

Pest analysis

Business



Managing external influences First Group (First) is the UK's largest transport operator, employing more than 137, 000 people in the UK and the USA. In the UK, it runs rail services carrying around 275 million passengers a year. It is the UK's largest bus operator and also runs a rail freight business. In the US, it operates school transport for nearly four million students a day. The company is seeking to extend its operation in UK in the coming few years.

There are challenges faced by the company in UK which need to be addressed.

A key government policy affecting all transport services in UK relates to the reduction of CO2 emissions. The UK government has signed an international treaty the Kyoto Protocol. Countries which sign the agreement intend to reduce the emission of harmful gases. This can succeed only through partnership with business. A good example of this is the government initiative to encourage using bus services rather than traveling by car.

This will help to reduce carbon emissions. High tax on fuel also encourages customers to switch from using cars to more economical bus and rail transport.

Congestion charges in cities like London also encourage drivers to switch to other forms of transport. The company is also facing changes in demand for its services in UK market. Market research showed that parents and students wanted school buses analogous to US services. Parents see many benefits from such services provided.

In particular, drivers are specifically trained to work with students. Each day students step onto the same bus, can take the same seat and are looked after by the same specially trained driver. Vehicle safety features include padded seating, integrated seat belts, additional escape hatches and CCTV.

Meantime the UK population is ageing and the number of older people in the UK is rising. While many elderly people prefer to travel by bus because it is convenient and safe there is need to equip buses with convenient for elderly people technologies and devices.

Many of these factors are external and outside First's direct control. These may be seen as threats, but most can be turned into opportunities. Conduct PEST analysis and provide First with recommendations on how to manage these influences. Q2. Suppose you are about to obtain your Bachelor Degree and start looking for a job.

In economics we would say you are about to enter the job market.

Is the job market for graduates an example of an ideal market? Is price a sufficient statistic for this market? Discuss the latter question from the point of view both of employers and of persons seeking employment. Q3. After it was first introduced by Adam Smith, the division of labour and specialization could be extensively observed within different economies. However, the specialization is getting beyond the local markets or industries and turning into global phenomenon. It is spreading across countries over last decade.

Read the case presented below describing the success of a company named Li ; Fung and answer the following question: What exactly is Li ; Fung's

business? Li & Fung used to introduce Western retailers of clothes, toys and the like to the sweatshops of China. As such, it was no different from countless Chinese firms... But when Victor and William Fung, the brothers who today run the family business, sat down to think about globalization and what it means for Asia, they came up with a winning new strategy for their company. To them, globalization meant above all specialization, and specialization brings complexity.

If supply chains of companies once consisted of five links, they might soon have dozen, or even hundreds, they concluded. 'Somebody's got to pick up the pieces and bring them back together' says William Fung, the younger brother – which is what Li & Fung is now doing, to all appearances better than its rivals in the West.

It works like this. Say, a European clothes retailer wants to order a few thousands garments. The optimal division of labor might be for South Korea to make the yarn, Taiwan to weave and dye it, and a Japanese-owned factory in Guangdong Province to make the zippers.

Since China's textiles quota has already been used up under some country's import rules, Thailand may be the best place to do the sewing. However, no single factory can handle such a bulk, so five different suppliers must share the order.

The shipping and letter of credit must be seamless (unspoiled), and the quality assured. Coordinating all this is the challenge of globalization.... And this requires knowledge. Village women with sewing-machines in Bangladesh

are not on the Internet. Finding the best suppliers at any given time, therefore, takes enormous research.

Indeed, that companies are increasingly deciding that it is no longer pays to do it in-house. Instead, they outsource the knowledge gathering to Li & Fung, which has an army of 3600 staff roaming 37 countries (' a machete in one hand, a laptop in the other', as Victor Fung likes to caricature them)for the purpose. Source: the Economists, June 2, 2001. Q4. The seminal article “ The Nature of the Firm”, published in 1937 by Ronald Coase put forward the idea that “ In view of the fact that is usually argued that coordination will be done by price mechanism, why is organization necessary? “ Our task is to attempt to discover why a firm emerges at all in a specialized exchange economy”. Coase answered by pointing out that there are costs of using price system.

Participants have to discover relative prices, they have to incur costs of negotiating and concluding contracts for each separate market transaction, they face uncertainty when relying on market relations when planning is required, and they may be able to avoid taxes by organizing these transactions internally.

Overall, there are substantial transaction costs involved. In such situation, the organization could be an alternative for the executing transactions, by using non price mechanisms (for example, firms might use authority instead of prices to execute transaction). And while in the market parties are using the prices to exchange information and execute the transaction, the organizations are using only non-price mechanism to conclude transactions and these are alternatives ways to execute transaction.

Hence, could we state that organization will not use prices to execute transactions internally and will rely only on the non-price mechanism to execute transaction? Discuss. Q5.

Prices act as a sufficient statistics under condition of perfect competition. True/False statement. Discuss. Q6. The rise of internet has cut the cost of communication so much that firms will be inclined to outsource more than before? Do you think this is true?