

BUSINESS STUDIES

The Business Assignment
Written Report
ID Interiors

CONTENTS

- pgs 2-6: Nature of Business
- pgs 7-14: Business Management
- pg 15: Self Evaluation



NATURE OF BUSINESS

Name of the business and where it is located

The name of the business is ID Interiors and it is located in the Sydney South-West region.



Who are the owners/managers and how long have they been in business

The legal structure of the business is a partnership consisting of Djoko Pantic, and Ivan Stanic, both whom have worked in the industry for over 14 years, and have been running ID Interiors for over 6 years now.

The mission statement and prime function

The prime function of a business is what its main task is. The prime function of ID Interiors is gyprocking.

The mission statement of a business is a statement of the business' purpose, i.e. what purpose do they serve in society? ID Interiors mission statement is to supplement the construction of buildings by constructing internal walls in high-rise buildings, such as skyscrapers.



What are the financial goals of this business?

The financial goals of a business are the goals they want to achieve financially; for example, increasing their profit. The financial goals of ID Interiors are much like any other business': to maximise their profits. They would also like to eventually expand in other areas in Sydney, to increase their profit margin, and to increase their market share. The owners state that they would like to increase their profit by 5-10% in the next 5 years. This will be achieved by strategic planning and cost-cutting measures.

What is the legal structure of this business? (i.e. sole trader, partnership, private or public company)

The legal structure of a business is the legal definition of your business, i.e. sole trader, partnership etc. The legal structure of ID Interiors is a partnership as stated before, consisting of Djoko Pantic and Ivan Stanic.



The internal and external influences on the business

There are many internal and external influences acting on ID Interiors. But first, what is the difference between internal and external influences in a business environment? An internal

influence is one over which the business has some degree of control. An external influence is one over which the business has very little control.

One internal influence acting on the business would be its Geographical location. ID Interiors had some control over where it would be located, which makes it an internal influence. It is located in Sydney, which is known for its skyscrapers and high-rise buildings. Due to its central location, the business has attracted many clients that intend on building high-rise buildings in Sydney, as the business specialises in constructing internal walls for high-rise buildings, as stated before. As a result, more potential customers are aware of the business, which is a great internal geographical influence.

Another internal influence would be the business culture of ID Interiors. Having a positive, friendly and upbeat business culture influences the work they do at ID Interiors, in a positive way. This positive business culture most definitely boosts employee morale and time efficiency, allowing the employees to get jobs done much quicker and more effectively.

However, not all influences are beneficiary to businesses. For example, interest rates are constantly rising and making it much harder on Small-Medium Businesses to receive and pay off a loan, particularly during the recession or 'bust' periods. This affects ID Interiors as they must, at times, rely on banks to provide them with funding, as there might not be enough in the budget to purchase materials for a 50-story building. With interest rates rising, this can make it tough on business owners to be able to repay loans. This is an example of an external economic influence.

Another external influence would be the government. Businesses constantly have to deal with government regulations and restrictions. ID Interiors must always be aware of any new government regulations that could restrict their practices. These government regulations could force ID Interiors to change their current practices, or maybe even forbid them from doing certain jobs, depending on how severe the regulation is.

For e.g., the government might put in place a new regulation that doesn't allow a certain material to be used in gyprocking, because there could be potential risks or dangers involved with that material. Although this could stop injuries or potential hazards, it forces ID Interiors to completely change their practices. If the government said a certain glue or fastener cannot be used anymore, and ID Interiors has a warehouse stocked full of this product, ID Interiors will lose a large amount of money, and it would force them to source in new products and get rid of the old products. Not only does it force them to change their practices, but it also creates a financial burden that the business must then deal with. This is another example of an external influence.

What is the role of the business in the society?

The role of ID Interiors in the society is to construct internal walls for high-rise buildings. Without ID Interiors and similar companies, it would be almost impossible to construct such buildings, as there would be no internal support, and no interior design. Therefore, ID Interiors role in society is to supplement the jobs of builders by reinforcing and improving the internal walls.

The phase at which the business is in the Business Life Cycle and some features of the phase relevant to this business

ID Interiors is currently in the Growth stage in the Business Life Cycle. The business has already become established in the past 6 years, and is now continuing to grow. Some features of the Growth phase that are relevant to ID Interiors include:

- *Goals – to constantly increase the average level of sales*

ID Interiors is constantly attempting to increase the average level of sales by successfully marketing and branding their business.

- *Sales – rapid increase, especially in the early stages of the Growth phase*

ID Interiors has passed its rapid increase, and is now increasing at a slower, albeit quick speed. There is still a regular increase in sales, which shows us that ID Interiors is still in the Growth phase of the Business Life Cycle.

- *Marketing – price discounts due to lower production costs.; extensive promotional activities and a widening distribution network; desire to increase market share by using mass-marketing techniques*

ID Interiors is now able to lower its prices due to having lower production costs, due to purchasing in bulk and eliminating any all debt associated with production (this can include rent, utilities, etc.) due to increased cash flow. ID Interiors has also expanded its marketing techniques and are now currently looking into TV and Radio Advertising. This would of course benefit ID Interiors, along with the Internet advertising, and continually help them to boost their sales.

- *Profit – should increase due to rising sales and falling production costs*

This was already stated before. Being in the Growth phase, sales are continually increasing and lower production costs should equal a higher profit.

- *Management - delegation of some responsibilities; development of a formalized organisational structure; introduction of line managers (supervisors); clear lines of communication become essential; some functions may be outsourced*



ID Interiors has a clear management structure. At the top, there are the two owners, Djoko Pantic and Ivan Stanic. Together, they work on the more important jobs, such as decision making, financial operations etc. Then there are the supervisors that take care of job-related functions such as ordering in materials and making sure that jobs are being done efficiently and effectively. All decisions however must be run by the owners for their approval. Last but not least come the workers, who do the gyprocing. The limited hierarchy shown here are part of a democratic leadership or management style, which can be attributed to ID Interiors success. ID Interiors also outsources many aspects of the job, mostly to do with sanitation, such as recycling and waste management.

- *Failure rate – lessened*

ID Interiors is extremely minimal. With increasing sales, and a large financial backing from both owners, risk of failure is minimal.

The features discussed relating to the Growth phase clearly demonstrate that ID Interiors is currently in the Growth phase.

BUSINESS MANAGEMENT

What are some skills of management that the owners/managers have in managing the business?

The owners use skills such as interpersonal, or people skills, communication, and vision skills, to further improve their business. Both owners understand why having these skills is vital to their business' success.

By having people skills, they are able to gain more clients and build stronger contacts by behaving in an appropriate manner. Communication skills are also vital, as they would not be able to convey the business goals, or even direct their employees without great communication skills. And finally vision skills, i.e. having a goal to work towards and then working backwards. For e.g. every week they have a goal that they strive to achieve. For e.g. one week the goal might be to construct internal walls for 3 stories of a building. Another week it might be to gather the materials or search for potential clients.

Goals such as these give employees something to work towards, which boosts employee morale, and also boosts their efficiency. If they don't achieve a goal for one week, they know they must work harder the next. It also sets a benchmark for expected employee performance. All of these skills are what's helping to propel their business forward.

Effective management strategies used for the success of the business

To ensure the success of the business, the owners employ various strategies. They employ a democratic leadership style, which attributes to their current success. The owners state that communication is vital, and that if an employee has any issues, they can speak to either owner immediately. This is especially important if a faulty tool needs replacing, or if there is a safety hazard at the workplace. Because of the dangerous environment, two-way communication is key in ensuring the employees' safety and satisfaction. Employees are also often involved with decision-making, and can help choose which jobs they would like to pursue. Staff participation is a proven factor for increasing employee satisfaction, and the owners at ID Interiors do their best to give their employees a say in decision-making. Also, as a reward for their hard work, the business organises a monthly BBQ as an added bonus for their employees.

The owners use three effective management strategies that improve employee performance.

1. Establish clear goals that you expect your employees to achieve.
2. Establish clear rewards for employees that perform well.
3. Establish clear consequences for employees that perform poorly.

The owners say the idea of these strategies is to make the rules the 'bad guy' and the owner/manager the 'good guy'. This shows the employees that the manager wants them to succeed, and if they do, they are rewarded. If they don't, then they are punished. By using these management strategies, it helps set clear goals, rewards and consequences, so employees know what must be done in order to help the business succeed.

What leadership style does the business follow and list some strengths and weaknesses of that management theory

ID Interiors follows the democratic or participative leadership style. The democratic leadership style is recognised as being one of, if not the best leadership style, as it involves employees with most decision-making and more often than not boosts employee morale and satisfaction.

Strengths of the democratic leadership style include:

- It allows for open and revolving communication. This is especially important in a knowledge-based environment where staff must be kept informed
- It allows the staff to develop decision-making strategies which enhance the employee's ability to function in an environment where decisions must be made on an individual manner. This also increases the possibility of employee's solving their own problems, which in turn allows for management to have more time for other tasks
- Another strong benefit of the democratic leadership style is that it provides the employee with the opportunity to develop personal growth and find satisfaction in accomplishing goals and tasks. This boosts employee morale and creates a positive, growth-oriented environment
- It encourages individual participation and team building through knowledge and development

Weaknesses of the democratic leadership style include:

- In highly intense situations, there simply may not be enough time to gain all input and from all employees
- There are also times when it is simply more cost-effective or legally necessary for one person to make the decision. This also applies when making policy decisions that have a legal, moral, or ethical implication to the company. Rarely would the employees vote on sexual harassment policies, simply because most organizations cannot afford the legal bind that may cause
- A manager may feel threatened because there is not the centrifugal power play seen in autocratic leadership and there is not a high amount of structural administration seen in bureaucratic rule. This may cause the manager to feel inadequate or discouraged in employee to manager communication

Choose ONE key business function ((Marketing, Accounting and Finance, Employment Relations, Operations Management) and discuss in detail how this is applied in the business

Key functions of a business are detrimental to their success, and the owners of ID Interiors strongly believe that marketing is the most important key function of their business. By successfully marketing their business, they are constantly offered jobs or tasks to complete. Since the business' establishment, they have only had a period of 3 weeks out of 6 years where they had no job offers. This was before they established their customer base and had sufficient cash flow; now the owners receive multiple job offers a week, and must use their managerial skills to determine the best course of action.

The owners at ID Interiors say there are 5 steps that a business can take to successfully market their business. These steps include:

1. *Keep adding something new.*

By constantly adding new aspects to your business, your business remains fresh in the mind of consumers, and doesn't become stale. Adding a new product/service, repackaging the brand, or even updating your website are all ways of keeping your business current and fresh.

2. *Become a valuable resource.*

Look for ways you can be a resource to your customers. Supply them with free information. Help them do things faster, easier, and less expensively. In doing this, they not only think of you as a business, but also a friend in a way, providing them with support and information.

3. *Separate yourself from the competition.*

Find or create a reason for customers to do business with you instead of with someone else offering the same or similar products. For example, do you provide faster results, easier procedures, personal attention or a better guarantee? In the case of ID Interiors, they promise quicker results and higher quality.

4. *Promote the end result.*

Show your customers what benefits will come from using your product. As mentioned before, ID Interiors promises quality, so they focus on showing the customer how much better their quality of work is compared to the rest.

5. *Anticipate change.*

Customer wants and needs are constantly changing, so your marketing must reflect that. By anticipating change, and marketing accordingly, you're business will avoid any loss in sales or profit, and therefore help your business to propel forward.

All of these steps are all well and good, but if your business doesn't advertise, or does it poorly, then your marketing campaign will fail. ID Interiors has chosen relatively cheap but effective ways of advertising.

The advertising strategies they use include:

- putting up advertisements in the Yellow Pages
- creating a website to help build their brand
- putting advertisements in various business newspapers and magazines
- using their employees as marketing tools by spreading the word to their friends and families
- and also by advertising posters near various building sites

By using these various marketing strategies, ID Interiors has managed to build a strong customer base, and any future expansion is more likely to succeed if there is a strong foundation. As stated before, marketing has given ID Interiors the backbone it needed, as they wouldn't have had even half the job offers had they not marketed as well as they have. Marketing is a major key function of a business, and without it, ID Interiors would have most likely failed in its first year of running.

The owners of ID Interiors also state that in the very near future, they will begin to advertise on TV and radio in the Sydney region. They were unable to do this earlier as there wasn't enough cash flow, but now that their business is growing in sales, and there is a constant, positive cash flow, they are able to afford TV and radio advertising. This form of advertising is well-known to be very efficient in helping businesses grow, as the majority of people in society find about products on TV and radio, and spend a lot of their time in front of the TV or listening to the radio. They will also tap into a relatively new market, as very few gyprocng companies currently advertise on the TV or the radio. ID Interiors marketing strategies have helped it grow to this point, and will no doubt continue to help it grow in the near future, especially with such profitable ventures looming.

What responsibilities does the business have towards the society and the environment?

The role of ID Interiors in society and in the environment is quite substantial. The employees at ID Interiors have a lot of responsibilities when it comes to keeping the environment and society safe. Despite what some may think, gyprocng can be a dangerous job, depending on the building. ID Interiors has a responsibility to society to ensure their safety.

They achieve this by putting up signs to make the public aware of any hazards, setting up boundaries around the perimeter so that the public cannot be harmed, and by ensuring that no matter what task they're doing, they always endeavour to not cause harm to other workers or members of society.

ID Interiors also has a responsibility to minimise the noise level when working on a building site. Naturally, things are going to get quite loud when working, and this may become a nuisance to nearby homeowners. Fortunately, the majority of buildings that they gyproc are in busy areas anyway, so the noise from the building site won't make much of a difference.

ID Interiors also has a responsibility towards the environment, as the work they do can create quite a mess. The workers generally try to keep the place clean, but ID Interiors outsources the cleaning aspect of their job to other sanitation companies, as they specialise in collecting and recycling waste, which speeds up the entire process. ID Interiors is also limiting the amount of paper they use by switching from faxes and paper reports to emails, social networking, and website usage.

The owners of ID Interiors are also quite strict on recycling, in the sense that whatever paper they use must be recycled to help the company become greener, or more environment friendly. They use the concept of 'Reduce, Reuse, Recycle' as a way of informing and reminding their employees to be eco-friendly.

This also increases the business' reputation, as environmentally aware companies are praised in comparison to companies that have no recycling operations, which ultimately goes back to the marketing aspect of the business. As you can see, ID Interiors strives to keep society safe, and does everything in its power to preserve the environment.



Self Evaluation

Before I started this assignment, I had no knowledge of how a business works; but after starting this assignment, and meeting with the owners of ID Interiors, I began to gain more knowledge on how businesses run. Answering the questions in the assignment allowed me to understand the different concepts and skills needed to run your own business.

The owners were very helpful in this assignment. Every question they were easily able to help me answer, as they've written most of the answers to these questions in their business plans and documents. With their help, I was able to do this assignment to the best of my abilities, and I was able to answer the questions appropriately and with the knowledge required; and I think I've done that.

This assignment has helped me become more knowledgeable of how businesses are run. If in the future, I would like to open my business, I would have at least set the foundation or the groundwork with this assignment to know the basics, and be able to expand on that and have a successful and profitable business.

In conclusion, this assignment has given me the basic knowledge to run my own business in the future, and it has also helped me understand the different economic cycles that businesses must contend with. Overall this assignment has improved my knowledge of business and how they are run.