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The world of business at the start of the 21st Century is paradoxically more simple and yet at the same time more complex than at any time in the past. The paradox is due to the rate, quantity and speed of information available not only to managers and owners (the decision-makers) but also to other employees and customers.

Even the word ‘business’ itself is often misunderstood. Many people use the word to describe the interactions between organisations that trade with each other for profit, and thus business has come to be equated with some form of profit motive. As will be demonstrated later in this chapter, in this book ‘business’ is used to refer to all interactions between organisations whether they are prompted by a profit or a public service/charity motive.

In the latter years of the 20th Century much was made of the dangers of ‘information overload’, the phenomenon that can paralyse decision-making when there is so much information available that making decisions becomes increasingly harder. In earlier times the problem was one of ‘information underload’. There was in fact often not enough information available to make a rational decision. John Keegan (1998), writing about the origins of the First World War (1914–18), comments on the decisions that were made by the governments of Britain, France, Russia, Austria and Germany in the Summer of 1914 based on fragments of unco-ordinated information. Perhaps the four years of carnage that followed could have been prevented if there had been a clearer view of what was actually happening in the chancelleries and military installations of Europe at the time.

It is difficult to imagine the slowness of communication of two hundred years ago. Apart from rudimentary line-of-sight signalling devices that could only send simple messages along a set route, the speed of communication was that of a horse or a person. Warships sailing into battle did so at just four or five miles an hour and communicated with each other by means of signal flags. It was not until the practical application of the steam engine to mass transportation that speeds of communication improved dramatically. Steam trains could travel at speeds in excess of thirty miles per hour. When the Liverpool and Manchester Railway opened in 1830 as the world’s first steam operated public railway designed
for timetabled passenger and goods transport, it did more than speed up communications between the two cities. Long-distance transport was brought within reach of ordinary people and this began a social revolution that saw workers being able to live further and further from their place of employment. No longer did they need to live within walking distance of work. Suburbs grew up alongside the railways and tramways, their ribbon-like growth being still discernible today and echoed in the developments on either side of newly built roads and motorways.

It took people some time to come to terms with the safety implications of faster means of travel. On the opening day of the Liverpool and Manchester Railway, 15 September 1830, the President of the Board of Trade, Huskisson was run down and fatally injured by George Stephenson’s famous Rocket, having failed to move out of the way quickly enough. A railway locomotive cannot turn away and even the puny locomotives of 1830 needed considerable distance to stop, especially given their relatively inefficient brakes. It was not until the 1870s that the use of the electric telegraph to control the movement of trains and provide communications between signalmen was developed throughout the UK rail network. Before then a system based on time intervals was used and if the preceding train broke down, there was no way of letting the driver of a following train know. The development of the telegraph also brought about a massive increase in the speed of communication. A shout travels at the speed of sound, approximately 700 mph at sea level whereas an electric impulse moves at the speed of light, 186281 miles per second, i.e. 670611 600 mph, nearly a million times faster than a shout and a hundred million times faster than walking!

By the end of the 20th Century, the Internet and the vast amounts of communication that it contained, coupled with the ease with which information could be communicated, were leading to a revolution in business relationships. Distance and time were no longer issues. The computer had become a regular fixture not only at work but also in the home and, for an increasing number of people, the home was also fast becoming the workplace.

At the start of the 20th Century, a key managerial problem was how to acquire enough information; by the start of the 21st Century, this was no longer the problem. Information is available in abundance – the key issues centre around the sifting and analysis of information; it is often more a problem of knowing what to ignore!

One of the disadvantages of the increased speed of communication has been what may be described as ‘the immediacy of effect’. This is often seen in the currency and stock markets where traders in one place are able to react almost immediately to a slight change in the value of a currency or share in another marketplace. There is little or no time for reflection. Increased communications have led to a danger of over-centralisation as the central control can send out instantaneous instructions to its outlying operations or branches. Max Hastings & Simon Jenkins (1983), in their account of the 1982 conflict between Britain and Argentina after the latter’s invasion of the Falkland Islands in the South Atlantic, make the point that the commander of the first wave of British troops to go ashore on the Islands, Major General
Jeremy Moore, Royal Marines, spent much of his time on the satellite link to London, a link that allowed his commanders the opportunity to direct the battle from 8000 miles away. Unfortunately, cold, damp and the true feelings of people on the ground cannot be sent over a communications link – only raw statistics. In a previous era, Moore would have received his basic instructions and been allowed to get on with it. It would have been impossible for the BBC to announce the attack on Goose Green before the operation had started, an act that Colonel ‘H’ Jones of the Parachute Regiment (and who was killed in the attack) and others claimed endangered lives.

Information and Communications Technology (ICT) can ensure that the headquarters of a supermarket could, if it so wished, knew the exact moment in real time when a tin of baked beans was sold. Such information may be very relevant to those responsible for placing orders and ensuring that branches do not run out of stock, but such detail could be a hindrance to those making strategic decisions who require to see a bigger picture rather than a succession of tactical details. In essence this book is about undertaking the analyses that enable a view of the big picture to be obtained and then used as a basis for decision-making.

The importance of scanning the external environment

‘No man is an island,’ wrote John Dunne in the 17th Century and no organisation exists in a vacuum. Whatever the function of an organisation it has to co-exist with other organisations in a complex external environment. In many cases it is actions taken by those outside the organisation that are a major influence on organisational decisions, and for this reason it is important that decision-makers have as clear a picture as possible as to what is happening in the external environment. This book separates the various components of the external environment and examines each in turn. It will also be self-apparent to anybody who has experienced the world of work that the boundaries between the internal and external environments can be blurred. Whilst this book is mainly concerned with the external environment, nevertheless many of the concepts will also be as applicable to the internal environment of an organisation.

Types of businesses and organisations

‘Organisations’, as a term is one that is freely used and yet one that is not easy to define. Argyris (1960) defined organisations as:

‘[Organisations are] intricate human strategies designed to achieve certain objectives.’
Whilst a later writer, Pugh (1971), considered that:

‘Organisations are systems of inter-dependent human beings.’

Pugh's definition as it stands is all-embracing. As Cartwright et al. (1993) have pointed out, Pugh's definition covers everything from the UK Government and British Airways to even a family, all of which depend for their success on people working with and relying on each other. With a little imagination, even Argyris's definition could encompass the family as an organisation, because the family has developed biologically and socially as an excellent method of ensuring the survival of children to maturity. It should be noted that this is not a way of saying that the Western concept of the nuclear family is the only acceptable form as there are many variations of family structure in the world, each suited to a particular culture and way of life and each of equal importance.

Business can be described as the relationship between organisations. All business relationships involve some form of trade or exchange, goods for money, services for money, goods for services etc. Money, that apparently all-important factor in our lives, is nothing more than a convenient common denominator that allows a trade to take place.

A whole chapter of this book is related to the type of economic analyses of the external environment carried out by organisations but it is important to realise at the outset that money has no intrinsic value. When a person goes into a shop to buy an item priced at £9.95 and pays for it with a £10 note and receives 5p change, a number of assumptions are made:

• The seller values the item at £9.95 (or less)
• The buyer also values the item at £9.95 (or more)
• The seller recognises the exchange value of a £10 note
• The buyer recognises the exchange value of 5p.

The addition of the words 'or less' and 'or more' to the £9.95 is a recognition of a simple economic fact. Unless they are forced to by circumstances outwith their control, people will sell something at a price equal to or higher than its lowest value, whilst people will want to buy something at a price equal to or lower than the value they place on it – a bargain is something for which we pay less than we expected.

The £10 note is itself just a piece of paper but, because a huge number of people are prepared to recognise it as having a certain value in trade, it can be given in exchange, the seller knowing that it can be used later to purchase other goods and services. Trade has developed so that there are agreements relating to the relative value of one currency against another. The difference between hard currencies such as sterling, the US dollar, the deutschmark, the franc and the yen etc. and soft currencies such as the rouble and many third world currencies, is that other countries recognise the value of the hard currencies and will exchange
them freely for their own currency whilst the value of soft currencies is not recognised.

There are four basic typologies of organisations, defined by ownership and prime function, be it for-profit or not-for-profit, as shown in Figure 1.1.

In terms of size, the current position in the UK is that the for-profit/private ownership and the not-for-profit/public ownership sectors are in fact by far the biggest components in terms of economic activity. The former includes the majority of all commercial activities and the latter the entire public sector including national and local government, the National Health Service, education and the armed forces. Prior to the 1980s, the not-for-profit/public ownership sector was very large and contained some huge monopoly or near monopoly organisations. These included the steel, coal, gas, electricity and ship-building industries, railways, British Airways and other nationalised concerns. Under privatisation many of them have moved into the for-profit/private ownership quadrant. In an increasing number of countries the not-for-profit/public ownership sector is decreasing rapidly as governments divest themselves of commercial interests through privatisation.

In the private ownership quadrant, organisations may be owned by a single or small number of individuals or a large group of shareholders. Whilst most organisations that are owned solely by an individual are small, there are some very large examples, Stagecoach being a well-known example. Although most people in the UK would say that they do not own the organisation they work for, they may through shareholding have an ownership interest in a number of organisations. Anybody who holds shares, however few, in a company has an ownership interest in that company.

It is important not to be confused between the term plc (public limited company) and a publicly owned organisation. The former is an organisation whose shares are offered on the stockmarket and are thus available to the public, whilst the latter is an organisation that is part of the operation of the central or local government and in effect owned by all citizens.

Figure 1.1 Typologies of organisations.
Sectors of business and organisations

The world of business used to be divided into two main sectors – private and public as discussed above – with a third, the so-called voluntary sector (charities etc.) gaining in prominence in the second half of the 20th Century. As was shown earlier, these are really descriptions of the typologies of organisations and actually describe ownership. ‘Sector’ is a description of the type of core activity the organisation is engaged on. Whilst the list can be never-ending, the main business sectors may be described as:

- Government
- Financial service (banks, insurance etc.)
- Information services
- Manufacturing
- Building
- Transportation (airlines, bus companies, taxis, railways, shipping)
- Hospitality
- Tourism
- Care (hospitals, nursing homes etc.)
- Entertainment
- Education
- Services (including plumbers, electricians etc.).

Each sector can have further subsectors as illustrated in the brackets. For example, the transportation sector includes railways, shipping, airlines, road transport etc. It is not always clear without a careful study exactly which sector or sectors an organisation belongs to. The huge P&O Group in the UK has operations within the transportation sector through its shipping interests but has also been involved in building. However a proportion of the shipping is engaged in the cruise industry and as an area of operation that industry may be considered to have major components within the tourism and entertainment sectors (Cartwright & Baird, 1999). One method of ascertaining which sector or sectors an organisation is in, is to see which sector or sectors their major competitors are in. In the case of P&O’s cruising interests, where they hold the world number 3 position, its competitors are not only other cruise companies with their ships but also package holidays and hotels, thus giving P&O a firm footing in the tourism sector. The company also operates bulk freighters and car ferries, and in these cases these parts of the operation clearly fit directly into the transportation sector, as did their original passenger liner shipping operation which took passengers from the UK to India, Australia and the Far East.

Mission and objectives

All organisations have been set up to do something, whether it is to run a country, to provide a holiday or to manufacture a motor car. Whilst the ultimate objective
of a for-profit organisation may be just that – profit, in order to achieve that objective the organisation needs to deliver a product or service to its customers. Modern organisations usually produce a statement of their mission which encapsulates what business they are in and where they see themselves positioned within the particular market or markets that they serve. Unfortunately many mission statements, originally intended to motivate staff and to inspire customers, have become, in the words of Clutterbuck et al. (1993) ‘woolly platitudes’ that do reflect actual performance. Many, as Clutterbuck and his colleagues report, do not even mention service.

**Structure**

Before commencing the formal external analyses of factors affecting the relationship of an organisation with its external environment, it is possible, on close study of any organisation, to say which typology it fits into based on ownership (public or private) and operational motive (for-profit or not-for-profit). The size of an organisation can be small, medium or large, usually defined by the number of employees (small, under 50; medium, 51 up to 249; large, 250+).

As will be seen in the next section, organisational structures have been developed to serve the particular needs of the individual organisation. This is not a text on organisational design, books such as Richard Pettinger’s (1996) *Introduction to Organisational Behaviour* providing comprehensive coverage of this topic. It is necessary, however, for those examining an organisation to consider the relation between design and function. Is the organisation a compact one operating on a single site or is it diverse with a need to standardise quality and performance over a wide geographic range, e.g. Marks and Spencer, Dixons, high street banks and building societies, Ford? Towards the end of the 20th Century another type of organisation has begun to develop, one that has two major centres of operation, i.e. a bi-polar organisation. Scottish and Southern Electricity, formed from a merger between Hydro Electric serving the North of Scotland and Southern Electric in the South of England, was one of the early examples. It is useful to consider the reporting links and the degree of autonomy provided at the customer interface – how much authority does a branch manager have to solve a problem before having to seek permission from head office? Cartwright (2000) has divided organisations into those that are concentrated, e.g. a village shop or a single factory unit, and those which are diffuse, and makes the point that consistency of product and especially service will always be more difficult for the latter. Diffuse organisations operating across regional and national borders may also need to carry out separate parts of the SPECTACLES analysis, especially in the economic, political, environmental and sociological fields as these may be radically different for some parts of the organisation. As a simple example, the safety and emission regulations for motor cars may be different in various parts of the world, requiring different national specifications.
That there are a science and logic to organisational structure is shown in the next section where the developments that have led to the recognisable forms of organisational structure present today are described.

**A brief history of organisational development**

Television documentaries depicting the lives of gorillas, chimpanzees and other great apes never cease to be popular, perhaps because the behaviour of such animals reminds us uncannily of our own. Given that we have a large number of genes in common with these species it should not be surprising that we also share certain aspects of social behaviour, not least in the way we organise our activities. Human beings, like other advanced primates, are social animals whose groupings have a distinct hierarchy and are territorial in nature. Desmond Morris (1969) the well-known anthropologist, in his book *The Human Zoo*, described the similarities in social behaviour and structure between all of the great apes including humans, and Robert Ardrey (1967) has compared the similarities between humankind’s territorialism and that of our primate relatives in his study entitled *The Territorial Imperative*.

If the anthropologists are correct, then the development of organisational structures goes back to the very dawn of primate development. Living and working in groups with clearly defined membership, shared tasks, an agreed hierarchy and ‘space to call the group’s own’, i.e. its territory appears to be the natural form of primate social organisation, it is thus not surprising that these aspects are reflected in the structure of most work and social organisations.

Up to the early 1800s, most organisations were small because of the difficulty in communications mentioned at the beginning of this chapter. There were however exceptions, the Church, the Royal Navy and the Honourable East India Company being three good examples. Widely diffuse, these organisations had very clear hierarchical structures, that of the Church having survived for nearly two millennia relatively unchanged. Even when the Reformation led to the setting up of new Christian sects, these still tended to reflect to some degree the organisational structures of the Roman Catholic Church. The structure of the Catholic Church has proved remarkably resilient. As far as human involvement is concerned, and meaning no disrespect, comparing the Church to any other organisation it has a CEO (the Pope at the head office in Rome), senior management both in Rome and at its principal branches in other countries (the Cardinals), a set of branch managers (the parish priests) and even sales staff (missionaries). A similar structure is found in a traditional family, with a clear hierarchy and promotion from within. Whilst the mission of any religious movement is spiritual rather than profit oriented, the same structures that have proved useful for religious movements have also been adopted by business.

Leadership is also a key role; indeed one of Morris’s observations in *The Human Zoo* concerns the similarity between leadership roles within primates including...
man. It appears that, as a species, we need leaders and leadership and that any organisation without a clearly defined leader, even if just a figurehead, is doomed to failure.

Biblical stories relating to such projects as Noah’s Ark clearly show that an organisation, recognisable in structure, was set up to achieve the required objectives. Even the earliest annals of military history show a command structure similar to that of today’s highly technical armed forces – commander, senior officers, junior officers, NCOs, ordinary soldiers, sailors etc.

Because of the difficulties of communications, organisations were forced, in the main to remain small. Those that did become large, such as the Church, Royal Navy etc. mentioned earlier, set up for their time quite complex communications systems and developed extremely detailed operating instructions. The 18th Century Royal Navy maintained an extensive courier brig system taking despatches from the Admiralty (today part of the Ministry of Defence – MOD) to flag officers (admirals) who commanded each station, the Channel Fleet, the Mediterranean Fleet, various West Indies commands etc., who in turn briefed or sent out despatches to the captains of the ships under their flag. There was also a set of detailed fighting instructions telling each captain how a particular set of battle circumstances should be approached, in effect detailing the tactics a captain should use. If, like Nelson, the captain ignored the instructions and gained a victory then little was said (although the instructions were rarely amended). If the captain ignored the instructions and suffered a defeat then a court martial and severe penalty (which could and in the case of Admiral Byng in 1757 did include execution!) was the norm. It should also be noted that if the captain obeyed the instructions to the letter and still lost the fight, they would also face a court martial and again severe penalties. Their Lordships of the Board of Admiralty could not lose!

Once the railway began to develop, firstly in the UK and then in the rest of Europe and the USA, communications were eased and it became possible to set up various branches of organisations in different towns. The removal of the need for workers to live within immediate walking distance of their place of work meant that organisations could grow bigger without having to provide housing next to the workplace. This in turn led to the growth of management and supervision as a distinct work role. As more and more people began to be employed in any one organisation, it became apparent that there was a limit to the number of individuals one person can supervise effectively. Urwick (1947) believed that the ‘span of control’ was as few as one person supervising no more than five or six others. This was not a new concept, just an elucidation of something that had been recognised, especially by the military, for some time.

The classic writers on management and supervision of the late 19th and early 20th Centuries, who include Taylor (1911) and Fayol (1916), were considering organisations where there was not just a distinction between workers and management in terms of tasks but also of education. They believed in the necessity for the same form of detailed operational instructions as covered earlier when discussing the fighting instructions of the Royal Navy. Clearly, as educational standards rose in the Western world throughout the 20th Century, it
became possible to loosen the span of control by allowing for initiative. This brought about a new component to organisational structure, that of the technician.

Henry Mintzberg (1983) has developed a simple model to examine organisational structures. His basic model has three components (see Figure 1.2).

The strategic apex, which may be just one person in a small organisation or a group of very senior managers in a larger one, is where the major decisions are taken. Given the previous discussion on human behaviour, there is normally a figurehead at the very top of the apex, often with a senior operating individual immediately below him or her in the chain of command. In many organisations, and indeed governments, the chairperson, president or monarch may be purely ceremonial, the real power lying with the CEO or Managing Director, or Prime Minister, immediately below them on the structure chart. Linking the strategic apex with the operating core, the people who carry out the majority of the organisation’s immediate tasks, is the middle line of management.

The basic Mintzberg model can be applied to many small organisations. In the very smallest there may be no middle line, with the individual or individuals in the strategic apex also carrying out direct supervision of the operating core and, if the organisation consists of just a very small number of people, there may be little distinction between any of the components although there will always be one ‘final’ decision-maker who forms the strategic apex.

Mintzberg’s more comprehensive model has two additions that reflect the situation in medium to large organisations. Firstly there are the support staff who carry out those tasks required to support the operating core but who are not directly involved in the production of the core product or delivery of the core service. Such functions include finance, staffing, administration, facilities management etc. Recent trends have been to reduce the size of this component, managers being expected to carry out their own budgeting, staffing, administration etc., with advice being provided from specialists within the support staff.

The second addition to the model for many medium to large organisations is the technostructure which houses those technical experts who support the organisation. Advancements in Information and Communications Technology (ICT) and improved robotics and machine tools have led to a similar growth in the technical support required, hence the requirement for a defined technostructure.

Figure 1.2  The basic Mintzberg model (after Mintzberg, 1983).
The comprehensive Mintzberg model thus takes on the configuration shown in Figure 1.3.

Mintzberg's work looks at the relative sizes of the various components within organisations. In some the technostructure may be small or even missing, in others the support side may be very small; every organisation is different. A current trend has been to remove much of the support staff and technostructure from the organisation but then to outsource those roles, allowing the organisation to concentrate on its core business. In organisations that have done this, the support staff and technostructure components may be very small indeed but will have to be carried out within another organisation, where they form part of the operating core as here they will be the primary objective, i.e. the core product of that organisation as in, for example, a company formed to provide personnel for other companies or, as another example, outside caterers providing canteen facilities for organisations.

Whilst early management writers like Fayol (1916) stressed the benefits of centralising planning and control using the rapidly improving communications systems, modern trends have been to decentralise. Peters & Waterman (1982) in their treatise on excellent organisations, *In Search of Excellence*, stressed the importance of giving staff the autonomy to make decisions and to demonstrate initiative and entrepreneurship by decentralising decision-making as close to the point of customer contact as possible. They also made the point that consistency demands that some aspects of an organisation's operations need to be controlled centrally, e.g. quality standards and overall financial management. It would be of little comfort to the customer if different branches of the same organisation worked to different quality standards!

*Figure 1.3  The comprehensive Mintzberg model (after Mintzberg, 1983).*
What tends to happen, in terms of the Mintzberg model, when an organisation decentralises or adopts a divisional form is shown in Figure 1.4.

Each division of the organisation tends to adopt a mini-version of the main model. If you examine any large organisation that has a divisionalised or a branch structure – British Airways, Marks and Spencer, Tesco, the faculty structure within colleges and universities, Boeing etc. – a similar arrangement is found, suggesting that this may be the ‘natural’ structure for organisations to take. All possess a strategic apex, a middle line, an operating core, support staff and a techno-structure or, in the case of the latter two, if they are not there at branch or divisional level there is access to those components either at corporate headquarters or through outsourcing.

Organisational change

Organisations can undergo a life cycle similar to that for products and indeed similar to that for human beings. Marketing experts use a concept called the product life cycle, and Roger Cartwright & George Green (1997) adapted this idea when they put forward the concept of an organisational life cycle. They suggested that organisations, like products, go through a series of changes (Figure 1.5):

- Birth
- Adolescence
- Maturity
- Menopause
- Decline.

They suggested that it was possible for changes at the menopausal stage to result in decline being averted and the organisation gaining a new, albeit different, lease of life.
Birth

At this stage a newly formed organisation will be keen to gain customers and establish itself within the marketplace. There may be launch offers and prices may be kept low in an attempt to gain market share. This is often the strategy adopted by car manufacturers when entering a new market or market segment, examples being Proton and Chrysler in the UK. There is a danger that the organisation may promise more than it can deliver, either in terms of quality or demand exceeding supply. A new company may be relatively naive but may well be dealing with sophisticated customers. Customers are likely to be new and the gaining of further new customers is all-important. Such an organisation can change very rapidly but may attempt changes that are beyond its resources. Customers may demand more and more in an attempt to gain greater value for less cost, and the organisation may well attempt to respond with the resultant possible drain on its cashflows. An organisation that wishes to survive into adolescence needs to realise which changes it can encompass and which it cannot.

Adolescence

The adolescent organisation is usually gaining both in confidence and sophistication. Competitors and existing/potential customers may see it as a growing force. The customer base will be growing and the keeping of repeat customers becomes as important as gaining new ones (Cartwright, 2000). Because the organisation has begun to develop a history and culture,
it can be more discriminating in the changes it is prepared to introduce. It is less likely to accept demands beyond its resources. This can be a very dangerous time for the organisation as it may be vulnerable to take-over by more established players, as Cartwright & Green (1997) and Cartwright & Baird (1999) have pointed out. Adolescent organisations often have cashflow problems associated with growth and a cash-rich competitor may attempt to gain control or use the cash situation to force the organisation out of the market. An adolescent organisation may be very vulnerable when faced with mature competitors. The acquisition of the highly successful but relatively young Princess Cruises (of Love Boat® television series fame) by the much older UK-based P&O Group in 1974 was a classic example of this.

**Maturity**

This is the time of greatest stability and thus a period when the organisation may not want to make changes unless they are forced upon it. Markets are known and there is likely to be a strong customer base. There is a danger that the organisation may begin to take its customers for granted and be reluctant to accept the changes they require.

**Menopause**

Medically, Dr Miriam Stoppard (1980) says of menopause that it may cause no problems at all or at its extreme be characterised by hot flushes, tearfulness, anxiety, profound depression, inability to concentrate, inability to deal with problems and inability to make decisions. Biologically, menopause is a condition built into the endocrine (hormonal) system of the body and that it will occur is inevitable. Menopause is often referred to in Western society as ‘the change’. It is not necessarily a change for the worse. Cartwright & Green used the concept to equate a natural part of the human life cycle to that of organisations to aid understanding of organisational behaviour.

It is reported that many women find that they acquire new interests after menopause and, in a similar fashion, many organisations develop in new and exciting ways.

Cartwright & Green believed that there is a menopausal stage in many organisations where after a period of relative maturity, outside forces (the equivalent of the body’s hormones) cause alterations to markets, available technologies and customer requirements and perceptions. Just like hormones in the body, the organisation cannot control these forces and this may bring about inabilities in decision-making, a failure to deal with problems,
organisation anxiety and depression. The organisation becomes more interested in its own internal problems rather than those of its customers, and any changes tend to be inwardly focused on systems and especially organisational structures rather than on the products, services and customers. Lethargy becomes a danger, a paradoxical danger because lethargy is what will destroy the organisation and yet, just when the organisation needs to concentrate on its position and survival, it becomes lethargic. The main dangers are ultimate decline following a loss of customer base or else a take-over by a competitor. Indeed menopausal organisations may be at risk from predatory adolescent ones that have the energy but require the respectability of an older player in the market. Rates of change are often very low.

An organisation that recognises the menopausal stage can often take steps to rejuvenate itself and this may mean hard decisions. The aim is to become vibrant again but the organisation must ensure that the changes it makes are the ones its customers want. Often this is referred to as ‘the organisation re-inventing itself’.

The model an organisation should be aiming for is shown in Figure 1.6.

**Decline**

Organisations hope that they never decline but Pan Am, the Passenger Shipping Industry and many retail stores that were household names have gone, some like Pan Am to reappear as smaller scale operations, others never to be heard of again; often they have been acquired by a more vibrant
organisation and the name has been lost. If an organisation cannot compete by making the changes customers require, it will decline and die or else be swallowed up by a more successful competitor. Decline is often characterised by restructuring upon restructuring, and there is a frantic attempt to deliver something that, even if it does not make much money, at least pays the wages.

Where an organisation is in its life cycle will affect its strengths and weaknesses, and make some opportunities more important than others and some threats much more dangerous than others.

It must be stressed that examining the external environment of an organisation is a fairly useless exercise unless it is done with a knowledge of the internal factors within that organisation.

**Stakeholders**

A stakeholder in an organisation can be defined as an individual or a group having a vested interest in the operation of that organisation. Many stakeholders are easy to identify: the employees of an organisation and in the case of a for-profit organisation its owners including shareholders all have a vested interest in its success as their income depends on it. As Cartwright (2000) has stressed in a companion volume to this one, customers are always stakeholders. However there may be other stakeholders who do not have such a direct financial interest. To illustrate the point, consider the example of a company deciding to develop a light engineering works in a small town where unemployment is at a fairly high level.

Assuming the company brings in a small number of key staff from its existing operation, who else will benefit or be disadvantaged by the development of the new operation?

- The government – the development will have a beneficial effect on employment and may encourage other companies to move into the area
- The local government – local taxes will be raised
- The local population – jobs will be available directly in the company and also indirectly through the use of local suppliers
- The local housing market – staff brought in from other parts of the company will need to be housed
- The local economy – more people working means more disposable income.

All of the above benefit. If the company produces waste products there may be a disadvantage. Similarly if there is an increase in noise, those living near the factory may see the value of their property decline. There may be a need to develop infrastructure changes, new roads etc. Whilst these may ultimately benefit the area, there may be short-term increases in traffic with attendant pollution and safety dangers.
It is not unusual when a large organisation closes down for there to be concerns about the knock-on effects beyond immediate job losses, as seen in the West Midlands of the UK after an announcement in Spring 2000 that BMW intended to divest itself of the Rover car-making concern – the major West Midland’s employer. All organisations have suppliers and if they are highly dependent on one large manufacturer, then job losses there may well lead to further job losses down what is known as the supply chain. Suppliers seek, wherever possible, to reduce their dependence on a single customer. This is one reason why the Customer section of the SPECTACLES analysis is so important. The supply chain is a very important component in organisational planning. Manufacturers may obtain their raw materials and even preassembled parts from a wide geographic area. In his book and television documentary series for the UK’s Channel 4/USA’s KCTS, *21st Century Jet*, detailing the planning and building of the Boeing 777, Karl Sabbach (1995) shows how pre-assembled components for the aircraft came from all over the world to be assembled in Everett near Seattle on the USA’s Pacific Coast. A few examples of the wide geographic range of manufacturer (not an exhaustive list) is given in Figure 1.7.

P&O Cruises (1995) have produced an interesting book and video on the building of their cruise liner *Oriana* (see Chapter 13) which had components manufactured all over Europe for assembly at the Pappenberg (Germany) yard of Myer Weft.

Both the *Oriana* and the Boeing 777 were able to benefit from computer aided design where the computers at the main contractor could be linked to those at their suppliers. Boeing pioneered the concept of ‘Working Together’ where Design–Build Teams (DBTs) consisting of the main contractor, subcontractors, designers and customers worked together to solve problems, a good example of including stakeholders in the design and planning processes.

The views of stakeholders always need to be taken into account. If the factory in the example given earlier was the source of complaints from local residents during the process of gaining planning permission, then the whole project could be delayed. As will be shown in the next section, early consideration of stakeholder reaction may prevent later problems.

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<td>Passenger doors</td>
<td>Japan</td>
</tr>
<tr>
<td>In-spar ribs</td>
<td>Japan</td>
</tr>
<tr>
<td>Elevators</td>
<td>Australia</td>
</tr>
<tr>
<td>Rudder</td>
<td>Australia</td>
</tr>
<tr>
<td>Engines (for first aircraft)</td>
<td>East Hartford, Connecticut, USA</td>
</tr>
<tr>
<td>Automated Spar Assembly Tool</td>
<td>Wisconsin, USA</td>
</tr>
<tr>
<td>Some fuselage sections</td>
<td>Japan</td>
</tr>
<tr>
<td>Fuel gauges</td>
<td>UK</td>
</tr>
<tr>
<td>Nose</td>
<td>Kansas, USA</td>
</tr>
<tr>
<td>Entertainment system</td>
<td>UK</td>
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*Figure 1.7 Sources of supply for a sample of Boeing 777 components.*
Planning

All of the analyses that follow in this book are designed to inform the strategic and tactical planning processes within an organisation. They provide a comprehensive list of those items that should be considered as part of such processes.

As Hastings et al. (1986) have pointed out, it is necessary to plan for things that you know are likely to happen but it also necessary to have contingencies in place to deal with the unknowns. There are five states to the knowledge needed for planning:

- Known
- Likely
- Possible
- Unknown
- Unk-Unks.

Known

Much of the known will come from organisational experience and research. It is known that toy sales increase at Christmas and production and distribution schedules can be planned accordingly. In the UK, until 1999, it had been the practice to change the year registration letter of new cars in August, thus leading to a peak of sales in the summer. These factors are known from the first part of any planning process.

Likely

Any organisation that is carrying out a proper analysis of its environment will know those things that are likely to happen. If a political party has announced certain legislative changes that will affect an organisation and the opinion polls show a strong likelihood of that party winning an election due to be held in the next couple of months, then it would be foolish not to consider that such a change was likely and to plan accordingly. However, as was shown in the 1992 UK General Election, opinion polls can be wrong!

Manufacturing organisations know the anticipated lifespan of components and thus know when it is likely that a replacement will be required. In the aircraft manufacturing industry, certification of a new model by the regulatory authorities requires the manufacturer to show the likelihood of certain events. For the Boeing 777, which has only two engines, to gain approval to fly ETOPS (Extended Range Twin Operations) it was necessary to demonstrate to the Federal Aviation Authority (FAA) in the USA and other similar authorities in other countries that, firstly, the plane could fly safely on only one engine for up to three hours and, secondly, that the possibility of two engines shutting down in flight was so remote as to be very, very unlikely to happen. As Karl Sabbach (1995) has detailed, extensive testing showed that the Boeing 777 met these requirements and thus became the first twin-engined aircraft to be certified for extended range operations from
the outset. Previous aircraft had been required always to fly within 60 minutes of a suitable airport, which precluded many trans-ocean routes. The ability to operate a long-range twin-engined aircraft brought considerable cost benefits to airlines, both in terms of purchase prices and operating costs. Obviously where safety is a concern, all eventualities must be considered and the FAA require manufacturers to draft a Failure Modes and Effects Analysis (FMEA) to show that a particular occurrence is unlikely and what the consequences would be if it actually occurred. Such a process was carried out when Convair began work on the rear cargo door for the Douglas (later McDonnell Douglas DC10). Unfortunately, because of a design fault it was not only possible that the door might open in flight but that it was extremely likely to do so. As Eddy et al. (1976) showed in their book *Destination Disaster*, the manufacturers even received a stark warning when a door fell off in flight and the aircraft floor collapsed without any fatalities. A less-than-satisfactory remedy was applied and some months later a DC10 crashed outside Paris following the loss of a rear cargo door, all 346 people on board being killed.

It is salutary to note that the captain of the *Titanic* knew that there was a like-lihood (indeed a fairly high probability) of meeting ice on the ship’s route, indeed he is quoted as predicting the time at which this would happen. Unfortunately, perceived wisdom of the day did not include planning for a speed reduction nor for the unusual but not unknown visual problems of that night (despite its size, the iceberg was not seen until the last moment), with results that have become well known.

**Possible**

It is possible that London or Edinburgh may suffer a devastating earthquake but the likelihood is very low. If an organisation is planning to set up in those cities, earthquake contingencies may not be part of the planning process. Were they setting up in California or Japan, such contingencies would need to be taken into account, indeed there may well be a legal requirement to do so before planning permission would be granted.

The Hegelist Principle, named after the German Philosopher Georg Wilhelm Friedrich Hegel (1770–1831), in a simplistic form states that if something can be thought about then it must in some ways exist (if it can happen – it will!). Hegel was concerned about the nature of reality! In the context of this book, whatever may be possible must be considered if the probability of it happening makes it sensible to do so. No company on earth could be justly criticised for failing to build major earthquake protection into their London buildings, where it is known from historical data that the danger is very slight, but that would not be the case in Los Angeles or Tokyo.

A key task of those carrying out an analysis of the external environment is to determine what is possible and then what is the probability of it occurring. Such an analysis can only really be carried out using historical data. This is part of the role of actuaries who use data on human lifespans to calculate life insurance premiums.
Just because there is a high probability of something happening does not mean that it will, but the organisation should have a plan in place.

Possibility is also affected by time considerations; the further into the future one looks, the less easy it is to assign a probability. The media in December 1999 was full of articles etc. on what had been predicted in 1899 for the 20th Century and predictions for the 21st Century. If one had said in December 1903, when the Wright Brothers made the first powered flight, that just over 60 years later it would be possible to fly from London to New York on Concorde in three and a half hours and that people would have walked on the moon, it might have been difficult to be taken seriously – such fancies may have attracted the readers of H. G. Wells or Jules Verne but no organisation appears to have written such developments into their planning. Even in 1914 the British War Office were still disputing whether there was any use for military aircraft at all!

Unfortunately, hindsight is a wonderful thing. All an organisation can realistically do in its planning process is to take account of what is known, what is likely and draw up a contingency for possibilities with a fairly high probability.

There is a management accounting technique called cost–benefit analysis, often used as part of the planning process, which is utilised to ascertain the benefits for any given investment set against the cost. The more likely something is to happen, then the more not planning for it may cost the organisation.

**Unknown**

In the ideal world there should be no such thing as an unknown; if everything is possible, however remotely, then it should be known. However managers and planners are human and are caught out by unexpected events. ‘Unexpected’ is perhaps a better word than ‘unknown’. Again it is easy to be wise after an event, but part of any environmental scanning should be the encouragement of those involved to undertake some brainstorming based on unexpected but possible factors.

**Unk-Unks**

Unk-Unks (Unknown Unknowns) were quoted by Karl Sabbach (1995) as part of the study into the Boeing 777. These are events that are so unlikely that nobody has even considered them. Often they are things that somebody should have dealt with but didn't, often through the vagaries of human nature. The loss of the Herald of Free Enterprise in 1987 might be considered an Unk-Unk, as it was unimaginable that the vessel would sail with its bow door open. The spread of AIDS in the late 20th Century came as a surprise to many, as did the popularity of the home computer; even in the 1970s it was not believed that there would be a domestic market for such computing power. The Unk-Unk was the versatility of the human mind that found so many uses for the microchip.
Barry Minkin, a US-based best-selling author, consultant and futurologist (there is such a word in the USA!) was one of the people who first realised the potential of linked computers – the forerunner of the Internet, and he has spoken about ‘two-steppers’ in his seminars. Many people can see the one step, say from the mainframe to smaller computers, but it takes a very imaginative mind to see the next step. H. G. Wells and Jules Verne were two-steppers. Few organisations possess such people and even fewer know how to use them to their full potential, but companies such as British Telecom are beginning to employ such people to aid their forward planning and push back the boundaries of longer term forecasting.

Summary

This chapter has considered the importance of scanning the external environment, the use of a SWOT analysis, the typologies of organisations, i.e. private, public, voluntary, for-profit, not-for-profit, the various business sectors, a brief history of organisational development, organisational changes, what is meant by stakeholders and planning for both the known and the unknown, and then considered the imponderable Unk-Unks.

Concepts covered

- The complex, contemporary world of business
- The importance of the external environment
- Types of businesses and organisations
- Organisational typologies
- Business sectors
- Mission and objectives
- Organisational structures
- Organisational development
- Organisational change
- Organisational life cycle
- Stakeholders
- Planning

QUESTIONS

1. Consider a group of organisations that you are familiar with. Classify them according to their typology and sector. What is the main objective of each of the organisations and who are its stakeholders?

2. Put yourself 5, 10, 25 and 100 years from now. Taking one particular product or service, try to advise an organisation dealing with that field on what the future in respect of that product or service will look like 5, 10, 25 and 100 years from now. Be imaginative but sensible!
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