



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Management in Practice

M5X02110 – Level 5

4:

**Analysing the
External Operating
Environment 2:
Political**



3 main themes:

Economics & the business environment



Human Resources Management (HR)



Financial Management



Learning outcomes

Coherently analyse the relationship between managerial expertise and organisational performance.

Identify the key skills and knowledge required to manage service organisations effectively

Consider the impact of the wider social and business environment on the business operations and the management challenges it represents.

Case studies 2017-18

- British Airways
- Glastonbury Festival
- Royal Albert Hall, London
- Stena Line Ferries
- Your placement provider (discuss!)

Assignment Task

In your role as a recently appointed management consultant, you have been tasked with the following:

Produce a report for the client organisation's next business plan with particular focus on the following key managerial and business themes:

Environmental analysis

1. Using appropriate frameworks, economic concepts and models, conduct detailed PESTLE and SWOT analyses focusing on the principal internal and external risks facing the organisation and how its business and social performance could be improved as a result (50%) (2000 words)

Performance Management Audit

2.a) Audit and evaluate the effectiveness of current management and human resources systems, in particular employee recruitment and selection procedures. Make recommendations for improvement. (25%)
(1000 words)

b) Using appropriate key performance indicators and financial ratios, audit and critically analyse the effectiveness of the organisation's business performance over the past two years, and set SMART targets for the year ahead (25%) (1000 words)

- **You will deliver a presentation covering each section summarising your final report.** This will be 15 minutes in total and can include audio/video as well as text. (equivalent to 1000 words)

- The **final report** itself will be considered by the Board of Directors at a future meeting and should therefore include specific recommendations for change/improvement.

Deadlines

Final report :

23 April 2018

Presentation:

30 April & 3 May 2018

Last time



1. Define a PESTEL/PESTLE analysis
2. identify the key variables in the economy which affect leisure, events and tourism and hospitality organisations
3. identify and utilize information sources
4. analyse the impact of changes in economic variables on LET organisations
5. explain the interrelationship between key economic variables
6. understand and analyse the causes of change in the economic environment
7. understand and evaluate government economic policy and the significance of the budget
8. understand the global economic environment
9. utilise economic forecasts with due caution
10. conduct an opportunities and threats analysis

The PESTEL framework (1)



The PESTEL framework categorises environmental influences into six main types:

political,

social,

environmental

economic,

technological,

legal

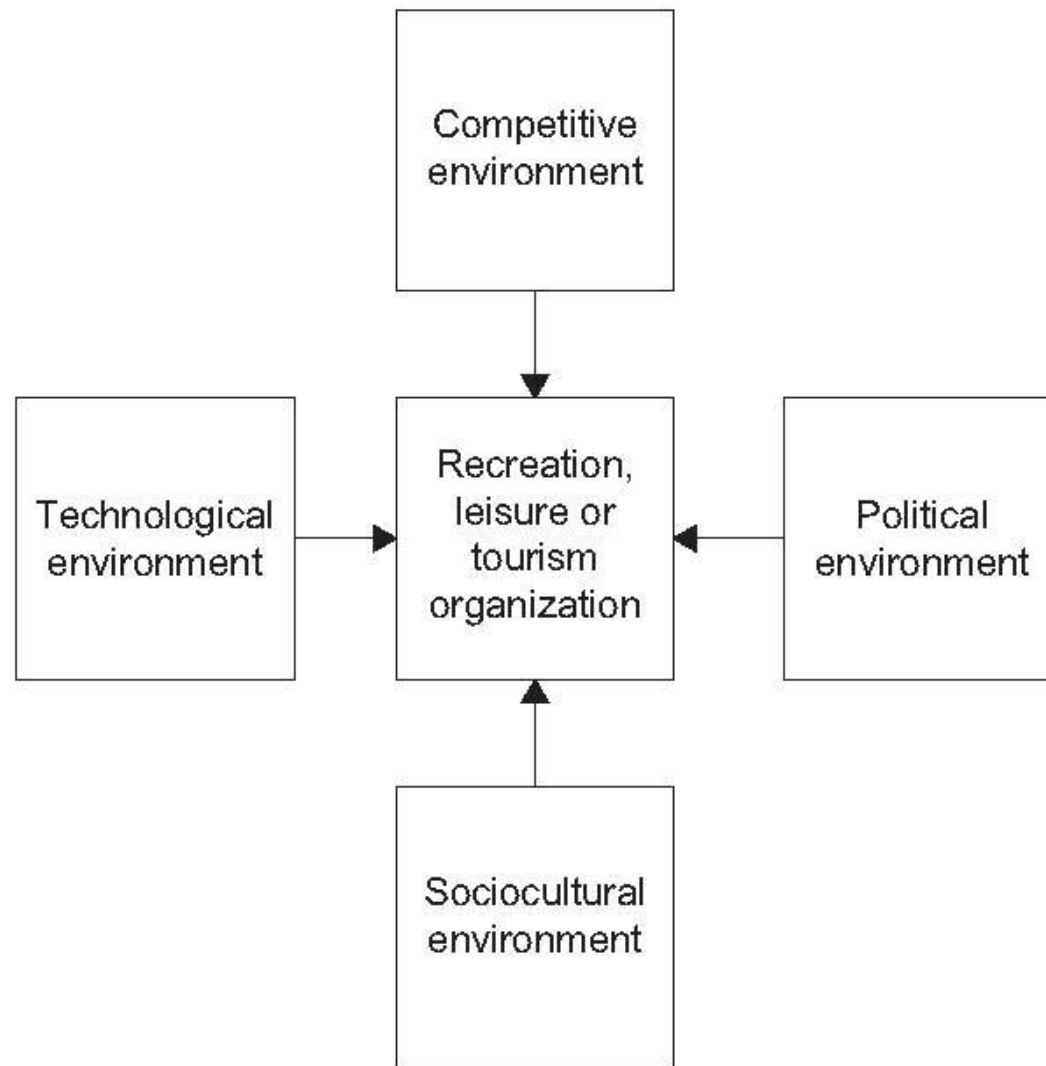
Thus PESTEL provides a comprehensive list of influences on the possible success or failure of particular strategies.

The PESTEL framework (2)

- ***Political Factors:*** For example, Government policies, taxation changes, foreign trade regulations, political risk in foreign markets, changes in trade blocks (EU).
- ***Economic Factors:*** For example, business cycles, interest rates, personal disposable income, exchange rates, unemployment rates, GDP trends.
- ***Socio-cultural Factors:*** For example, population changes, income distribution, lifestyle changes, consumerism, changes in culture and fashion.

The PESTEL framework (3)

- ***Technological Factors:*** For example, new discoveries and technology developments, ICT innovations, rates of obsolescence, increased spending on R&D.
- ***Environmental ('Green') Factors:*** For example, environmental protection regulations, energy consumption, global warming, waste disposal and recycling.
- ***Legal Factors:*** For example, competition laws, health and safety laws, employment laws, licensing laws, etc





The Political/Legal Environment

The political environment

Left wing

(e.g. Labour/Democrat parties)

1. need to control the free market
2. pro trade unions
3. some state ownership of industry
4. progressive taxation
5. regulation of industry
6. higher government spending and taxes
7. reduce inequality of incomes
8. provision of jobs a priority
9. comprehensive welfare state

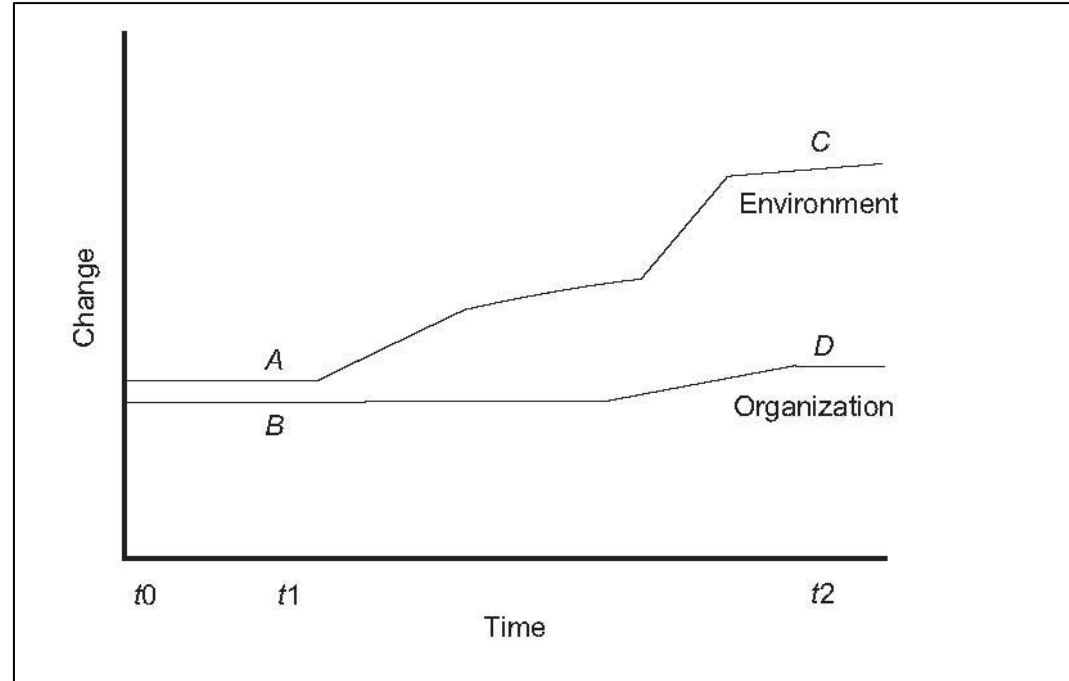
Right wing

(e.g. Conservative/Republican parties)

1. belief in supremacy of the free market
2. anti trade unions
3. private ownership of industry
4. proportional taxation
5. minimal state interference
6. low taxes and government spending
7. inequality of income as incentive
8. control of inflation a priority
9. minimal welfare state

The external environment

- Environment scanning
 - monitoring of operating environment
- Strategic drift
 - failure of business strategy to keep abreast of environment change
- Operating environment
 - competitive and PEST environment
- PEST
 - political, economic, sociocultural and technical environment





Trading Blocs

Trading Blocs

Preferential Trading

Preferential Trading

- Types of preferential trading arrangement
 - free trade areas
 - customs unions
 - common markets
 - common system of taxation
 - common laws and regulations on the economy
 - free factor movement (NB labour – immigration debate)
 - absence of special treatment of firms by their national governments
 - economic and monetary union
 - fixed exchange rate or common currency
 - common macroeconomic policies

Preferential Trading

- Static effects of a customs union
 - trade creation
 - trade diversion

Preferential Trading

- Longer-term effects of a customs union
 - longer-term advantages
 - internal and external economies of scale
 - increased bargaining power with rest of world
 - increased competition
 - more rapid spread of technology
 - longer-term disadvantages
 - widening income gap within the union
 - greater collusion
 - diseconomies of scale
 - costs of administering the union

Preferential Trading in Practice

- Preferential trading in practice
 - the EU
 - the EEA
 - NAFTA
 - the Asia-Pacific Economic Co-operation forum (APEC)
 - other free trade areas/customs unions

The European Union

- Historical background
- The economic nature of the EU
- Development of common EU policies
 - Common Agricultural Policy
 - regional policy
 - competition policy
 - tax harmonisation
 - social policy
 - trade policy

The European Union

- The single market
 - historical background
 - the Single European Act
 - completing the single market
- The benefits of the single market
 - trade creation
 - reduction in the direct costs of barriers
 - economies of scale
 - greater competition

The European Union

- Criticisms of the single market
 - radical economic change is costly
 - adverse regional effects
 - development of monopolypower
 - trade diversion
 - political objections
- Completing the internal market
 - evidence of economic benefits
 - eliminating remaining barriers

The European Union

- Criticisms of the single market
 - radical economic change is costly
 - adverse regional effects
 - development of monopoly/oligopoly power
 - trade diversion
 - political objections
- Completing the internal market
 - evidence of economic benefits
 - eliminating remaining barriers
 - effects of new member states

What are the implications of Brexit for the UK's LET sector?

<https://youtu.be/KG5jvQyF5bA>



**The future is
completely
uncertain...**

**...I am completely
certain of this.**

Brexit & the Airline Industry

<https://youtu.be/OiUr79fLfhc>

Willie Walsh, CEO, IAG

<https://youtu.be/KaK49geA1Dc>

So....politics matters to businesses

- How does government policy impact on it?
- How is the political risk affecting planning and strategy?
- Consider areas where change is likely as a result of Brexit

<https://youtu.be/xeSFxXlLnZg>

Next time:

Analysing the External Operating Environment 3: Social/Technological factors

