
  - Funded through private investment, loans, and revenue.
  - Subject to corporate laws and regulations.

Voluntary Sector

The voluntary sector, also known as the third sector, comprises non-profit organizations that aim to serve the community or a specific cause. These entities rely on donations, grants, and volunteers.

- **Legal Structures:**
  - **Charities:** Organizations established for philanthropic purposes and must be registered with the relevant regulatory body (e.g., the Charity Commission in the UK).
    - Example: Oxfam, Red Cross.
  - **Non-Governmental Organizations (NGOs):** Operate independently of government and are often involved in humanitarian or environmental work.
    - Example: Amnesty International, Greenpeace.
  - **Community Interest Companies (CICs):** A type of company designed for social enterprises that want to use their profits and assets for the public good.
    - Example: Social enterprises focusing on community development.
- **Characteristics**
  - Aim to benefit society rather than generate profit.
  - Funded through donations, grants, and fundraising activities.
  - Governed by specific regulations regarding non-profit status and transparency.

Key Differences

- **Ownership and Control:**
  - **Public Sector:** Owned and controlled by the government.
  - **Private Sector:** Owned by private individuals or entities.
  - **Voluntary Sector:** Operated independently, often by boards of trustees or directors.
- **Funding**
  - **Public Sector:** Funded by taxpayers.
  - **Private Sector:** Funded through private investment and revenue.
  - **Voluntary Sector:** Funded by donations, grants, and fundraising.
- **Purpose**
  - **Public Sector:** Provide public services and goods.
  - **Private Sector:** Generate profit for owners/shareholders.
  - **Voluntary Sector:** Serve a social, environmental, or community cause.
- **Regulation and Accountability:**
  - **Public Sector:** High levels of government oversight and accountability.
  - **Private Sector:** Subject to market regulations and corporate laws.
  - **Voluntary Sector:** Governed by specific non-profit regulations and accountability standards.

Understanding these differences helps in recognizing the unique roles each sector plays in the economy and society. Each legal structure has its advantages and challenges, shaping how organizations within these sectors operate and achieve their goals. (Mayer, 2020)

Thank you!

REVISION CARDS

BUSINESS PURPOSE AND OBJECTIVES OVERVIEW

PREPARED BY YASIRU PRABODHA

ID CL/OTHMFL3/11/90

Purpose

The purpose of a business defines its fundamental reason for existence. It encapsulates what the business aims to achieve beyond mere profit-making. (Gambardella and McGahan, 2010)

- **Profit Maximization:** Many businesses exist primarily to generate profit for their owners or shareholders. This purpose drives decisions aimed at increasing revenue, reducing costs, and maximizing profitability.
- **Market Leadership:** Some businesses prioritize becoming leaders within their industry or market segment. This purpose often involves strategies focused on innovation, quality, and customer satisfaction to maintain a competitive edge.
- **Social or Environmental Goals:** Increasingly, businesses are adopting purposes that include social or environmental objectives alongside financial goals. These businesses aim to make a positive impact on society or the environment while still being financially sustainable.
- **Customer Satisfaction:** For service-oriented businesses, the purpose may revolve around providing exceptional customer service and meeting the needs and expectations of their clientele.
- **Innovation and Growth:** Businesses driven by innovation seek to develop new products, services, or technologies that can disrupt markets or create new opportunities for growth.

Integration

- Aligns objectives with purpose for cohesive strategy.
- Ensures every goal contributes to fulfilling the business's mission.
- Drives long-term growth and industry relevance.

Objectives

Objectives are specific, measurable targets that support the business's purpose. They provide clarity and direction, guiding decision-making and resource allocation. Objectives typically cover various aspects of business operations. (Klein, Crawford and Alchian, 2020)

Financial Objectives

These objectives focus on financial metrics such as revenue targets, profit margins, return on investment (ROI), and cash flow management.

Operational Objectives

Operational objectives relate to the efficiency and effectiveness of business processes. They may include goals related to production output, quality standards, supply chain management, and cost control.

Market Objectives

Market objectives center around capturing market share, expanding into new markets, improving brand awareness, and enhancing customer loyalty.

Social and Environmental Objectives

Businesses committed to social or environmental goals set objectives related to sustainability practices, community involvement, diversity and inclusion initiatives, and ethical business practices.

Innovation Objectives

Companies focused on innovation set objectives related to research and development (R&D) investments, new product launches, patent filings, and technology adoption.

STAKEHOLDER EXPECTATIONS IN BUSINESS

Understanding the expectations of different stakeholder groups is crucial for businesses to effectively manage their relationships and operate sustainably. Here's a breakdown of key stakeholder groups and their typical expectations (Valor, 2021)

Shareholders / Investors

Financial Returns: Shareholders primarily expect financial returns on their investments through dividends and capital appreciation.

Transparency: They expect transparency in financial reporting and corporate governance practices.

Long-Term Growth: Shareholders often seek long-term growth and strategic direction that enhances the company's value.

Customers

Quality Products/Services: Customers expect high-quality products or services that meet their needs and expectations.

Value for Money: They want fair pricing and value for the money they spend.

Customer Service: Good customer service and responsiveness to concerns are also important expectations.

Employees

Fair Compensation: Employees expect fair wages and benefits commensurate with their roles and contributions.

Safe and Respectful Workplace: They seek a safe and respectful work environment with opportunities for growth and development.

Job Security: Expectations for job security and stability are also significant.

Suppliers and Business Partners

Fair Treatment: Suppliers expect fair treatment, timely payments, and ethical business practices.

Long-Term Relationships: They may seek long-term relationships and collaboration to ensure mutual success.

Clear Communication: Clear communication on requirements, changes, and expectations is crucial.

Government and Regulatory Authorities

Compliance: Governments expect businesses to comply with laws, regulations, and tax requirements. (André Nijsen et al., 2009)

Contribution to Economy: They may expect businesses to contribute to economic development, employment, and social welfare.

Environmental Responsibility: Increasingly, there's an expectation for businesses to be environmentally responsible and sustainable.

Local Communities

Social Responsibility: Communities expect businesses to be socially responsible, contributing positively to local development and welfare.

Employment Opportunities: They may expect businesses to provide employment opportunities and support local economic growth.

Environmental Impact: Concerns about environmental impact and sustainability practices also influence community expectations.

ORGANIZATIONAL STRUCTURE AND FUNCTION

Organizational Structure

Definition: The formal layout of how tasks, responsibilities, and authority are distributed within a company. (Puranam and Maciejovsky, 2021)

Types

- **Hierarchical:** Pyramid-like with a single leader at the top.
- **Flat:** Few levels of middle management, promoting direct communication.
- **Matrix**: Employees report to multiple managers for different aspects of their work.
- **Divisional**: Organization divided into semi-autonomous units or divisions.
- **Network**: Emphasizes flexibility, relies on external partnerships and outsourcing.

Organizational Function

Key Areas:

- **Operations:** Production of goods or services.
- **Marketing:** Promoting and selling products or services.
- **Finance:** Managing financial resources.
- **Human Resources:** Recruiting, training, and managing employees.
- **Research and Development:** Innovating and improving products or services.

Prepared by :

YASIRU PRABODHA

ID :

CL/OTHMFL3/11/90

Relationship Between Structure and Function

- **Clarity and Efficiency:** Clear structure ensures responsibilities are understood, reducing confusion.
- **Coordination and Collaboration:** Facilitates teamwork across functions.
- **Flexibility and Adaptability:** Impacts the organization's ability to respond to changes.
- **Resource Allocation:** Determines how resources are distributed among functions.
- **Accountability and Control:** Establishes clear lines of accountability.
- **Communication Flow:** Influences how information is shared within the organization.

Example

- **Tech Company with Matrix Structure**
  - **Structure:** Developers report to both the head of development and a project manager.
  - **Function:** Responsible for software development.
  - **Relationship:**
    - **Coordination:** Enhances collaboration across functions.
    - **Flexibility:** Allows quick resource shifts to high-priority projects.
    - **Communication:** Promotes alignment with company strategy through dual reporting lines.

The relationship between organizational structure and function is crucial for the smooth operation and success of an organization. A well-defined structure ensures clarity, efficient resource allocation, and streamlined communication, while the organizational functions ensure that the company's goals and objectives are met. The interplay between structure and function facilitates coordination, enhances flexibility, and establishes accountability, enabling the organization to adapt to changes and innovate effectively. Understanding and optimizing this relationship is key to achieving organizational efficiency and growth. (Hershey et al., 1990)

B B

The internal business environment refers to the factors within a company that affect its operations, decision-making, and overall performance. These factors are largely within the control of the organization and can significantly influence its success. Key components of the internal business environment include (Quesada and Gazo, 2007)

1. Organizational Culture

- **Definition:** The set of shared values, beliefs, and norms that influence the behavior of individuals within the organization.
- **Impact:** A positive culture can enhance employee motivation, productivity, and retention, while a negative culture can lead to dissatisfaction, high turnover, and conflicts.

2. Management and Leadership

- **Definition:** The individuals who make strategic decisions and guide the organization towards its goals.
- **Impact:** Effective leadership can inspire and drive the company towards success, whereas poor leadership can result in mismanagement, low morale, and strategic failures.

3. Human Resources

- **Definition:** The workforce of the organization, including their skills, abilities, and attitudes.
- **Impact:** A skilled and motivated workforce can increase efficiency and innovation. Conversely, a lack of skilled personnel or low employee engagement can hinder performance and growth.

4. Financial Resources

- **Definition:** The funds available to the organization for operational and strategic purposes.
- **Impact:** Adequate financial resources enable investment in technology, marketing, and expansion. Limited financial resources can restrict the organization's ability to grow and compete.

5. Physical Resources

- **Definition:** The tangible assets owned by the organization, such as buildings, machinery, and technology.
- **Impact:** High-quality physical resources can enhance productivity and product quality. Poorly maintained or outdated resources can impede efficiency and lead to higher operational costs.

6. Operational Processes

- **Definition:** The workflows and procedures used to produce goods and services.
- **Impact:** Efficient processes can reduce costs, improve quality, and increase customer satisfaction. Inefficient processes can lead to delays, waste, and customer complaints.

7. Research and Development (R&D)

- **Definition:** Activities related to the innovation and improvement of products and services.
- **Impact:** Strong R&D capabilities can lead to the development of new products and a competitive edge. Lack of R&D can result in stagnation and a failure to meet changing market demands.

8. Internal Communication

- **Definition:** The ways in which information is shared within the organization.
- **Impact:** Effective communication ensures that employees are informed, aligned with the company's goals, and able to collaborate effectively. Poor communication can lead to misunderstandings, errors, and a lack of cohesion.

9. Corporate Governance

- **Definition:** The system of rules, practices, and processes by which a company is directed and controlled.
- **Impact:** Good governance promotes transparency, accountability, and ethical behavior, which can enhance the company's reputation and trustworthiness. Poor governance can lead to scandals, legal issues, and loss of stakeholder confidence.

10. Innovation and Technology

- **Definition:** The adoption and implementation of new technologies and innovative practices.
- **Impact:** Embracing innovation and technology can streamline operations, reduce costs, and open new market opportunities. Resistance to innovation can result in obsolescence and a loss of competitive advantage. (Mueller and Thomas, 2022)

Navigating Business

Environment Dynamics

Macro-environmental influences refer to the broad external factors that affect businesses but are beyond their control. These influences are often analyzed using frameworks like PESTEL (Political, Economic, Social, Technological, Environmental, and Legal factors). Here's a breakdown of each category (Hotelling, 2021)

1. **Political Factors:**
    - **Government Stability and Policies:** Changes in government, political unrest, and shifts in policies (taxation, trade tariffs, regulations) can significantly impact businesses.
    - **Legal Environment:** Laws related to employment, consumer protection, competition, and health and safety regulations affect business operations and strategies.

2.Economic Factors:

- **Economic Growth and Business Cycle:** The overall economic conditions, including GDP growth rates, inflation, interest rates, and exchange rates, influence consumer spending, business investment, and profitability.
- **Unemployment Rates:** High unemployment can lead to reduced consumer spending, while low unemployment can drive up wages and inflation.

3. Social Factors:

- **Demographic Trends:** Factors such as population growth, age distribution, and cultural trends affect consumer behavior and demand patterns.
- **Lifestyle Changes:** Changes in consumer preferences, values, attitudes, and lifestyles influence product demand and market trends.

4.**Technological Factors:**

- **Advancements in Technology:** Innovations in technology, automation, and digitalization can create new business opportunities, streamline operations, and disrupt existing industries.
- **Research and Development:** Investments in R&D can lead to competitive advantages through product innovation and process improvements.

5.**Environmental Factors:**

- **Climate Change and Sustainability:** Increasing awareness of environmental issues drives regulations and consumer preferences toward sustainable practices and products.
- **Resource Scarcity:** Concerns over resource depletion (e.g., water, raw materials) impact supply chains and operational costs.(Pick and Azari, 2011)

6.**Legal Factors:**

- **Regulatory Compliance:** Business operations are affected by local, national, and international laws governing areas such as labor relations, environmental protection, data privacy, and intellectual property rights.
- **Health and Safety Regulations:** Requirements related to workplace safety and product standards influence manufacturing processes and market access.

Understanding these macro-environmental influences is crucial for businesses to adapt their strategies, manage risks, and seize opportunities in a dynamic external environment. (Torben Juul Andersen, 2023)

Dynamic Interplay in Business

In business decision making, internal and external factors play crucial roles and often interrelate in various ways (Romano, Tanewski and Smyrnios, 2021)

1. **Internal Factors:**
   - **Resources and Capabilities:** The internal strengths and weaknesses of a business, such as financial resources, technological infrastructure, and human capital, directly influence decision making. For example, a company with strong R&D capabilities might decide to invest in new product development.
   - **Corporate Culture:** Organizational values, norms, and management style can shape decisions. A company that values innovation may prioritize risky projects over more conservative ones.
   - **Leadership and Management:** Decisions made by top management can impact strategic direction and operational decisions. Effective leadership can align internal capabilities with external opportunities.
   - **Financial Performance:** Profitability, liquidity, and solvency affect the ability to finance growth or withstand economic downturns. This impacts decisions related to investment, expansion, or cost-cutting.

2. **External Factors:**
   - **Economic Environment:** Factors such as economic growth, inflation rates, and interest rates influence consumer spending patterns and market demand. Businesses must adjust pricing, production levels, and investment decisions accordingly.
   - **Technological Advancements:** Rapid changes in technology can create opportunities for innovation but also disrupt existing business models. Decisions about adopting new technologies or enhancing digital capabilities are crucial.
   - **Legal and Regulatory Environment:** Laws and regulations affect business operations, product offerings, and market entry strategies. Compliance requirements influence decision making related to risk management and expansion.
   - **Competitive Landscape:** Actions taken by competitors, industry trends, and market dynamics impact strategic decisions. Businesses may adjust pricing strategies, marketing efforts, or product offerings in response to competitive pressures.

3.Interrelation and Impact:

- **Strategic Alignment:** Internal capabilities must align with external opportunities and threats identified through environmental scanning and market analysis.
- **Risk Management:** Assessing both internal strengths and weaknesses alongside external threats and opportunities helps businesses anticipate risks and opportunities.
- **Adaptability:** Successful businesses continuously monitor and respond to changes in both internal capabilities and external environments to maintain competitiveness and profitability.

In essence, effective business decision making requires a nuanced understanding of how internal strengths and weaknesses interact with external opportunities and threats. This interplay informs strategic choices that drive sustainable growth and competitive advantage. (Kimmel, 2021)

REFERENCE

- André Nijsen, Hudson, J., Christoph Müller, Kees Van Paridon, R Thurik and Springerlink (Online Service (2009). Business Regulation and Public Policy : The Costs and Benefits of Compliance. New York, Ny: Springer New York.
- Blazek, J. (2012). Tax Planning and Compliance for Tax-Exempt Organizations. John Wiley & Sons.
- Davani, H. (2014). Globalization, Global Corporation and Government Corporation. SSRN Electronic Journal, 22(2). doi:https://doi.org/10.2139/ssrn.2489650.
- Dess, G.G. and Robinson, R.B. (1984). Measuring organizational performance in the absence of objective measures: The case of the privately-held firm and conglomerate business unit. Strategic Management Journal, 5(3), pp.265–273. doi:https://doi.org/10.1002/smj.4250050306.
- Fisher, M., Houghton, M. and Jain, V. (2014). Cambridge IGCSE Business Studies. Cambridge, United Kingdom: Cambridge University Press.
- Fontana, P.K. (2021). Choosing the Right Legal Form of Business : the Complete Guide to Becoming a Sole proprietor, partnership, LLC, or Corporation. Ocala, Fla.: Atlantic Pub. Group.
- Franco-Santos, M., Kennerley, M., Micheli, P., Martinez, V., Mason, S., Marr, B., Gray, D. and Neely, A. (2007). Towards a definition of a business performance measurement system. International Journal of Operations & Production Management, 27(8), pp.784–801. doi:https://doi.org/10.1108/01443570710763778.
- Gambardella, A. and McGahan, A.M. (2010). Business-Model Innovation: General Purpose Technologies and their Implications for Industry Structure. Long Range Planning, [online] 43(2-3), pp.262–271. doi:https://doi.org/10.1016/j.lrp.2009.07.009.
- Hershey, D., Breiner, J., Darcy, T., Mcfarland, M. and Oates, M. (1990). Correspondence: Speculation on the relationship between organizational structure, entropy, and organizational function. Systems Research, 7(3), pp.207–208. doi:https://doi.org/10.1002/sres.3850070308.
- Hotelling, H. (2021). The Economics of Exhaustible Resources. Journal of Political Economy, 39(2), pp.137–175. doi:https://doi.org/10.1086/254195.
- Iwai, K. (2002). The Nature of the Business Corporation: Its Legal Structure and Economic Functions. The Japanese Economic Review, 53(3), pp.243–273. doi:https://doi.org/10.1111/1468-5876.00227.
- Kimmel, P.D. (2021). Financial accounting : tools for business decision making. Hoboken, Nj: John Wiley & Sons, Inc.

- Klein, B., Crawford, R.G. and Alchian, A.A. (2020). Vertical Integration, Appropriable Rents, and the Competitive Contracting Process. The Journal of Law and Economics, 21(2), pp.297–326.
- Lee, J.-Y. and Mansfield, E. (1996). Intellectual Property Protection and U.S. Foreign Direct Investment. The Review of Economics and Statistics, 78(2), p.181. doi:https://doi.org/10.2307/2109919.
- Mayer, D. (2020). Legal Loopholes, Business Ethics, and Corporate Legal Strategy: A Reply to Professor Ostas. American Business Law Journal, 48(4), pp.713–763. doi:https://doi.org/10.1111/j.1744-1714.2011.01123.x.
- Mueller, S.L. and Thomas, A.S. (2022). Culture and entrepreneurial potential: A nine country study of locus of control and innovativeness. Journal of Business Venturing, 16(1), pp.51–75.
- Patrizia Battilani and Schröter, H.G. (2012). The Cooperative Business Movement, 1950 to the Present. Cambridge University Press.
- Pick, J.B. and Azari, R. (2011). A Global Model of Technological Utilization Based on Governmental, Business-Investment, Social, and Economic Factors. Journal of Management Information Systems, 28(1), pp.49–84. doi:https://doi.org/10.2753/mis0742-1222280103.
- Puranam, P. and Maciejovsky, B. (2021). Organizational Structure and Organizational Learning. SSRN Electronic Journal, 11(2). doi:https://doi.org/10.2139/ssrn.2963250.
- Quesada, H. and Gazo, R. (2007). Methodology for determining key internal business processes based on critical success factors. Business Process Management Journal, 13(1), pp.5–20. doi:https://doi.org/10.1108/14637150710721104.
- Romano, C.A., Tanewski, G.A. and Smyrnios, K.X. (2021). Capital structure decision making. Journal of Business Venturing, 16(3), pp.285–310. doi:https://doi.org/10.1016/s0883-9026(99)00053-1.
- Skripak, S.J. (2016). Fundamentals Fo Business. Sakee.
- Smith, D.H. (1992). A Neglected Type of Voluntary Nonprofit Organization: Exploration of the Semiformal, Fluid-Membership Organization. Nonprofit and Voluntary Sector Quarterly, 21(3), pp.251–269. doi:https://doi.org/10.1177/089976409202100305.
- Torben Juul Andersen (2023). A Study of Risky Business Outcomes. Emerald Group Publishing.
- Tricker, B. (2019). Re-inventing the Limited Liability Company. Corporate Governance: An International Review, 19(4), pp.384–393.
- Valor, C. (2021). Corporate Social Responsibility and Corporate Citizenship: Towards Corporate Accountability. Business and Society Review, 110(2), pp.191–212.
- Whisenand, J.D. (1995). Cuba's legal structure. The Columbia Journal of World Business, 30(1), pp.16–25. doi:https://doi.org/10.1016/0022-5428(95)90032-2.

Thank You

BY YASIRU PRABODHA

CL/OTHMFL3/11/90