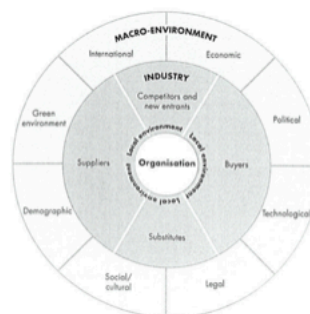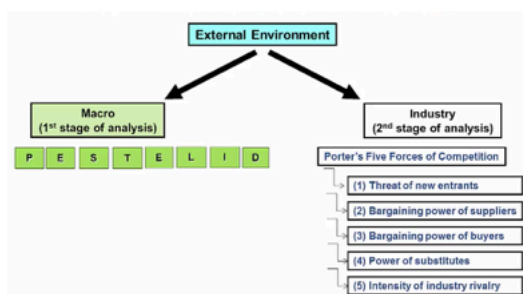# Acct3583 Study notes

Week 1: External Environment

UNDERSTAND WHAT IS MEANT BY SWOT ANALYSIS AND ITS PURPOSE.
- identify opportunities (seize) and threats (counteract) for a company

INDUSTRY
- group of organisations or business units producing close substitutes (include geographical element)
- Narrow definition makes it easier to analyse the industry but runs risk of missing new trends while wide definition run risk of getting lost in mass of data
- Best to conduct country/ region specific analysis

MACRO ENVIRONMENT—> PESTELID FRAMEWORK
- **2 questions:**
  - What major trends affecting future growth of the industry?
  - Will this industry grow faster/ slower than average industry growth rates?
- Assess each issue identified as having positive or negative effect on growth of industry compared with average growth of industries in general
- Summarise +/- with regard to relative importance of each factor and make conclusion
- *Step 1*-Trend identified affect most of the industry and not just selected company
- *Step 3*-Trend either opportunity or threat
  - P: political- Debt/ income level, immigration policy, healthcare funding
  - E: economical- CPI Inflation rates, unemployment, GDP growth
  - S: Social cultural- aged care, obesity, food demand
  - T: technology- cheap global communication, 3D printing, cloning
  - E: environmental- deforestation, greenhouse gas emission, global warming
  - L: legal- food contamination, utility disruption, tobacco health suits
  - I: international- reduce trade barrier, changing foreign exchange rates, different labour rates
  - D: demographic- immigration, population growth, birth rates

INDUSTRY ENVIRONMENT—>PORTER'S FIVE FORCES OF COMPETITION FRAMEWORK
- Factors within the industry that affect both *profitability* and competitive position of organisations within it
- Profitable if all five force are low
- Start by identifying the industry of company analysing
- Combine conclusion of each force and formulate if industry is attractive or not
- *Notes:*
  - Step 3- Choose level of threat (high/ low)