

PESTEL Analysis

Global Business Environment LCBB_4010 LON

UWTSD

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A **PESTEL** analysis is an analytic instrument, used to evaluate the factors of macroeconomic environment having a major impact to an organization's strategic decisions.

The instrument focuses the analysis on the Environmental, Economic, Legal, Political, Socio-Cultural, Technologic and changes who determine companies to shift direction.

PESTEL analysis helps organizations to individuate the forces that could affect their ability to achieve their goals.

By conducting a PESTEL analysis, a company can understand the factors that may put pressure on their business (Alam, 2024).

Detailed examination of every element within the PESTEL analysis:

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

Boeing Company was born in 1916, when William Boeing founded "Aero Products Company" which will later be renamed "Boeing Airplane Company". He first created a small seaplane and named it "B&W".

Their first client was the U.S. Military for which they constructed small planes during WW1.

In 1928 Boeing entered into airmail services and formed Boeing Airplane & Transport Corporation and did manufacturing and also airline operations.

The U.S. antitrust legislation (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 and United Airlines (Amir and Weiss, 2024).

Political factors illustrate the influence of the political stability, the government laws and policies on the organization, taxation, trade agreements, and geopolitical threats.

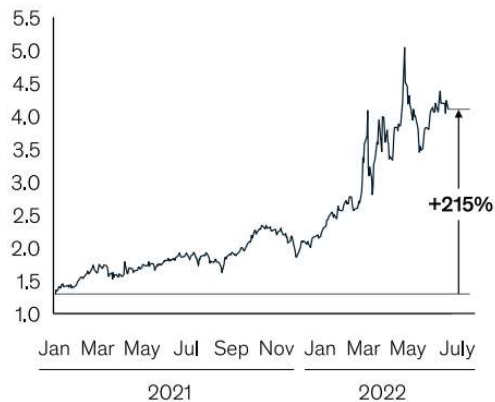
Political factors influence on Boeing Company:

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.

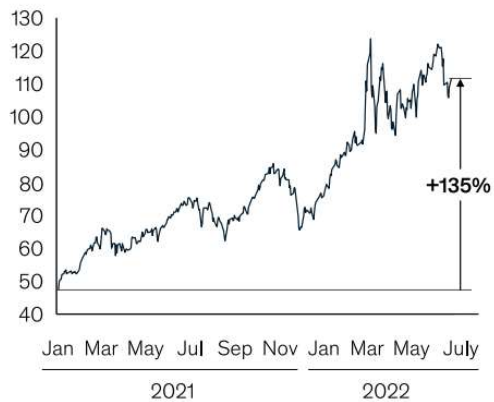
Jet fuel and crude oil prices have increased significantly since the beginning of 2021.

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 has suspended servicing the Russian airlines, cancelling very important contracts and implementing measures that stop them operating. (WSJ, n.d.)



Next bad news: As the new technology implies the use of composite materials and more of those materials are supplied by Russia, we will not see any new jet design soon (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 with major influence on the company strategy include the disruption caused by digitalization-automation outcome and the latest tech-innovations.

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, placed a contract acquisition for Airbus 460 airplanes (Johnson, n.d.).

Confronted with the significant technologic gap between the airplanes made by Boeing and Airbus, leading to record orders for the last one, adding this strategic shift of their traditional customer, Boeing approved the launch of a new 737 plane, trying to match the performances of the Airbus A320neo.

Boeing rushed into production the 737 MAX's(2016) which was just 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 that can critically influence the company strategy are the natural disasters, the climate change, the environmental regulations and resources price and availability.

Environmental factors influencing Boeing Company:

EcoDemonstrator program: Boeing decided to substitute the ever growing in price fossil fuel with sustainable aviation fuels by 2030. In 2018 the company made possible the first flight using biofuel.

In 2021 Boeing and Alaska Airlines started the implementation of this new technology, to improve safety, efficiency, and also reduce noise(MediaRoom,2021).

Economic factors that influence the company strategy and performance includes the inflation, overall economic results, exchange and interest rates and unemployment level.

Economic factors that influence the Boeing Company: Exchange Rates

Dollar power is not an advantage for Boeing

A significant part of Boeing's gains comes from sales in countries which do not operate in dollars. The fact that the dollar value increases means those revenues are at risk. Boeing is losing profit because of the increasing value of the dollar. The company will have to choose between maintaining the actual prices, anticipating a loss in revenue and raising the prices for overseas products and services, who might well reduce their market shares (seekingalpha,2024).

Social factors indicate the demographics, lifestyle trend, consumer cultural behavior.

Social influence on Boeing Company:

In 2013 Boeing experienced a big worker union crisis, and threatened to change the location of the production facilities, looking for areas where unions weren't that strong. The mechanics consider that the company is also theirs, as they own company stocks. (Catchpole, 2016).

Boeing workers qualification and the use of drugs: Boeing moved a big part of production in South Carolina, but the worker's qualification and behavior in these facilities rise justified concerns about the product inspection, quality and overall workers safety(Unit, n.d.).

Legal factors who influence company strategy include the government laws and regulations, the industry standards and intellectual rights.

In 2019, Boeing was called to implement the quality inspections as before [...] by the Machinists Union and also to promise to open long life production contracts in Seattle factories. As result, the company had to put in place the inspections and hire inspectors within the commercial sector.

Since the pandemic, Boeing has experienced the arrival of poorly prepared workers and the managers put in place work practices that determined the skilled workers to quit their job. They accused the management for lacking experience and to be unfamiliar with the standards and necessary time for production phases, pushing the workers to much (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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