

# Example of the external management environment report

Business, Company



## **Executive Summary**

Blundstone is Footwear Company based in Tasmania, Australia specializing in the manufacture of different types of footwear. The recent plan to expand their operations to Indonesia requires a careful market analysis in terms of PESTLE and SWOT analysis so as to identify the opportunities available in the new market. The political and legal factors include stable political system and efficient laws essential for the organization to develop easily. Economic factors also indicate an existence of stable opportunities for foreign direct investments with low legal restrictions. However, uncertainty in inflation rate and low value for the currency are key threat that might affect the projected financial returns of Blundstone. In addition, socio-cultural differences between Australia and Indonesia are likely to affect the internal environment of the business and this call for the need to embrace cultural diversity through learning.

### - Introduction

Blundstone footwear is an Australian company headquartered at Tasmania, specializing in the manufacture and sale of footwear. The company's is best known for its laceless ankle length boots that have gained popularity both in Australia and in the global market. Founded in the early 1840, Blundstone's shoemaking expertise is well known in the global market especially the quality of the company's footwear is leather mainly imported from Thailand. Their two main brands; Blundstone and John Bull has gained a wide market both in Australia and New Zealand, making the company as one of the most loved in the region. Despite being successful in the Tasmania, the company has not taken the strict initiative to seek expansion opportunities in the

global market other than India and Thailand especially as a result of the financial costs involved.

The idea of expanding a business to a new international market is a challenging decision that requires an organization to conduct a detailed market analysis in order to identify the market opportunities available for the business to become successful. For the case of Blundstone footwear, expanding the operations to Indonesia is a brilliant idea as it will attract new customers to the new market especially with the use of appropriate marketing plan. However, the market environment is likely to affect the implementation of the expansion plan. This paper, therefore provides a PESTLE analysis of Indonesia as a potential market for Blundstone's products and services. The paper also provides a detailed SWOT analysis that is essential to making a decision the business expansion.

- Political environment
- Government relations

The government of Indonesia has established good trade relationships with other countries such as china, Singapore, japan, and Korea. The country also maintains stable relations with international organizations such as the UN and the World Bank. This relation has helped the country stabilize their economic and political standards that are essential for good business operations.

- Government stability

Indonesia is comprised of a stable political system where the president is elected through voting after every five years. This had been in occurrence since 1945 when the country gained independence. In addition, the country's

political arena is regulated by the rules and regulations provided by the Federal and Provisional constitutions that were subrogated in 1949 and 1959 respectively.

- Analysis

The future prospect of the stability of the government of Indonesia provides a favorable environment for the expansion of Blundstone operations in the country. This is evidenced by the successful of election of the country's president for two consecutive terms.

- Economic environment

- Economic trends

Indonesia's GDP growth is at 5.8 percent with per capita income ranging at 3900 USD. The rate of investment in the country is high especially as a result of emerging market opportunities. The financial flow from lenders such as banks is attainable as a result of accommodating interest rates.

- Foreign exchange

Indonesia's Rupiah has fluctuated several times in terms of its value in currency with the current exchange rate being 9698.9 Indonesian rupiah per US dollar. The inflation rate is still high especially after the 2008 financial crisis that affected the monetary value of many developing countries

- Analysis

The country provides a good basis for business expansion primarily because FDI is highly encouraged. However, the existence of several import tariffs may affect the cost of production.

- Legal environment

- Labor laws

Indonesia is among the countries with the highest rate of the labor force in the world. As of the year 2013, the country was at position five in the world. As a way of protecting labor rights and upholding fair employment and working conditions, the government had enacted the Labor Laws that define various aspects of employment and working conditions. For instance, Article 28D section 2 specifies the number of working hours and days which includes seven hours a day and forty-hour workweeks. In addition, the law grants the employees a mandatory thirty minutes of rest after every four consecutive working hours and one day off every week. The government has also provided limited age of working to be fourteen years so as to prevent the occurrence of child labor. These regulations are almost similar to that of Australia, thus making the operations in the two countries compatible.

#### - Business laws

Business operations in Indonesia are controlled by the Company Law of 1995 that defines Indonesia's corporate governance. The law defines companies as private entities represented on the board of directors and commissioners. In addition, every organization willing to operate in Indonesia is supposed to have their Memorandum of Act signed under the company law.

#### - Analysis

The company laws provided gives an opportunity for the organizations to operate in the right way that promote equality and prevents employees from unnecessary oppression by the employers. The laws however may be a threat to the immediate establishment of a new branch since it has to fulfill all the legal requirements for starting the company..

#### - Socio-cultural environment

- Hofstede's cultural dimension

- Analysis

Existence of differences in some social-cultural aspects is likely to affect the operations of the business as new managers will have to adapt to the new culture

- Technological environment

- Technological infrastructure

The technology in the country is quite sophisticated and incorporated in the transport networks. The country is well covered with an excellent network of roads that connects the major destinations. Other forms of transport in Indonesia such as water transport, as well as railway, are also at a developed stage. The waterways in the country are estimated to cover about 21579 km and the railways covers close to 8529 km. Accessibility through air is also well represented with the country having more than 139 airports.

- Communication networks

The communication networks in Indonesia are at an advanced stage with high-speed internet connections spread all over the country. There is an estimated 13 million active internet users in the country. The connection is also great with sophisticated gadgets being used by people to aid in communication. The number of persons connected to landline telephone system is estimated to be about 17.33 million with another close to 84 million own and use cellular phones in communication. These systems are backed up by modern satellite system that ensures minimal or no interruptions in communication.

- Analysis

Efficient technology available in the country provides an opportunity for development of the company's plans. However, the machinery required for the production of the boot may be a challenge, thus forcing the country to import from another country.

- SWOT analysis

- Conclusion and recommendation

The PESTLE analysis indicates an opportunity for the Blundstone footwear to expand their operations in Indonesia. This is because the market segment has favorable technological, economic and political stability that will have a great benefit to the company. However, the existence some legal and socio-cultural implications may affect the company's effort to implement the strategy. Regardless of these factors, it is recommendable that Blundstone take the initiative of venturing in Indonesia especially due to the existence of various opportunities that will make the company's products an enormous success.

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