

Buss1002: Finals notes

Introduction

1.1 PEST Intro

1.1.1 Opportunities and threats of PEST elements

- Opportunities
 - New markets, cost/quality of labour, economies of scale, access to raw materials
 - Company/customer intertwined with foreign supplies and external environment.
- Threats
 - Financial or political
 - Natural disaster, terrorism, hackers, disease

1.1.2 Scanning the environment

- Identify external resources that generate opportunities to increase revenue or cut costs
- Impact analysis - adapt strategies to changing environment (opp/threats, impact, ability to deal)
- Scenario planning

1.1.3 Short PEST overview

Political/legal

- Look at domestic government
- Importance of international institutions – WTO developing country policy (reducing budget deficit, barriers to trade and investment, stable ER, privatising public system)

Economic

- Economic growth – demand for G/S indicator & GDP (define)
- IMF – developed countries growing slower than developing (smaller PP and world income)
- Financial market uncertainty and IR

Socio-cultural

- Distribution of income, wealth, structure of employment, living and working conditions, health, education, population characteristics (cost for firms)

Technological

- Turning ideas into production techniques, entering new markets, boosting revenue/profit and cutting cost
- Uncertainty: pumping resources - not to be picked up (competitors or market attitudes)- long-range planning

1.1.4 Evaluating the market

Political/legal

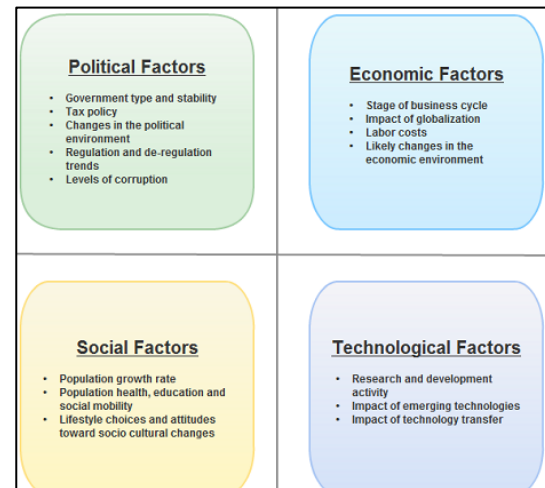
- Regulation, legislation, bureaucracy, political risk, law and order vs. subsidy, market privilege
- Political risk – civil unrest, corruption, property seizure, supply shortage

Economic

- Inflation, IR, ER, credit availability, financial stability, returns, volatility, uncertainty
- Indicators – market size (pop, GDP, disposable income, wealth distribution)

Socio-cultural

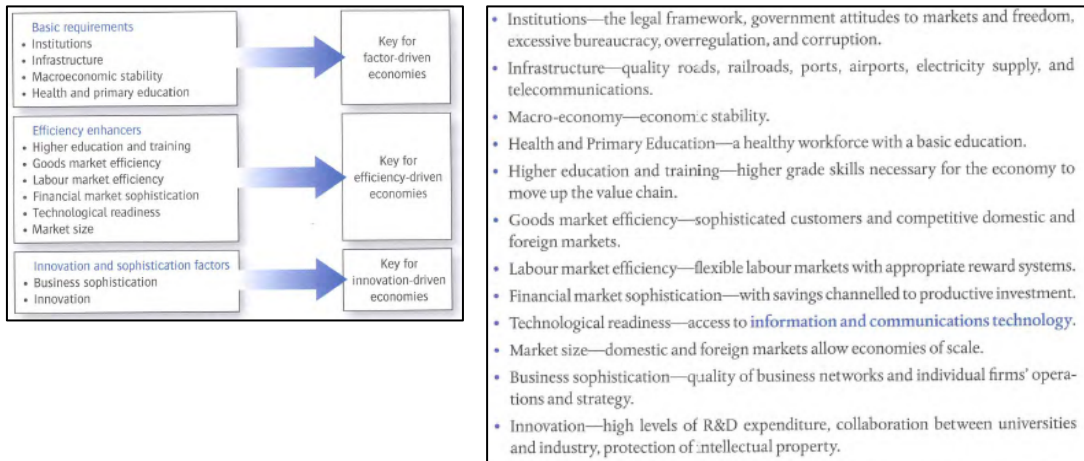
- Skill level, working hours, trade unions, language, religion, customs, middle class growth



Technological

- Infrastructure – transport pathways, communication, internet, water, electricity, port-quality

Global competitiveness report



1.1.5 Other

- PEST elements act within the spatial (local, national, international – think globally but act locally) and temporal (past, present, future) domain
- Industry change →
- Risks: political, strategic, uncontrollable, potential for loss
- Globalisation impact: Environment needs to be interpreted for opportunities to utilise interconnectedness and manage risk - Economic/markets, political/states, Societies and culture, technology

1.2 Industry change - McGahan

		Core activities	
		Threatened	Not Threatened
Core assets	Threatened	Radical Change <i>Everything is up in the air.</i> Examples: makers of landline telephone handsets, overnight letter-delivery carriers, and travel agencies	Creative Change <i>The industry is constantly redeveloping assets and resources.</i> Examples: the motion picture industry, sports team ownership, and investment banking
	Not Threatened	Intermediating Change <i>Relationships are fragile.</i> Examples: automobile dealerships, investment brokerages, and auction houses	Progressive Change <i>Companies implement incremental testing and adapt to feedback.</i> Examples: online auctions, commercial airlines, and long-haul trucking

1.2.1 Threats

- Core activities – less relevant to consumer/supplier due to new alternative
 - Core assets – resources, knowledge, brand capital fail to generate value
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1.2.2 Radical

- Established capability and resources diminished by outside alternative
- Relationship with buyers/suppliers attacked