

Political factors  
include government  
regulations and legal  
issues



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Pest Analysis, (2010) “ Pest analysis is for Political, Economic, Social, and Technological analysis and helps to set a framework of macro-environmental factors used in the environmental scanning component of strategic management”.

Williams and Curtis (2007) that political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. Specifically, political factors areas such as tax policy, labor law, advertising law, environmental law, trade restrictions, tariffs, and political stability Government plays an important role in the economy as well as in taxes to be charged to the company”. These factors also play an important role in the employment law, competition regulations as the company can not make specific prices as they have to follow the competition regulations.

“ Economic factors have economic growth, interest rates, exchange rates and the inflation rate”. Pest Analysis, (2010) the factors have major impacts on how business works and decision making, example, interest rates affect a firm’s cost of capital and therefore it affects the business and how will grow and expand. “ Exchange rates affect the costs of exporting goods and the supply and price of imported goods”. Economic factors affect the purchasing power of potential customers as the power to buy the product.

Social factors include the demographic and cultural aspects of the external microenvironment. Pest Analysis, (2010) these factors affect customer needs and the size of markets. Social factors affect the demand for a company’s products and how that company works. Companies may change various

management strategies to adapt to these social trends (such as recruiting older workers). Social factors affect the needs and wants of the customer and the way they buy a particular product, as the demand may decline with the new product which offered to the wrong age sector.

Pest Analysis, (2010) Technological factors can reduce the barriers to enter and reduce minimum efficient production levels, and play a big role outsourcing decisions. They can help to determine barriers to entry, minimum efficient production level and influence outsourcing decisions. Technological factors help to technological shifts that can affect costs, quality, and lead to innovation.

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SWOT analysis, (2010) SWOT analysis is a strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business.

SWOT analysis is a business tool by which, a firm will be able to implement a strategic analysis, analyzes and recognizes its corporate Strengths and Weaknesses as well as the existed or forthcoming Opportunities and Threats from its external environment. Completing a SWOT analysis will help in identifying and the ways to minimize the affect of weaknesses in your business while maximizing your strengths only when these four critical information elements are well elaborated and known.

SWOT analysis compiles of, SWOT analysis, (2010)

Strengths: “ attributes of the person or company that is helpful to achieving the objective”

Weaknesses: “ attributes of the person or company that is harmful to achieving the objective”

Opportunities: “ external conditions that is helpful to achieving the objective”

Threats: “ external conditions which could do damage to the objective”

Honda Motors is one of the most successful automobiles company in the world and with the help of PEST analysis and SWOT analysis they have come so far as they are able to understand what are the political factors, economic, social and technological factors they have to understand when they are producing the automobiles as well have to understand the needs and wants of the customer as well as the economy of the place as the government plays an important role. They have to understand the technology they have to provide in there automobiles because the latest technology will be able to attract the people better and they would be able to reach the market better and the relevance of SWOT analysis in running the business is very important as Honda has to understand what are there strengths, weakness, opportunity, threats in order to be successful in the market as they need PEST and SWOT analysis together to be able to survive in the market for long run these two analysis helps Honda to be a better company and be able to understand its customers and their needs.

2. 1 Honda: Reconciling dichotomies (Product related core competencies versus process related core capabilities. Constructing dichotomies is the best avenue for new ideas in the field of automobiles industry.

Productivity, (2010) Product related core competencies are measurement of the effective use of the resources, expressed as the ratio of output and input. Productivity as the ratio

of output and input. Productivity is very important to business because they can gain market share and make great profits. For example, when productivity increases, product costs decline and product price can be reduced.

Productivity relates to competitiveness in the way that if two firms have the same level of output but one requires less input because of higher productivity, that one will be able to charge a lower price and consequently increase its shares of the market.

Process related core capabilities typically describing the act of taking something through an establishment and usually set of procedures to convert it from one form to another, as a manufacturing or administrative procedure. The process core capabilities at Honda is playing an important role as it is helping in having new and developing innovative ideas for the company and playing an important role in product related core competencies.

Process Capabilities, (2010) The concept of process capability has been used by the manufacturing industry to quantify the relation between product

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specifications and the measured process performance. Various ratios and indices have been developed to describe this relation.

2. 2 International trade is exchange of capital, goods, and services across international borders or territories. International Trade, (2010) the main advantages of international trade are International trade has flourished over the years due to the many benefits it has offered to different countries across the globe. International trade is the exchange of services, goods, and capital among various countries and regions, without much hindrance. It is also one of important sources of revenue for a developing country, with the help of modern production techniques, highly advanced transportation systems, transnational corporations, outsourcing of manufacturing and services, and rapid industrialization, the international trade system is growing and spreading very fast.

International trade, (2010) Great variety of goods available for consumption and international trade brings in different kinds of goods from different destinations. This gives consumers a variety of choice to choose from and which will not only improve their quality but also the whole country. Better allocation and better utilization of resources, since countries tend to produce goods and items which they are good at and have a comparative advantage towards its competitors.

Efficient in production will help countries and they will adopt better methods of producing goods and this will keep the cost down in order to remain competitive. Countries that can produce a product at the lower price possible can gain the larger market share in the market. Therefore an incentive to

produce efficiently arises. This will help standards of the product to increase and consumers will have a good quality product to consume.

Automobile industry, (2010) Restricting trade in the context of global automobile industry, the global automotive industry, increasingly characterized by global mergers and relocation of production centers to emerging developing economies, is in the grips of a global price-war. The industry is subject to imperfect competition which has resulted in too much of everything too much capacity, too many competitors and too much redundancy and overlap. The industry is concerned with consumer demands for styling, safety, and comfort; and with labor relations and manufacturing efficiency. The industry have to really work hard to meet the demands of the consumers and what are the new wants as what types of cars they want in the automobile industry. Specialization in automobile (Honda) sector is increasingly becoming segment specific as each of these countries is finding its niche. China is specializing in components, India in two wheelers and small vehicles, Thailand in pick-up trucks and passenger cars and Indonesia in utility vehicles. As Honda is understating its market in these areas and other areas of the world as they are providing according to their customers wants as they have restriction in providing different kinds of automobiles which is not required in the particular country.

Automobile industry is a symbol of technical marvel by human kind. Being one of the fastest growing sectors in the world with its dynamic growth phases are explained by nature of competition, product life cycle and consumer demand. Today, the global automobile industry is concerned with

consumer demands for styling, safety, and comfort; and with labor relations and manufacturing efficiency.