# STUDYDADDY

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# Opening story: What seems to account Tesla's success?

- Tesla, Inc. (formerly Tesla Motors) is an American automaker, energy storage company, and solar panel manufacturer based in California.

- In February 2017, Consumer Reports named Tesla as **the top American car brand** and ranked it 8th among global carmakers.
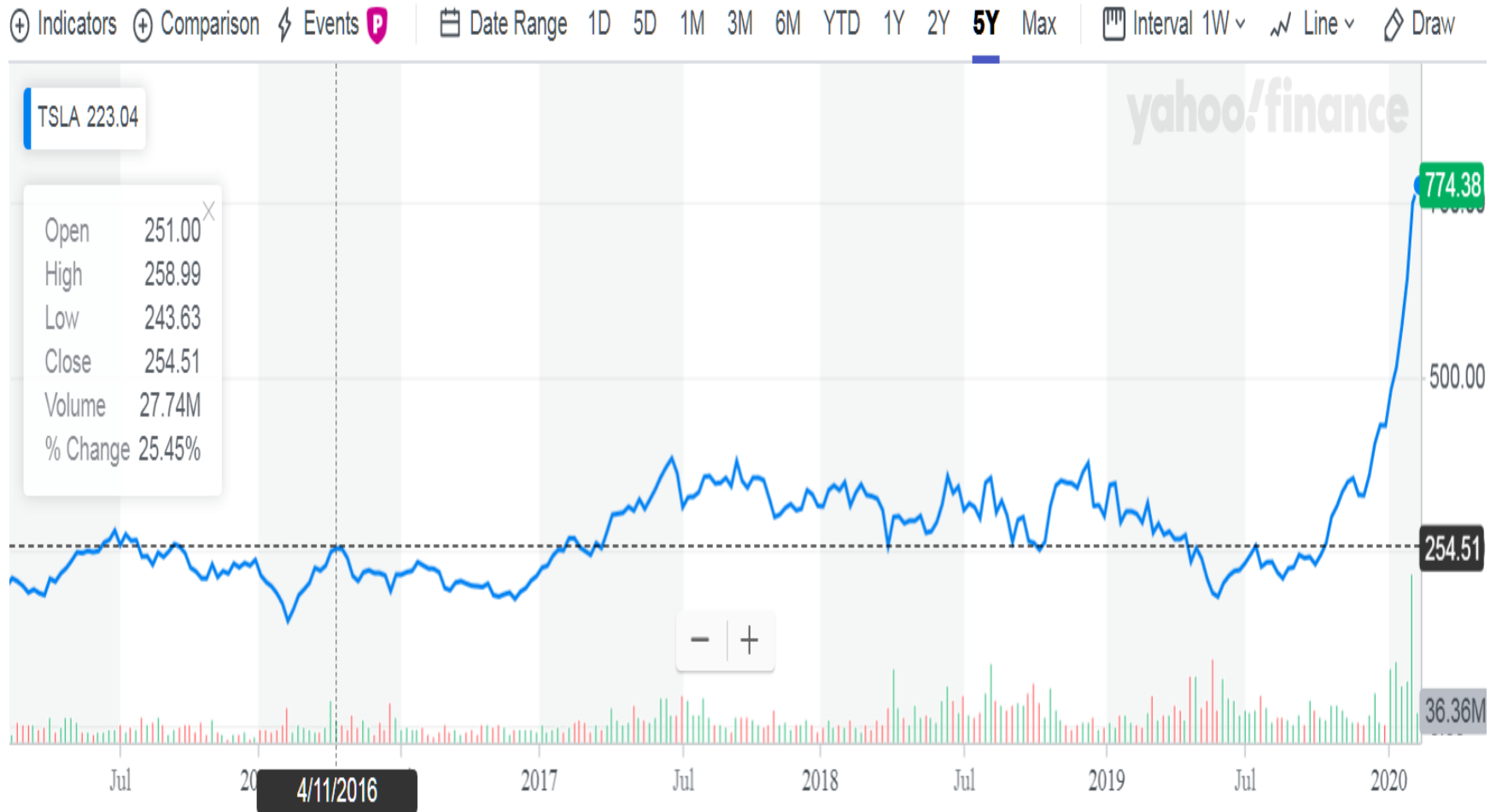
POWERWALL
TESLA HOME BATTERY

# Elon Musk Unveils Tesla Model Y Plan in Shanghai

- Elon Musk shows off bizarre dance moves at Tesla event in China
  - https://www.youtube.com/watch?v=U0sJJU3FaOQ

- Elon Musk Unveils Tesla Model Y Plan at Shanghai Gigafatory (3'06")
  - https://www.youtube.com/watch?v=34DgYNkRpaA

# Tesla's share price –
## from Jan 2015 ($190.41) to Feb 2020 ($774.38)

# Can pigs fly?

- "Even a pig can fly in it is put at the centre of whirlwind" – LEI Jun, CEO of Xiaomi (A Chinese smart phone manufacturer)
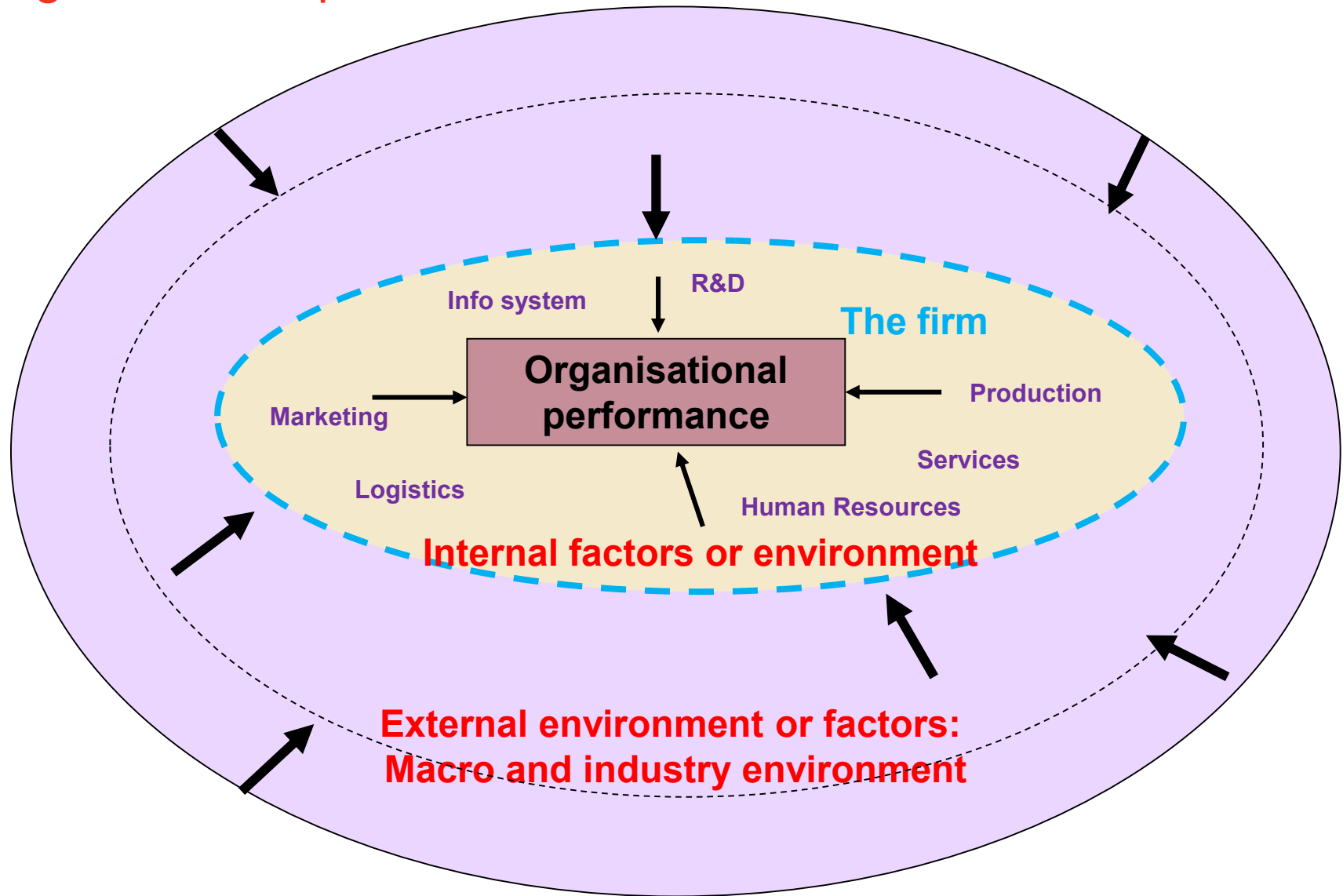
- "Seizing the right opportunities (in the environment)"

# Learning Objectives

**After studying this module, you should be able to**

• Understand the concept of environment and how it impacts on businesses

•**Analyse the broad macro-environment of organisations using the *PESTEL framework***

– *Analytical process and report structure*

• Understand the key drivers of changes in the macro environment

- Competition is very much like a race.  How can you win this race?
  - External environment plays "**an escalator effect**" in the race.
  - Internal environment (strategic capability) plays "**a fit effect**" in the race.

# Two broad sets of factors primarily determine an organisational performance: internal and external environment



**Info system**

**R&D**

**The firm**

**Organisational performance**

**Marketing**

**Production**

**Logistics**

**Services**

**Human Resources**

**Internal factors or environment**

**External environment or factors: Macro and industry environment**

# What is the environment of an organisation?

- Environment refers to those aspects outside the organisation that affect the business strategy of an organisation (Hubbard, 2017)

- The environment can be broken into two levels for analytical convenience
  - Macro-environment (those aspects outside the industry)
    
    Outer layer

  - Industry environment (those factors within the industry which affect both its profitability and the competitive position of organisations within it).

# Why is the environment important to organisations?

- The changes in the environment generate **opportunities** and **threats**

- The opportunities and threats present challenges to which organisations must respond in order to survive and/or prospect.

- Organizations need to
  - **Scan** its environment, **monitor** it, and **collect competitive intelligence**.
  - **Predic**t how environment will be changed and understand its implications.
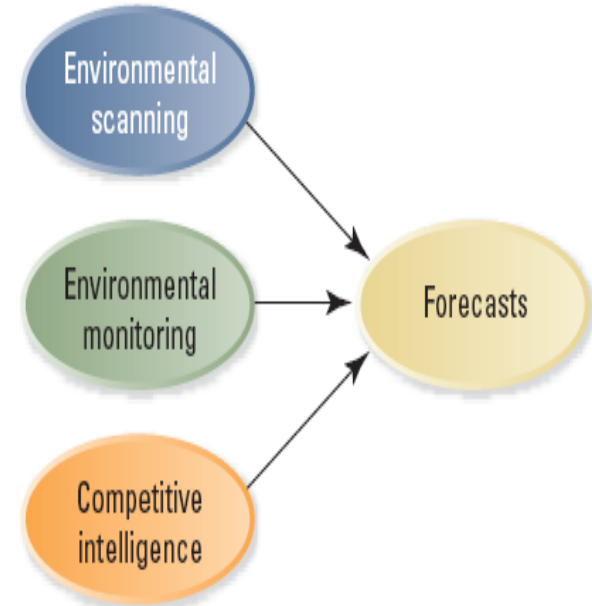
# Why conducting external environment analysis?

- Understand how these environmental **changes** can affect performance of the industries and our organization



| Changes in the environment | → | Opportunities and/or threats | → | Strategic implications |

# The purpose of the macro-environment analysis

- To understand how the environmental factors affect the **growth** of the **particular industry** and the performance of the organisation being analysed, particularly in the future through identifying **key opportunities** and **threats** in the environment and evaluating their impacts.

- The **level of analysis** is on the environmental factors surrounding **the industry**, that is, factors (opportunities and threats) that are common to all firms in the industry.

- .

# Macro-environment analysis – The PESTEL framework

- The PESTEL framework categorises environmental influences into six main types:

  political,      economic,    social,

  technological ecological (green)      legal

- These factors are external to an industry, usually beyond a firm's control

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

| PESTEL | Factors (or issues) | Opportunities or threats | Impact of the future industry growth | Key driver of change |
|---|---|---|---|---|
| Political | | | | |
| Economic | | | | |
| Social and cultural | | | | |
| Technological | | | | |
| Ecological | | | | |
| Legal | | | | |
| 3. Overall conclusion | | | | |

# Key trends and events in the macro environment (1/3)

- **Political**
  - **Government policy**
  - **Brexit**
  - Government stability
  - **Immigration policy**
  - Terrorism
  - Tax reform
  - Foreign trade regulations (such as TPP)

- Economic
  - Interest rates
  - Unemployment
  - Consumer price index (inflation)
  - Trends in GDP
  - Trade deficit
  - Exchange rate

# How does the macro-environment affect the growth rate of the Australian early child learning (childcare) industry?

- Political environment
  - Australian government has increased its subsidiary (rebate) to the childcare.
  - New policy to encourage mothers to return to their workforce after they give birth to their child
  - Income tax cut leads to more disposable income for family

- Economic
  - The Reserve Bank of Australia has cut the interest to 1%;
  - However, the household's debt is very high currently.

# Hoe does political factors influence the Australian aged care industry?

# Key trends and events in the macro environment (2/3)

- **Social**
  - **Aging population**
  - **Baby boomers start turning 65**
  - **Postponement of family formation**
  - Greater concern for fitness and environment
  - e-generation
  - Greater disparities in income levels

- **Technological**
  - Artificial intelligent (AI)
  - Internet of Things (IoTs)
  - **5G technology**
  - 3D printing
  - New discovery and development (e.g., digital, genetic and nanotechnology)

# The impact of aging population on our society

- "This aging population is unprecedented, and its implication will be felt through Australian society – in  what job we do, what services we need, what houses will suit, what transport will be needed and at what cost" -- *Australian Financial Review*

- "We will also have to ask who get the pension and who will fund it"

- Social and economic changes: <u>200 years that changed the world</u>

# How social factors affect the aged care industry?

# Key trends and events in the macro environment (3/3)

- **Ecological (green)**
  - Climate change (global warming)
  - Environmental protection regulations,
  - Energy consumption
  - Waste disposal and re-cycling
  - Renewable energy
  - An inconvenient truth (2006)
  - An inconvenient sequel (2017)

- **Legal**
  - Competition laws
  - Health and safety laws
  - Employment laws
  - Licensing laws
  - IPR laws.
  - Privacy law

# How legal factors affect the Australian aged care industry?

# Key drivers of change

- These are those environmental factors that are likely to have a high impact on the success or failure of strategy.
  - For example:
    - The birth rate is a key driver for those planning nursery education provision in the public sector;
    - Technology for IT industry;
    - Sociocultural changes for the fast food industry.
- **Typically key drivers vary by industry or sector**.
  - These drivers need to be monitored closely

# Using the PESTEL framework

- Apply *selectively* –identify **specific factors** which impact on the industry, market and organisation in question. **In other words, these macro-env factors are Industry –specific**!!!

- Identify factors which are *important currently* but also consider which will become *more important in the next few years.*

- Identify inter-connection among the elements

- Identify opportunities and threats – by single factor and combined one - the main point of the exercise!

# Macro-environment analysis
# -- A brief summary

- Understanding the purpose of this analysis
  - Industry growth rate in the future

- Be clear about the level (unit) of the analysis
  - The entire industry as a whole (a strategic group)

- Using the analytical framework – PESTEL
  - To use for identifying **key drivers and issues** and their **opportunities or threats**
  - To analyse the implications to the **industry growth**

- Predicting the industry growth in the future
  - Drawing your conclusions

# Module 2 summary (1/2)

- Environmental influences can be thought of as *layers* around an organisation, with the outer layer making up *the macro-environment*, the middle layer making up the *industry or sector* and the inner layer *strategic groups and market segments*.

- The macro-environment can be analysed in terms of the *PESTEL factors*, from which *key drivers of change* can be identified. Alternative *scenarios* about the future can be constructed according to how the key drivers develop.

- Key drivers of change: These are those environmental factors that are likely to have a high impact on the success or failure of strategy.

- The most important reason for environmental analysis is to **identify OPPORTUNITIES AND THREATS and predict their impact on the industry growth**

# Preparation for next lecture

- Read Chapter 3 in the textbook

- Read:
  - Case study: The Australian Department Store Industry

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