Social and other opportunities and constraints

Opportunities in the business environment are those factors that provide possibilities for a business to expand so as to make more sales and profits. Constraints are those factors that limit the ability to grow, and reduce sales and profit potential. A useful way of assessing opportunities and constraints is to carry out what is known as a SWOT analysis.

Strengths and weaknesses are internal to an organisation. Typically they relate to the resources of the organisation, and its structure and leadership, as well as the extent of its marketing. Market focused organisations are strong because they know what their customers want.

Opportunities and threats (constraints) exist in the external environment. Opportunities relate to the market, to the development of new technologies, and external factors such as government policies. Threats relate to what the competition is doing as well as legal and other constraints.

A good example of external opportunities and constraints is that of the building industry in the UK today. The government is encouraging developers to build on 'brownfield' as opposed to 'greenfield' sites. The constraint therefore is not being able to develop on greenfield sites while the opportunity is that of developing on brownfield land.

The best way of thinking about constraints and opportunities is to realise that good businesses will seek to turn constraint into opportunities, while at the same time building on existing opportunities.
Organisations should use their strengths such as having a good reputation, and experience in a particular field or segment of the market coupled with good marketing and resources, to build competitive advantage.

Planned, Market and Mixed economies

Three main sets of decisions need to be made by the economic system - what to produce, how to produce, and how to share out the product of the economy. A planned economy is one in which a central planning agency such as the government determines the 3 economic decisions outlined above. A market economy is one in which these decisions are determined by buyers and sellers interacting with each other without government interference. A mixed economy includes elements of both the planned and the market economies.

Those (and there are few of these left today) that favour the centrally planned economy argue that the government (central planners) are best placed to meet the needs of all the people of a particular society. Those in favour of the free market argue that central planning wastes resources and that the market makes sure that consumers get what they want producing, while producers supply it at a profit. The reality is that most societies operate some form of mixed economy.

In this country we have a mixed economy. Most decisions are made by the market - e.g. when you buy goods in supermarket you vote with your money for the goods that you want to buy. However, some decisions are made by the government e.g. those relating to road building, school and hospital construction, the supply of medicines in hospitals etc.

In the UK the emphasis is on letting the market make most decisions because of its high level of efficiency in responding to customer preferences. However, some decisions must be made by the government on behalf of society e.g. decisions about military spending, and public education.

The market economy refers to the system whereby what is produced and how is determined by buyers and sellers engaging in free exchanges for the sale and purchase of goods.