

PESTEL Analysis

Global Business Environment LCBB_4010 LON

UWTSD

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A **PESTEL** analysis is defined as an analytic instrument, used to evaluate the external factors that impact an organization's operations, performance, and strategic decisions.

It analysis the **P**olitical, **E**conomic, **S**ocial, **T**echnological, **E**nvironmental, and **L**egal changes who determine companies to shift direction.

PESTEL analysis helps organizations assess the macro-environmental forces that may affect their ability to achieve their objectives and respond to changes in their external environment.

By conducting a PESTEL analysis, organizations can understand the external factors that may present opportunities or threats to their business (Alam, 2024).

Detailed examination of every element within the PESTEL analysis:

Let me briefly introduce to you the **Boeing Company**:

In 1916 the American timber merchant William E. Boeing founded "Aero Products Company" which will later be renamed "Boeing Airplane Company" in 1917.

He and U.S. Navy officer Conrad Westervelt created a small seaplane and named it "B&W".

The company built planes for the Navy during WW1, and after the war, sold pursuit planes, torpedo planes and patrol bombers to the U.S.Military.

By 1920 Boeing Airplane entered into airmail services, and so, in 1928 William Boeing formed Boeing Airplane & Transport Corporation to unite both manufacturing and airline operations.

The next year the company was renamed United Aircraft and Transport and later will become United Airlines (1931).

In 1934, the new U.S. antitrust legislation (the Air Mail Act of 1934), decided to separate the aircraft manufacture from air transport company, pushing United Airlines to divide in three separate companies: Boeing Airplane Company, United Aircraft Corporation (now United Technologies Corporation) and United Airlines (Amir and Weiss, 2024).

Political factors refer to the influence of government policies, regulations, and political stability on the organization. This includes factors such as government stability, taxation policies, trade regulations, political ideology, and geopolitical risks.

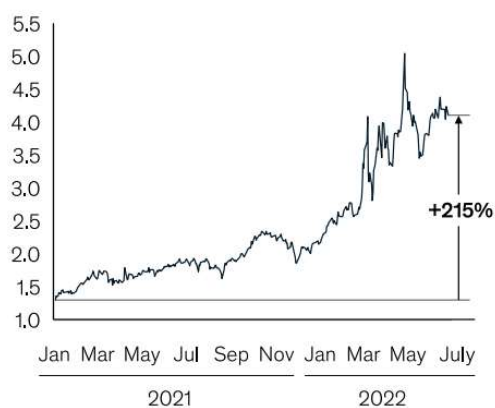
Political factors influence on Boeing Company:

The continuous prices rising of the oil price, boosted by the Ukraine-Russian war which triggered a perfect energy crisis, has a crucial impact on the airline companies and also determine urgent transformation in the airplane building industry.

Jet fuel and crude oil prices have increased significantly since the beginning of 2021.

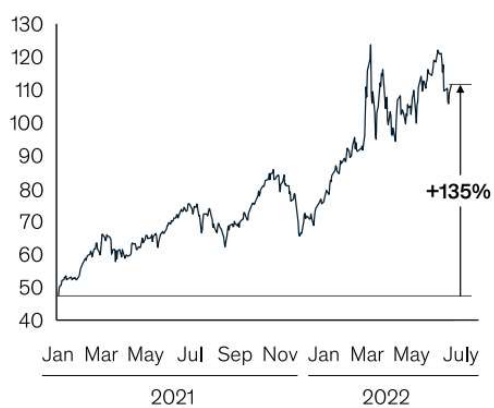
Daily jet fuel vs. daily crude oil prices (nominal)

US Gulf Coast kerosene-type jet fuel spot price FOB
Dollars per gallon, January 4, 2021–June 27, 2022



Crude Oil: West Texas Intermediate (WTI)

Dollars per Barrel, January 4, 2021–June 27, 2022



Source: US Energy Information Administration (EIA), Federal Reserve Economic Data (FRED)

(www.mckinsey.com, n.d.)

The embargo on Russia implies that Boeing lost an important market.

Boeing Co. has suspended parts and maintenance support for Russian airlines and also its operations in Moscow, further restricting the nation's ties and adding further barriers to its carriers' ability to fly.(WSJ, n.d.)



Next bad news: There won't be a new airplane coming from Airbus or Boeing in the near future, because newer airplanes tend to contain more composites and the most important supplier is Russia (Samaha, 2023).

Also, the fact that the Company has to use engines that burn less fuel, while remaining both powerful and reliable, triggers increased expenses in research and development of new technologies.

Technological factors refer to the influence of technological advancements, innovations, and disruptions on the organization. This includes factors such as technological innovation, automation, digitalization, research and development.

Technological factors influencing Boeing strategy have mainly one name: Airbus advanced technology by the use of lightweight composites and fuel efficient engines.

On July 20, 2011, Boeing sister, American Airlines, which had long bought *only* Boeing airplanes, announced an order for Airbus 460 jets including 130 A320ceo, 130 A320neo, and only 100 B737ng (Johnson, n.d.).

Confronted with the significant technologic gap between the airplanes, leading to record orders for Airbus, plus this important shift of a traditional customer, on August 30, 2011, Boeing's approved the launch of a new 737, trying to match the performances of the Airbus A320neo.

The Boeing 737 MAX's first flight took place on January 29, 2016. It was an old, re-engined airplane, costing double than a A320neo, poorly certified and tested, who caused a total of 346 people deaths in two fatal crashes.

Environmental factors underline the ecological and environmental considerations that can impact the organization, factors such as climate change, environmental regulations, sustainability initiatives, natural disasters, and also resource availability.

Environmental factors influencing Boeing Company:

Committed to have all its airliners certified to fly on 100% sustainable aviation fuels by 2030, Boeing began working with airlines, engine manufacturers and others to conduct biofuel test flights in 2008 and gained approval for their commercial use in 2011. In 2018 the company carried out the world's first commercial airplane flight using 100% sustainable fuel as part of its ecoDemonstrator program.

In August 2021 Boeing launched the eighth version of this program with Alaska Airlines, helping the company mature technologies and procedures that can improve efficiency and safety and reduce noise (MediaRoom,2021).

Economic factors indicate the economic conditions, trends, and indicators that can affect the organization's performance. This includes the economic growth, inflation and exchange rates, interest rates and unemployment level.

Economic factors influence on Boeing Company: Exchange Rate

Dollar power is not an advantage for Boeing

Almost 55% of Boeing's revenue comes from overseas sales holding a significant amount of currency risk. When the dollar strengthens, revenues from these other countries become worthless to Boeing.

Meanwhile, its cost structure is unlikely to change significantly during the short term. If you keep your input costs the same and receive fewer revenues, your profit margins are going to shrink - and ultimately, Boeing will end up with a smaller bottom line.

In other words, Boeing is losing profit just by the strength in the dollar. In the end, Boeing has to make a choice. The company can keep its prices the same overseas and lose money but also can raise its prices and face a reduction in market share (seekingalpha,2024).

Social factors relate to the demographic, cultural, and social trends that can impact the organization, like population demographics, social attitudes, lifestyle changes, cultural norms, health trends, and consumer behavior.

Social factors influencing Boeing Company:

In 2013, Boeing leaders stopped just short of actually threatening to take the company's new airplane, the 777X, out of state if Machinists didn't agree to significant contract concessions. Boeing has used the threat of moving work out of state very effectively to weaken labor.

"This is my company, too," said Daniel Swank, a mechanic on the Everett flight line, during a "vote no" rally on an icy November afternoon. "Many of us own stock in the company. I'm third-generation Boeing. I love this company, and I hate what they're doing to us" (Catchpole, 2016).

Boeing workers qualification and the use of drugs: Workers at Boeing's South Carolina factory divulge their views on the "Dreamliner".

Their words offer a glimpse into what these workers really think about their colleagues, drug use, quality control and the "Dreamliner". One worker says Boeing hires its staff "off the street", saying previously they were, "...flipping burgers for a living or making sandwiches at Subway"(Unit, n.d.).

Legal factors relate to the legal and regulatory environment in which the organization operates. This includes factors such as laws, regulations, compliance requirements, industry standards, intellectual property rights, and litigation risks.

The Machinists wants Boeing to reinstate thousands of quality inspections it suspended last decade and press executives to commit to making planes in Seattle.

Boeing says it restored the inspections, and has increased the number of quality inspectors in its commercial division by 20% since 2019.

There's a link between Boeing's labor pains and the quality lapses that prompted US regulators and airline customers to send auditors into the factories after the Alaska Airlines accident, said Cliff Collier, a consultant with decades of aerospace manufacturing experience.

Boeing's recent struggles are rooted in turnover, he said: an influx of inexperienced workers and managers since the pandemic, and labor tactics that led to an earlier exodus of seasoned staff, Collier said.

"People don't get stupider," Collier said. "People get overworked, people get pushed to do things they probably shouldn't do" (Fortune, n.d.).

Conclusion:

In business management, the PESTEL analysis helps anticipate and take efficient measures to achieve company's goals in an ever changing external environment.

In normal conditions, the company cannot influence those factors, and consequently, this analysis must be done continuously.

The political instability, the taxation, the emerging new technology, the new trends in social behavior, exchange rate fluctuation, the cultural barriers and so on, could fuel up a company, or make it disappear.

Today's global economy invites so many companies to expand, looking for new market opening, which can also be a dangerous adventure if made without a similar analysis.

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