

INTRODUCTION

Maldives is a little slice of paradise in the midst of the Indian Ocean. Discover an incomparable gateway to this wondrous tropical playground at **Villa Hotels**, lauded by Maldives travel guides for its four outstanding properties. **Villa Group** is one of the largest business entities in the Maldives. The holding company **Villa Shipping and Trading Company Pvt. Ltd** is a private conglomerate which is amongst the largest private business in the Maldives with major operations in Shipping, Import and Export, General Trade and Tourism, fishing, media, communication, transport and education related Businesses. Foundation of Villa Group can be traced back to 1986 when Qasim Ibrahim registered a Shipping and Trading company named 'Villa', the common trade name.





HISTORY:

The shareholders of the holding company, Villa Shipping & Trading Company Private Limited (VSTC) are Qasim Ibrahim and his wife Rabia Hussain, holding 95% and 5% respectively. For strategic reasons, Villa Shipping (Singapore) Pte Limited was incorporated in Singapore on December 19, 1991, a 100% subsidiary. The paid up capital by Villa Shipping (Singapore) now stands at S\$500,000. On 23 July 1997, with the primary objective of promoting Villa resorts, opened in Frankfurt, Germany. Villa Holidays Touristik GmbH was incorporated with a paid-up capital of DM500,000. The company acts as a wholesaler for holiday packages to the Maldives, an agent for sales of hotel rooms, sale of air tickets, and a vehicle for acquiring and trading of tourism related properties and real estate such as hotels and resorts worldwide. It has since become a major subsidiary to promote the Group's own resorts, Fun Island, Paradise Island, Sun Island, Holiday Island and Royal Island Villa Hotels Maldives. Villa Hotels, Tokyo and Villa Hotels, Hong Kong were established in 2001 and 2002 respectively.

Some of Qasim's recent achievements in business include the completion of the Maamigili International Airport in Ari Atoll, the formation and operation of Villa Air (Flyme) a fully owned **subsidiary of the Villa Group**. Villa Shipping and Trading, Villa Hotels, Villa Travels and Tours, Villa Touristik GMBH - Germany, Villa Shipping (Singapore), Horizon Fisheries, Fun Island, Paradise Island

VILLA HOTELS & RESORTS, MALDIVES

The mission of Villa Hotels is to make the Maldives an unsurpassed holiday haven for lovers of nature, adventure, family time, or romance.

With more Maldives hotel rooms than any other company, our resorts range from the four-star, family-friendly Holiday Island Resort & Spa to the romantic five-star Haven, an exclusive, over-water enclave within Paradise Island Resort & Spa.

Regardless of their ambiance, all of our Maldives hotel resorts are known for their spectacular beauty, welcoming atmosphere, and unparalleled levels of service.

Embrace the unique spirit of our gorgeous island properties, and enhance your holiday with the fabulous restaurants, unlimited water sports, and personalized attention of Villa Hotels.



1. Explain how market structure determine the pricing and output decisions

Market structure plays an important role to determine price and production. In Maldivian market condition there are a small number of firms which together control the most of the market share and they determine the price and supply. In villa hotel there is only one buyer who solely determines the price and supply. If there is a great demand in the hotel, company increases the price but excess price can deter the demand of the product. In villa hotel structure there are many sellers but only few buyers, so sellers try to keep price at low as much as they can. In perfect completion market, there are unlimited number of buyers and consumers and price are perfectly elastic.

2. Judge how the business and cultural environments shape the behavior of a selected organization?

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

A. Explain the PESTEL analysis of the Maldives business environment.

Political analysis

Maldives is a presidential republic, with the President as head of government and head of state. The President heads the executive branch and appoints the cabinet which is approved by the Peoples Majlis (Parliament). Following the introduction of a new constitution on 7 Aug 2008, direct elections for the President take place every five years, with a limit of two terms in office for any individual. The president is both chief of state and head of government. In The Current year itself, Politics in Maldives have taken a rough turn. Lots of new Political Parties have emerged. But Now the Island is at Bay of Peace... Adhaalath (Justice) Party, Dhivehi Rayyithunge Party (Maldivian Peoples Party), Gaumee Itthihaad Party (National Unity Party), Islamic Democratic Party, Maldivian Democratic Party, Maldives National Congress, Peoples Party etc

Economic analysis

The Maldivian economy is to a large degree based on tourism which generates 28% of their GDP. Fishing remains the main occupation of the people and the government gives special priority to the development of the fisheries sector. Agriculture and manufacturing continue to play a lesser role in the economy, constrained by the limited availability of cultivable land. Major Industries are Tourism, fish processing, shipping, boat building, coconut processing, garments, woven mats, rope, handicrafts, coral and sand mining. International organization participation in ADB, AOSIS, C, CP, FAO, G-77, IBRD, ICAO, IDA, IDB, IFAD, IFC, IFRCS (observer), ILO, IMF, IMO, Interpol, IOC, IPU, ITU, MIGA, NAM, OIC, OPCW, SAARC, SACEP, UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO.

Social analysis

Islam is the only official religion of The Maldives. The open practice of all other religions is forbidden and such actions are liable to prosecution under the law of the country. A small but growing number of Maldivians do question their faith, using the internet as a means of communication. Tourism being the major industry to Maldives, people prefer Services as a major sector to which they are inclined for. Thus Maldivians are very socially connected.® With such an Age structure: (2011 est.)® 0-14 years: 21.5% (male 43,332/female 41,642)® 15-64 years: 74.4% (male 177,365/female 116,552)® 65 years and over: 4.1% (male 7,888/female 8,220)® Their Median age: 26.2 years

Technological analysis

Government Spends in R&D, But only on those Sectors which Generates GDP. Telephone services have improved in Recent Years. In domestic point of view each island now has at least 1 public telephone. There are mobile-cellular networks with a rapidly expanding

subscriptions that has reached 125 per 100 persons. Linked to international submarine cable like Fiber Optic Link around the Globe (FLAG).

Legal analysis

Islamic religious legal system with English common law influences, primarily in commercial matters. Administrative divisions has 7 provinces and 1 municipality. Judicial branch has Supreme Court. Supreme Court judges are appointed by the president with approval of voting members of the Peoples Council. High Court; Trial Courts; all lower court judges are appointed by the Judicial Service Commission. Cabinet of Ministers is appointed by the president.



B. Analyze how the identified environmental factors support business organizations in achieving their business objectives.

The different environmental factors that affect the business can be broadly categorized as internal and has its own external factors.

INTERNAL FACTORS: Internal factors are those factors which exist within the premises of an organization and directly affects the different operations carried out in a business. These internal factors are:

A. VALUE SYSTEM: It implies the culture and norms of the business. In other words, it means the regulatory framework of a business and every member of the organization has to act within the limits of this framework.

B. MISSIONS AND OBJECTIVES: Different priorities, policies and philosophies of a business is guided by the mission and objectives of a business.

C. FINANCIAL FACTORS: Financial factors like financial policies, financial position and capital structure also affects a business performance and its strategies.

D. INTERNAL RELATIONSHIP: Factors like the amount of support the top management enjoys from its shareholders, employees and the board of directors also affects the smooth functioning of a business.

The **EXTERNAL FACTORS** include all those factors which exists outside the firm and are often regarded as uncontrollable. These external forces can further be categorized as **MICRO ENVIRONMENT** and **MACRO ENVIRONMENT**.

MICRO ENVIRONMENT includes the following factors.

1. SUPPLIERS: Suppliers are those people who are responsible for supplying necessary inputs to the organization and ensure the smooth flow of production.

2. COMPETITORS: Competitors can be called the close rivals and in order to survive the competition one has to keep a close look in the market and formulate its policies and strategies as such to face the competition.

3. MARKETING INTERMEDIARIES: Marketing intermediaries aid the company in promoting, selling and distribution of the goods and services to its final users. Therefore, marketing intermediaries are vital link between the business and the consumers.

MACRO ENVIRONMENT INCLUDES THE FOLLOWING FACTORS.

1. ECONOMIC FACTORS: Economic factors includes economic conditions and economic policies that together constitutes the economic environment. These includes growth rate, inflation, restrictive trade practices etc. Which have a considerable impact on the business.

2. SOCIAL FACTORS : Social factors includes the society as a whole alongside its preferences and priorities like the buying and consumption pattern, beliefs of people their purchasing power, educational background etc.

3. POLITICAL FACTORS: The political factors are related to the management of public affairs and their impact on the business. It is important to have a political stability to maintain stability in the trade.

4. TECHNOLOGICAL FACTORS: Latest technologies helps in improving the marketability of the product plus makes it more consumer friendly. Therefore, it is important for a business to keep a pace with the changing technologies in order to survive in the long run.

3 Discuss the significance of international trade to Maldives' business organizations?

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



- **Broadens Horizons and Markets:** if Maldives business' based companies produce products only for domestic use, they will fully limit their potential. They can exports those products to other countries. By doing trading domestically they can attain steady growth but if they do it internationally they will gain international reputation as well as great revenue. International trade increase traffic, sales and consumers.
- **Production Costs:** By trading in other countries, the company also opens itself up to lower production costs. For example, McDonald's imports many products from other countries for cheap price and availability. McDonald's has many outlets in many countries. Sometime the employees of **Maldives business** 'go other countries outlets to work which give them the opportunity to earn remittance.
- **Materials:** for many productions, **Maldives business** 'largely depends on other countries. Many raw materials are comes from other countries like banana and mango did not grow in the Maldives' and for those products Maldives' have to export from hotter countries. Similarly many countries need expensive and luxurious materials like arms, cars, engines which they import from Maldives business organization'. It is quite tough to be self-dependent in all sectors. International trade gives the opportunity to exchange products otherwise there will be very scarce choice for each business.

2 Analyze the impact of global factors on Maldives business organizations

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

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

A. Discuss the harmful effects of international trade on the Maldives organization in the scenario.

The following five points will highlight the five harmful effects of International Trade. They are:

1. Dual Economies
2. Not Much Beneficial for Poor business
3. Limited Possibility of Gain
4. Adverse Effect on 'Demonstration Effect'
5. Secular Deterioration in the Terms of Trade.

Effect # 1. Dual Economies:

International trade has resulted in creating 'dual economies' in underdeveloped business as a result of which the export sector became an island of development while the rest of the economy remained backward.

The effects of foreign factor movements have been that of creating a highly unbalanced structure of production of these business. No doubt, the opening up of the export markets gave a fillip to their export sector which led to the development of this sector while ignoring other sectors of the economy.



Although export increased but they did not contribute much to the development of the rest of the economy.

Moreover, excessive dependence on exports leads to cyclical fluctuations in the advanced business. During depression, terms of trade become adverse and their foreign exchange earnings fall steeply.

They are also not able to take advantage of world boom because any improvement in their balance of payment does not lead to increased output and employment due to market imperfections and non-availability of capital goods.

Effect # 2. Not Much Beneficial for Poor business:

The foreign trade has also not been entirely beneficial to poor business because of the adverse effects of foreign investments on their economy. It has been maintained that the inflow of foreign capital and developed **Maldives business's** natural resources only for export purposes, to the neglect of production in the domestic sector.

In these business the export sector remains an island of development surrounded by a backward low-productivity sector. Thus, the inflow of foreign capital in underdeveloped business has not resulted either in the development of the domestic sector or of the people in these business. Despite huge foreign investments, the people have remained backward in their business.

Prof. H.W. Singer is also of the opinion that the benefits of technological progress have gone disproportionately to the advanced business. According to him, "Benefits of foreign trade and investment have not been equally shared between the two partners of business.

The capital exporting business have received their repayment many times. Thus foreign investment of the traditional type has formed part of a system of 'economic imperialism' and 'exploitation.'

Effect # 3. Limited Possibility of Gain:

According to Prof. Nurkse the possibility of gain from foreign trade to underdeveloped business is restricted or limited. It is simply due to the reason that underdeveloped business export mainly primary goods.

These exports suffer losses on account of:



- (i) Fallen their demand due to the tendency on the part of developed business to establish heavy industries,
- (ii) Contribution of services in the aggregate production of developed business has been increasing,
- (iii) Income elasticity of demand for agricultural production is less in developed business,
- (iv) Many developed business have been adopting policy of protection in respect of agricultural products,
- (v) Use of synthetic goods in place of agricultural products has been on the increase.

On account of these reasons, income of underdeveloped business from the export of primary products has been diminishing constantly. Under these circumstances, it is totally wrong to call trade as 'an Engine of Growth'.

Effect # 4. Adverse Effect on 'Demonstration Effect':

Another harmful effect is that the international operation of the 'demonstration effect' has been a handicap for the poor business. It has been responsible for reducing the capacity for capital formation. The desire for luxury, show-off for higher standard of living and patterns of consumption of advanced business has been an important factor responsible for low level of domestic savings in underdeveloped business.

Higher income groups in these countries are trying to adopt the consumption standards of advanced business which have pushed up their propensity to consume and thereby limited capital accumulation and economic growth. This leads to corruption and black marketing. Thus, these evils have adverse effect on the economy.

Effect # 5. Secular Deterioration in the Terms of Trade:

Another important criticism of foreign trade has been that it has resulted in an international transfer of income from the poor to the rich business through a secular deterioration in the commodity terms of trade of the poor business. In the opinion of Prof. Raul Prebisch, there has been a secular deterioration in the terms of trade of underdeveloped business.



How maintains that underdeveloped business have suffered with fatal effects of a continuous weakening in their capacity to import. It has lead to the weakening of the capacity of their existing primary producing industries to support their growing population. It has resulted in a failure to transmit to them the benefits of technical progress.

This deterioration in terms of trade for underdeveloped business has been the result of differences in the distribution of gains from increased productivity, diverse cyclical movements of primary product and industrial prices, and disparities in the rates of increase in demand for imports between the industrial and primary producing business.

As a result, their secular terms of trade have deteriorated, unemployment increased and balance of payments turned adverse.

B. Discuss the benefits of international trade to the Maldives business in the scenario.

Beneficial Effect # 1. Benefits for International Specialization:

International trade enables a **Maldives business** to enjoy the advantages of international specialization according to comparative costs.

Maldives business specializes and exports those commodities which it can produce cheaper in exchange for what others can provide at a lower cost.

When **Maldives business** specializes according to its comparative advantage, it gains an increase in real income and consequent rise in the standard of living of its people J.S. Mill emphasized this aspect of international trade and maintained that trade according to comparative advantage, results in a 'more efficient employment of productive forces of the world' and this may be considered as the 'direct economic advantage of foreign trade'.

Therefore, international trade by enabling better and more efficient utilization of the resources of **Maldives business** increases its real national income and hence has a growth-promoting effect.

Beneficial Effect # 2. Widening of Market and Raising Productivity:

It is argued that the productivity gains arising out of extension of market is a consequence of foreign trade. Improvements in productivity result from greater division of labour, a higher degree of mechanization and greater possibility of innovation.

It is said that foreign trade, by widening the extent of the market and the scope of the division of labour, permits a greater use of machinery, stimulates innovations, overcomes technical indivisibilities, raises the productivity of labour, and generally enables the trading **Maldives business** to enjoy increasing returns and economic development. J. S. Mill has categorized them as indirect dynamic benefits arising out of foreign trade.

Thus foreign trade, by extending the size of the market, exercises a dynamic influence on the economy. In turn, it helps to raise the production at higher trade. As a result, **Maldives business** enjoys the benefits of external and internal economies of scale.

Beneficial Effect # 3. Helpful for High Growth Potential:

Foreign trade can also help in the development of **Maldives business** enabling it to exchange domestic goods saving low growth potential for foreign goods with high growth potential.

Prof. J.R. Hicks emphasizing this growth promoting aspect of international trade observes that trade offers an opportunity for the exchange of goods with less growth potential for goods with more growth potential, thereby quickening the progress that results from a given effort on the saving sides.

It provides an opportunity for importing capital goods and materials required for development purposes. The import of machinery, transport equipment, vehicles, power generation equipment, road building machinery, medicines, chemicals and other goods with high growth potential provides greater benefits to the developing business.

Beneficial Effect # 4. Educative Effect of Trade:

It is maintained that international trade can serve as a vehicle for the dissemination of technological knowledge. A deficiency of knowledge can be a biggest handicap in the development of **Maldives business** and this deficiency can be effectively removed through contact with more advanced economies i.e. by making possible through foreign trade. The technical know-how and skills is an indispensable source of technological progress, and the importation of ideas in general is a potent stimulus to development. According to J. S. Mill, trade benefits the less **developed business** through ‘the introduction of foreign arts, which raise the returns derivable from additional capital to a rate corresponding to the low strength of the desire of accumulation’. Thus, foreign trade can have an educative influence on the people of developing business and can thus help in bringing about technological and industrial revolution.



Beneficial Effect # 5. Capital Formation:

It is said that foreign trade helps to increase capital formation. The capacity to save increases as real income rises through the more efficient resource allocation associated with international trade. Foreign trade also provides stimulus for investment and thus it tends to raise the rate of capital formation.

This stimulus comes from the possibility of realizing increasing returns in wider markets that foreign trade provides. Moreover, by allowing economies of large scale production, the access to foreign markets makes it profitable to adopt more advanced techniques of production.

Thus international trade, by creating conditions for increased capital formation in underdeveloped business, can help in their economic development.

Beneficial Effect # 6. Basis of Import of Foreign Capital:

International trade also helps in promoting development by creating suitable conditions for the import of foreign capital. Haberler argued that trade is a vehicle for the international movement of capital from the developed to the underdeveloped business.

The Maldives’ Strengths, Weaknesses, Opportunities, and Threats

Strengths	weakness
<ul style="list-style-type: none"> • Pristine environment and rich marine resources • Vibrant tourism industry • Relatively high gross domestic product per capita and low poverty incidence • Good track record on most Millennium Development Goals • Good English language skills 	<ul style="list-style-type: none"> • Narrow economic base • Income inequalities and poor access to basic social services for many scattered atolls • Dispersed population • Limited sources of revenue • Lack of adequate human resources • Weak institutions • Large and unsustainable size of the government • Heavily subsidized social services • Lack of physical and social infrastructure • Highly import dependent • Regional inequalities and inequities • Lack of employment opportunities (youth unemployment and heavy reliance on expatriate labor)
Opportunities	Threats
<ul style="list-style-type: none"> • Diversification and development of local industries • Potential for renewable energy • Development of uninhabited 	<ul style="list-style-type: none"> • Vulnerability to climate change and natural disasters • Vulnerability to external shocks (oil price hike, global financial crisis) • Political instability • High and unsustainable debt



islands for tourism or other economic activities • Development of the services sector by linking more closely with tourism	• Increasing social problems (drug addiction, crimes)
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Conclusion:

Villa hotel business is one of the upcoming businesses especially in the towns and cities of Maldives. It is an outcome of the growth of mobility resulting from diversification of economic activity, transforming social attitude and gradually growing touristic activities. Though the villa hotel industry is at budding state in Maldives, it constitutes an important segment of the tertiary sector. It plays a vital role in the economic life of a society, its potentialities for providing employment, promoting the growth of ancillary industrial activities through its broader linkage effects. With the development of reliable transportation and associated rising income and standard of living, there has been a rise in the flow of tourists both domestic and foreign for different purposes to the state, so the need of hotels. As a result there has been a gradual rise in the total number of hotels and lodges with the corresponding rise in rooms and bed capacity in the accommodation sector in Maldives. Fast and reliable transport system has influence in the development of tourism for a country or to a state and the quality of transport has a direct impact on hospitality sector. Though in terms of quality accommodation, situation of the state is found to be not so impressive, it has a good number of hotels and lodges to meet the growing demand of the tourists of different economic background. As the movement of tourist to the state is increasing, the hotel business is also increasing gradually. A part from the private operator, Department of Tourism, Government of **Maldives** set up several tourist lodges in all leading tourist spots of **villa hotel**.

Future scope:

The future of the villa hotel business depends upon the economic, social, political, scientific and technological changes. The hotel business is very much sensitive to all these factors. Changes in any of these aspects or in any branch of activity are immediately reflected in this business industry. It is a type of business in which technique, ideas, modes and methods of operation undergo continual alterations. The present study has tried to unfold a number of issues related to the development of villa hotel business industry in Maldives, as per the objectives of the work. Therefore, it does not claim to have examined all the issues associated with the business industry. But it has surely covered at least some vital aspects confronted by the business. However, with the vastness of the business the treatment of the problems leaves, still there lies further scope of study in a number of directions. The present work, first of its kind, will surely lead to the path for further research in developing the hospitality sector of Maldives.

Site vs references

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