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Introduction

Discussion about the global business environment

The word environment does not only represent the ecological or natural environment, but it is a general term that includes all external forces that have an impact on the organization's activity. Business represents any type of organization, regardless of its type, whether it is a for-profit or non-profit enterprise. So, business environment is a broad concept that includes all external factors that somehow act on the organization (Brooks,2010).

Discussion about the purpose of the global business environment

The purpose of studying the global business environment is to analyse and control the environment of the organization based on several reasons, such as:

- the nature of the business environment directly influences business activities, such as markets, labour, technology and more.
- operational activities, such as staff recruitment, launch of new products, changes in technology, it is necessary to detect environmental factors and make changes to ensure the prosperity and success of the company.
- elaborating the strategic plan of the company must consider the changes in the international business (Brooks,2010).

The purpose of this assignment is to recognize, analyse and understand the major forces shaping the global business environment, as well as their application in the international environmental analysis (PESTEL) of Royal Mail Group, which is a global company that offers postal services, delivery of letters and parcels, both in the UK and internationally (Royal Mail,2022).

Overview of Royal Mail Group

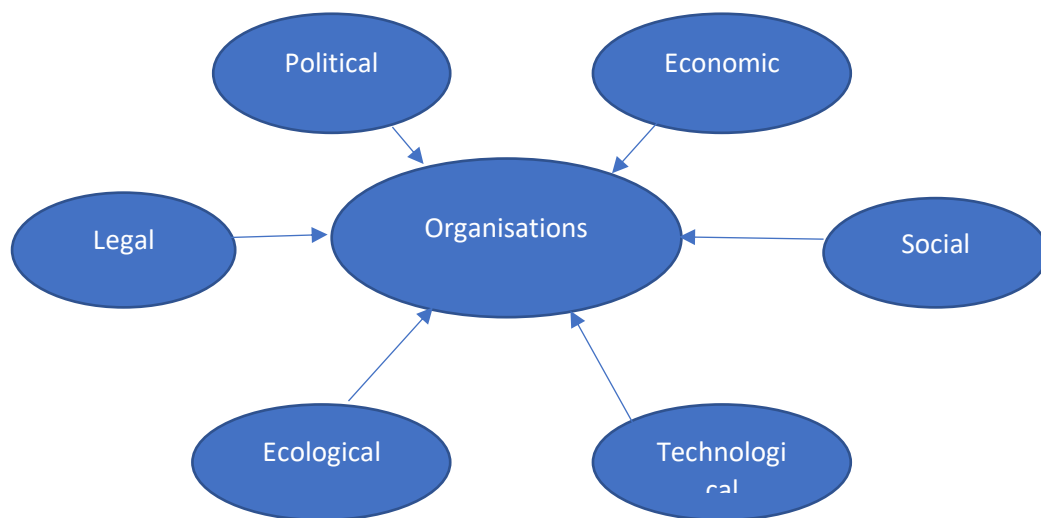
Royal Mail is a global company that has evolved from a UK-based letter business, that delivers parcels to an international business operating in 40 countries and countries nationwide around the world, delivering parcels and letters.

Royal Mail is an innovator, a modern brand that connects countries, companies, and customers and is the only universal service provider in the UK, offering services at a reasonable price anywhere in the country, also offers a wide range of services for customers, SMEs, large enterprises, merchants, and other postal operators through its advanced network. GLS offers B2B and B2C services in Europe and North America, so due to the expansion of its network, GLS occupies an advantageous position to participate in the increase of cross-border parcel traffic (Royal Mail,2022).

Analysis of the external environment using PESTEL

The PESTEL analysis offers the general idea about the company's situation and about the company's macro-environmental conditions. PESTEL analysis can determine to what extent the company's macro-environment offers favourable conditions for the company's development and success.

PESTEL analysis has two basic functions: the first is the ability to identify the environment in which the company operates, and the second function is to provide information and data that allow the company to prevent various circumstances and situations that may occur in the future (Yüksel , 2012)



1. **Political-** The political stability of the country is important for Royal Mail Plc to develop and prosper in the long time. During the strategic planning process Royal Mail Plc must consider several political factors, some of which are:

1.1 Political stability

Advanced political stability can provide the company with stability, predictable market growth trends and a friendly environment. In the event of political chaos, investors are discouraged and affect the level of confidence of stakeholders in the economic and organizational development of the company. Currently Royal Mail Plc operates in several countries, where each has its own political tensions, which can affect the growth of the gold industry, thus affecting the growth and development of Royal Mail Plc.

1.2 Protests/pressure groups and governance system

Royal Mail Plc should conduct a careful analysis of the protests of pressure groups, trade unions and activists, both social and environmental, on the grounds that such protests have a special role to

play in policy making. By having good relationships and collaborating with these groups, Royal Mail Plc can increase its ability to collaborate with the community and achieve the organization's long-term goals. At the same time, a democratic political environment and a well-developed system of governance make international organizations, such as Royal Mail Plc, benefit from a more comfortable and advantageous business environment.

2. Economic

For Royal Mail Plc it is very important to understand economic factors such as inflation, labor market conditions, exchange rate / interest rate, as well as saving rates, because these factors determine the general economic environment of the country. For Royal Mail Plc to be able to estimate its growth trajectory of the organization and the industry, it must analyse and understand in detail the economic environment of the country. In order to make informed decisions, Royal Mail Plc must take into account several economic factors, some of which are:

2.1 Inflation/employment/interest/exchange rates

GDP growth will determine Royal Mail Plc's long-term growth capacity. When GDP is high, consumers can spend more on the products / services offered. Also, when unemployment increases, surplus labor is formed at lower wages. The activity of Royal Mail Plc on such a market, the production cost of the organization can be reduced. At the same time, Royal Mail Plc must consider the interest rate and the way in which it influences the investments and the possibility of borrowing. The high interest rate will increase the possibility of growth for Royal Mail Plc and will have a positive attitude towards investments. Exchange rate fluctuations can influence both profit and international trade. The high fluctuation of the local currency should worry Royal Mail Plc.

2.2 Economic structure

The predominant economic structure directly influences the business practices of Royal mail Plc. In an oligopolistic or monopolistic structure, the regulatory and economic environment will be different from the perfect competition without the monopolistic one.

3. Social

Organizational culture derives a strong influence from societal values, norms, and tendencies. Understanding power structures, demographic trends, common beliefs, and consumer spending patterns can help Royal Mail Plc carry out various effective marketing projects and meet its corporate goals. The marketing department of Royal Mail Plc can gather information from social and environmental analysis to know the type of consumers and to increase the activity of the products offered to potential consumers. Some social factors that Royal Mail Plc should consider are:

3.1 Demographic trends

Demographic changes, such as migration trends, socio-economic variables, and an aging population, are of particular importance to international business organizations, as is Royal Mail Plc. To choose the market segment (s) that have high growth potential, Royal Mail needs to examine demographic characteristics. Migration influences marketing and business strategies, so it is important for Royal

Mail Plc to understand the general opinion of the population towards migration, because it can influence the possibility of companies to bring international managers to the country.

3.2 Gender Roles

Royal Mail Plc must examine and know the gender roles that are traditionally assigned in order to be able to organize and fulfil marketing and communication practices. Human resource and marketing strategies in a traditional patriarchal society, with clearly defined roles, will always be different from the society with low gender stereotypes.

4. Technological

Technological diffusion around the globe and the rapid technological process have made technological factors to be considered during the strategic decision-making process. Royal Mail Plc doing a detailed analysis of the technological environment can use the latest technological trends to get some benefits for the organization, such as increasing profit, increasing operational efficiency, and stimulating the innovation process. The commercial performance of Royal Mail Plc can be influenced by several technological factors, such as:

4.1 Social media marketing

Due to the development of communication and information technologies, it has favoured the acceptance of innovative marketing techniques that lead to improved collaboration with customers. The use of social networks has become normal in a modern business. To improve business development, Royal Mail Plc can take advantage of the opportunities and possibilities offered by social media marketing. Media trends can be used to create creative social media companies, to develop online brands.

4.2 Technological innovations and development level

To always stay ahead of the competition, Royal Mail Plc must consider technological innovations and the level of development. At the same time, the 5G analysis must be carefully followed, to determine the ability to have good, positive business results, namely through extended access, improved user experience and increased speed. Royal Mail Plc must consider the level of maturity and development of technology on the wet market activates or where it aims to activate, because entering the market where the technology has not reached maturity. Royal Mail Plc focused on technological innovations can market share increases.

5. Environmental

Due to the changing environment and climatic conditions, it made the Environmental Analysis occupy a major place in the PESTEL analysis. Environmental laws, regulations and standards vary from market to market. Because Royal Mail Plc is an international organization, it must take these differences into account to avoid unwanted circumstances. Royal Mail Plc must consider the following environmental factors:

5.1 Recycling and waste management

Technological progress as well as increasing levels of environmental pollution have led organizations to adopt innovative waste management and recycling practices. Waste recycling has become a business norm in some countries. For Royal Mail Plc it is especially important to place efficient recycling and waste management practices within the organization, located in urban areas. Many countries have implemented and introduced strict waste management and recycling rules through efficient waste management, to protect urban areas.

5.2 Weather and climatic conditions

Climatic conditions and weather changes can influence the development and success of the business. For example, due to weather and climate conditions, the cost of operations may increase, so Royal Mail Plc may be forced to make the value chain more flexible. Such changes can affect the way consumers bear their expenses, so Royal Mail Plc is determined to review both its marketing strategies and the products it offers.

6. Legal

The sixth factor of the PESTLE analysis is the legal factors. Before entering a new market, Royal Mail Plc must study in detail both the regulatory structure of this market and its legal environment, to avoid the probability of entering some conflicts. If Royal Mail Plc ignores these legal issues, it may encounter undesirable circumstances, such as damaging the organization's image due to violation of environmental / employee / consumer protection standards. Since Royal Mail Plc decides to explore a new market, you should consider some legal factors such as:

6.1 Employee protection laws (discrimination, health, and safety)

Some countries have strict regulations regarding occupational safety, so Royal Mail Plc must comply with employee safety and health laws. At the same time, anti-discrimination laws must also be studied, because discriminatory processes affect the company's ability to attract and retain new talent, thus damaging the company's image.

6.2 Intellectual property laws

Intellectual property laws are designed to protect the organization's valuable ideas and patents. If Royal Mail Plc is not able to protect its intellectual property rights, it may lead to a loss of competitive advantage, so the organization's market position may be weakened, which may be an advantage for competitors.

Analysis of the industry of the competitive environment using Porter's 5 Forces.

Porter's 5 Forces was developed by Michael E. Porter in 1980. This model is used to analyse industry and business strategy development. This model is based on identifying opportunities and threats from the external environment of the company, thus determining the intensity of competition, profitability, and attractiveness of the industry. (Porter, 2008).

The strategic objective of Royal Mail Plc must be managed by these competitive forces to improve the company's position.

Porter's 5 Forces



1. Threat of new entrants

When someone new enters an industry, it brings the possibility and desire to gain market share, which can affect the costs, prices and rate of investment that are needed to compete, especially when they diversify from other markets, they can shake up competition, just as Microsoft did when it began offering Internet browsers, or Pepsi when it decided to enter the bottled water industry (Porter, 2008, p.3).

One of the factors that reduces the threat of new entrants to Royal Mail Plc is:

1.1 To enter this industry requires huge investments of capital and resources. At the same time, this force loses its power if the product differs a lot, because the customers give a special importance to the unique experience.

2. Threat of substitutes

A practical substitute fulfils the same or a similar function, as a product of an industry, only by other means. For aluminium, plastic is a substitute, and express mail can be replaced by E-mail. Substitution services or products limit the possibility of increasing an industry's profit by offering reduced prices (Porter, 2008, p.8).

The threat of substitution products / services for Royal Mail will increase when:

2.1 A cheaper product / service will be possible, offering the same quality and performance as those offered by Royal Mail.

3. Bargaining power of buyers

The opposite of strong customers can attract more value by forcing lower prices, wanting better quality, or being offered more services. In general, competing with industry participants to the detriment of industry profitability. Strong customers can negotiate, in terms of prices, the quality of the product or equipment as efficient as possible depending on the field of activity of the customer, which leads to increased company costs (Porter, 2008, p.7).

Buyers' bargaining power over Royal Mail will increase if:

4.1 It will be a more focused customer base, which will increase negotiations with Royal Mail

4.2 There will be few buyers and too many sellers.

4. Bargaining power of suppliers

Strong suppliers, to obtain a higher value for themselves, set higher prices, limit the quality of products and services, or transfer their costs to industry participants. Companies rely heavily on suppliers for inputs. Suppliers are stronger when they are more focused than the company to which they sell the product / services (Porter, 2008, p.6).

The bargaining power of suppliers for Royal Mail will be greater if:

3.1 There will be few suppliers, but the demand for the product it offers is high, so suppliers strengthen their position vis-à-vis Royal Mail.

5. Degree of rivalry

Rivalry between competitors can have different effects, such as the introduction of new products, price reductions, advertising campaigns or the improvement of services. When there is an important level of rivalry, then the profit of an industry is limited. Rivalry is very destructive to the profitability of the industry, if it focuses specifically on price, because price competition causes the company's direct profit to be transferred to its customers (Porter, 2008, p.9).

Royal Mail rivalry may increase due to factors such as:

5.1 The players on the market will be diverse from a strategic perspective and will aim at the same market.

Conclusion

Royal Mail is a global company, so it is extremely important to analyse all the factors that can negatively or positively influence the company's activity. Thus, by analysing through PESTEL and Porter's 5 forces frameworks, the organization can identify the opportunities and risks of the company.

By applying Porter's 5 forces, Royal Mail can make wise strategic decisions, determine the attractiveness of the industry, make effective entry / exit decisions, and examine the influence of these forces on both business and competitors.

Royal Mail, combining Porter's 5 forces and the PESTEL framework can determine the company's future potential. These two ways of analysing the company are often used together to better understand the external environment of the company.

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