

The Global Business Environment

LCBB4005

Assignment 1

Student Name: Ivaylo Bakalov

Student Number: 2128950

Lecturer Name: Olusoyi Ashaye

Table of Contents

Introduction:	3
Company's Overview:	4
SWOT ANALYSIS	4
Strength:	4
Weakness:	5
Opportunities:	5
Threats:	5
PESTLE ANALYSIS:	5
Political Factor:	6
Economic Factor:	6
Socio-culture:	6
Technology:	7

Legal:	7
Environmental:	7
Conclusion:	7
Recommendation:	7
REFERENCES:	8

Introduction:

Nations that were not connected are now in link with each other, and to administer them the major role is played by World Trade Organization (International Business,2022). Numerous organizations are making the passage into globalized business, to avail themselves of benefits and opportunities. Focusing on the opportunities British Airways placed 1975 in London has decided to make one step further. The company now wants to extend to the agency in a different country i.e., Bulgaria. However, international businesses are not easy to handle as they are influenced by a lot of business environments. This means that every international business is affected by internal, external, micro, and macro environments.

The internal environment means how a business is affected by its vision, value system, and policies. The company's internal environment is maintained by shared values such as corporation and integrity. However, controlling the external environment is the difficult part. British Airways has decided to shift to Bulgaria where many micro and macro environments are needed to be dealt with. Under the microenvironment impact of customers, competitors and demographics will be seen. On the other macro environment impact via economy, socio-culture, and political situation of the country will be noticed. Whenever a company decides to take its business on the other side of the border, it is important to have an accurate analysis of the environmental factors.

International business cannot survive without a proper organizational strategy (Boehnlein,2022). As these factors will be affecting the travel agency, which is why SWOT

and Pestle analysis is used to understand the pros and cons of globalizing the business but also help to drive long and short terms strategies for the travel agency.

Company's Overview:

British Airway has been serving its, customers, for more than 100 years, and for a century it has been proving itself as one of the top-rated airlines and travel agencies. It has been bridging gaps between countries, cultures, and people through its innovation and hard work.

It is the second largest airline in of UK and its headquarter is present in London. The CEO of the company Mr. Sean Doyle was able to get a category A operating license, thus allowing him to carry extra passenger seats. Several trade unions represent employees at British Airways. The company has 30,000 employees and British Air Line Pilots Association is responsible to train the pilots according to the company's guidelines. Stewards and stewardesses and other employees are represented by other GMB union branches. Various conferences and workshops have been held, frequently with thousands of attendees, just to help in promoting communication between management, employees, and the unions.

British Airway keeps their customers on top which is why they provide loads of services to them. For more than 100 years British Airlines is working to offer many services such as executive clubs, hotels, traveling cars, perfect destinations for vacations, and discounted packages for premium customers.

Currently, British Airway is located in London, however, the growth of business requires extension which is why they are planning to shift to Bulgaria. It is important to analyze Bulgaria from a growth point of view. It is seen that Bulgaria is a country where reasonable office rent, low production and transportation costs, and extremely competitive business costs are found. This country undoubtedly offers one of the most affordable and business-friendly environments among other EU members (Rossitza et al, 2010). However, this much information isn't enough to decide on extending the business. It is important to carry out a SWOT analysis and Pestle analysis.

SWOT ANALYSIS

For British Airways, SWOT analysis can help the brand focus on extending its business in Bulgaria by looking at its strengths, opportunities, weaknesses, and threats. This will help the company to understand the market position in a much better way. According to the research conducted following is the analysis. (Ananya et al, 2020)

Strength:

British Airway for 100 years is seen as a tough competitor and this business has always given a competitive edge in the market, this represents the company's strength. If we look into a brand we call it powerful by its financial presence, skilled labor, uniqueness in its products, and the tangible and intangible asset it owns.

Firstly, British Airways has the UK government's strong backing and England's strong hub thus allowing it to make strong connectivity to Europe. As Bulgaria is part of Southeastern Europe, thus it makes a major hub of customers. Moreover, British Airways has a strong worldwide footprint as a strong brand. Due to its strong presence, people trust this company and are ready to choose it at any time of day. Next, its fleet is made up of more than 260

aircrafts and it offers service to about 150 foreign locations on six continents. This wide extension gives the company an upper hand as this gives them a clear idea about their goals. Lastly, the airline has excellent global marketing and promotion efforts, this will allow the company to attract a target audience via different platforms.

Weakness:

Every brand has flaws and weaknesses, if they are not catered to properly, they may turn into a destructive threat. These weaknesses are important to analyze so that in the future they don't harm the business. Through analysis, it was noticed that British Airways has tough competitors in the market. Major competitors in the market are EasyJet, Emirates, Virgin Atlantic, and Qantas. They all share a significant percentage of the market share. If we look into their market share, British Airways has 53%, In comparison to it, Virgin Atlantic has 47% EasyJet has 40%, Emirates 42%, and Qantas 42%. This shows that British Airways is a few percent ahead of the other three competitors, but they may be left behind if one wrong decision is taken from their side. (Salas, 2022)

Opportunities:

The factors that have the potential to increase sales for a business are known as opportunities for a brand, and they can include changes in the product line, expanding territories, or increasing communication and delivery channels.

Firstly, British Airways has a substantial presence at the Heathrow Terminal, which is a major center in the world. This confirms the strong brand presence. Moreover, adding new countries and regions to its worldwide operations will allow increasing revenues and overall profit. Recently, according to statistics, Bulgaria's GDP increased by 4.2% (Trading Economics, 2022). This allowed shows that Bulgaria's economy is welcoming toward the newcomers. This also shows that people over here are well off, production is more and government spending is more. Lastly, British Airways' business can grow through alliances and code sharing with other international carriers.

Threats:

Any firm may face risks in the form of elements that could harm its operations. The harms are known as threats and these can be created changes in the economy, political instability, etc. Through research, it is seen that if British Airways tries to extend its business in Bulgaria then there are chances for a failure to some extent. It is noticed that there are declining profit margins due to rising fuel costs. Bulgaria's recent hype in fuel cost which increased 2% than last year, has caused the production cost to increase too. Moreover, the increased fuel cost has caused an increase in labor prices thus increasing competition in the European market could harm British Airways' market share.

This analysis will help the senior management to understand the weakness and strengths of the organization. This will help the organization to understand if it will be beneficial to extend in Bulgaria.

PESTLE ANALYSIS:

PESTLE stands for Political, Economic, Social, Technological, Legal, and Environmental. These are the macroeconomic variables that can impact how well a business performs. The ideal tool to examine how the aforementioned macroeconomic factors would affect a company is the PESTLE analysis. With the use of this instrument, it is possible to develop

long-term plans for future growth and market share maximization of British Airways' extension to Bulgaria.

Political Factor:

Policymakers in Bulgaria developed unique measures for generating such employment. The measure's implementation is dependent on local administrative services, which must assist local companies in participating in the nation's program for green employment, this has put pressure on British Airways to hire many employees. The majority of respondents in a survey conducted believe that existing state policy doesn't do enough to promote the creation of green jobs and even hinders the processes (67 percent). This made the government pressurize the new business comers to hire more workers from Bulgaria, rather than the one from London that British Airways own transferred employees.

Moreover, the 2015 conflict between British Airways and the UK government over Heathrow airport has made the worldwide government see British Airways as really demanding thus decreasing the trust of political bodies.

Economic Factor:

In Pestle Analysis E means the economic factor. This section will focus on the economic factors of Bulgaria and they will affect British Airways.

The GDP of Bulgaria is continuously rising with time. Since 2010 the GDP increased and it is better than European Union. Moreover, since 2015 it is also seen that there is a positive development rate. Bulgaria has made 2 years of VAT exemptions for imports for investments and equipment which are €5 million. This has allowed Bulgaria's economy to rise as it has created 50 job openings in every business and corporate sector. (Gham, 2019)

However, covid-19 brought losses for British Airways. It has lost £6.4 billion annually during COVID-19 and also a sharp decline was seen in passenger income, a rise in fuel prices, and instability in currency.

The airline industry was also affected by an increase in fuel prices. However, British Airlines made a strategy to use gasoline, thus reducing their fuel cost. For instance, British Airways' profits rose by 65% in 2016 as a result of decreasing fuel prices. (Momin, 2022)

Moving to Bulgaria will allow increasing revenue as importing things won't cost them as compared to their own headquarter country.

Socio-culture:

Bulgarians are Orthodox Christian who has a heritage in the tradition of music and culture. If we look into their traditions, they are St. Lazar and Nestinarstvo-fire dancing rituals. These are the days which can be seen as an opportunity for British Airways, as they will experience the highest number of customers. These days' flights are fully booked because Bulgarians from all over the world come back to their families.

Moreover, British Airways will be able to find specialized workers as the culture focus on their perfecting their skills. However, the culture requires guidance because they lack innovation. The government is also focusing on renewable energy sources so that the people of Bulgaria can be satisfied, this will for sure create a beneficial impact on the extension plan of British Airways.

Technology:

It is the 21st century and every business must improve and innovate themselves with technological advancement. British Airways gathered post-flight comments from the passengers using automated technologies. Usage of technology will help British Airway to reduce the data collection cost and will allow the customer to access the information from anywhere in the world. The aviation sector will see a breakthrough if this effort is successful. Moreover, the formation of fuel-efficient engines will allow British Airway to deduct the fuel cost and will automatically increase revenue.

No doubt the internet has greatly simplified our lives, for example, it has given firms the chance to bring their companies online presence and also gain loads of customer attention in seconds. Bulgaria is the number one country with the highest speed of internet thus helping British Airways as it launched its website, where online bookings are made, with the next technology improvements in mind to help travelers, thus allowing to gain their loyalty.

Legal:

British Airways is governed by all national and international laws for the aviation sector. If any law is broken, then the company has to deal with a serious penalty thus creating a serious loss for British Airways itself. Violation of the law is also considered if the data belonging to a customer is leaked, this is called a breach of privacy thus creating heavy penalization. British Airways had to face a hefty loss of £20 punishment in 2018 for data breach-related offenses, this alerted them to create serious laws for future mishandling.

In the 2019 pandemic, British Airways had to cancel flights and promised to pay the money back, however they never fulfilled the promise.

Hiring a lawsuit always helped them to come out of such situations because moving to Bulgaria requires deep insight into the policies.

Environmental:

British Airways takes global warming seriously, which is why they are working in reducing carbon emissions. For instance, British Airways was the first airline to start the usage of sustainable fuel which resulted in an 80% decrease in carbon emissions. Moreover, the company shake hands with IAG to start a program called "flightpath net zero" which aims that by 2050 carbon emissions will be fully finished under this program.

Conclusion:

British Airway has a strong brand presence worldwide, thus making British Airway a strong competitor plus a strong asset for other countries. On the other hand, Bulgaria is a country that has a population of 6.927 million and has had an increasing GDP since 2010. The facts stated above prove that it will be beneficial for the British Airways to extend its business in Bulgaria. Looking into the constant growth of Bulgaria, it is expected that once British Airway extends in Bulgaria, it will start producing a profit within a year.

Recommendation:

After the evaluation of facts, British Airways need to build some specific strategies before going live in Bulgaria.

- It is important that British Airway hires employees from Bulgaria directly rather than bringing them from London. This will reduce labor costs and Bulgaria's government policy will be fulfilled.
- Before planning to shift to Bulgaria it is important to set up a separate team to choose a city based on the target market accordingly.
- Next British Airways must set up a Bulgaria policy committee to stop events like in 2019, where they faced serious backlash.
- Lastly, they should hire a lawsuit firm in Bulgaria so that they always play safe.

REFERENCES:

Ohridska-Olson, R. V., & Ivanov, S. H. (2010, September). Creative tourism business model and its application in Bulgaria. In *Proceedings of the Black Sea Tourism Forum' Cultural Tourism–The Future of Bulgaria*.

Gupta, A., Gupta, N., & Gupta, M. (2019). British Airways- A SWOT and PESTLE Analysis -The impact of Europe 2020 policy. *NOLEGEIN-Journal of Corporate & Business Laws*, 1(1), 1–11. Retrieved from <https://mbajournals.in/index.php/JoCBL/article/view/309>

Salas, E. B. (2022, April 12). *UK: Most Popular Airlines 2021*. Statista. Retrieved July 27, 2022, from <https://www.statista.com/statistics/951250/most-popular-airlines-uk>

Economics, T. (n.d.). *Bulgaria GDP annual growth RATE2022 data - 2023 forecast - 1996-2021 historical*. Bulgaria GDP Annual Growth Rate - 2022 Data - 2023 Forecast - 1996-2021 Historical. Retrieved July 27, 2022, from <https://tradingeconomics.com/bulgaria/gdp-growth-annual#:~:text=On%20a%20quarterly%20basis%2C%20Bulgaria's%20GDP%20rose%201%20percent%2C%20accelerating,increased%204.2%20percent%20on%20year>

Momin, A. (2022, April 22). *British Airways Pestle Analysis 2022*. PESTLE Analysis. Retrieved July 28, 2022, from <https://pestleanalysis.com/british-airways-pestle-analysis>

Gham, S. (2019). *Pestle analysis of Bulgaria*. Share and Discover Knowledge on SlideShare. Retrieved July 28, 2022, from https://www.slideshare.net/SiddharthGham/pestle-analysis-of-bulgaria-131338677?from_action=save

