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[Business](#), [Company](#)



Management

Introduction.

British petroleum and Oil Company (Bp oil) is an International oil company that supplies energy and petroleum product worldwide. The company has experienced three major disasters since 2005. In 2005, the explosion happened in Texas City oil refinery killing approximately 18 people and injured several people. Such crisis brought damages and losses of approximately \$1. 9 billion. In 2006, a pipe which had corroded burst and spill two hundred gallons of crude oil in Alaska. April 2010, the deep-water horizon oil exploded (Gulf of Mexico); a major disaster that led to large and shocking environmental pollution ever recorded in the history of Bp Company. As a result of this crisis in 2010, Bp lost billions and stocks in the market while undergoing continuous losses in the restoration of the Gulf of Mexico. Therefore, this paper shall examine the external factors of the company using the PESTEL analysis and find strategies that can assist compete and sustain both financial and professional performance.

The PESTEL analysis (political, economic, social, technology, environment and legal) examine the external factors of a company; how they affect performance of the company and provides an insight of dealing with such factors. The analysis of the Bp Company will focus on the five forces known as the porters five forces, and they include; economic, social, technology, legal and environmental.

1= Environment.

Environmental factors are important because they have been among major

challenges facing the Bp and oil company. The environmental pollution includes the Alaska burst of 2006 and the explosion of the Texas city oil refinery and more fatal was the explosion of the deep-water drilling rig led a continuous flow of millions of crude oil per day into the sea. Bp was held responsible for all costs and damages resulting from the oil spill. The damages and cost were due to threats posed to over 400 species and approximately \$ 2. 5 billion damages to the entire fishing industry. In such a major disaster, over 7, 000 animals were reported dead after six months of the continuous flow of oil spillage. The company is treating the oil spill using “ in-situ burning” but instead the method has fatal effects on the environment. It is reported that the series of the disasters were due to the reckless pursuit of profit and poor management. The ecological factors that have been affecting the company have led to poor reputation and indent the image of the Bp brand and the company itself. Indeed, the impact of this environmental crisis needs a quick response because the company is facing losses and damages especially the commitment to the restoration of the Gulf of Mexico and restructuring of the management of Bp company.

2= Technological.

The factor is important due to globalization hence ranked second. This factor has caused a major change in the global energy market. It transforms the process and operation of exploration to the packaging of the products and services provided by the oil company. The Bp company has been facing the challenge of environmental crisis hence technology has provided a means of restructuring the operation of the Bp and oil company in order to curb the situation of environmental pollution. As a global factor affecting the energy

company, the development of the Bp shipping environmental management (EMS) has provided a systematic approach to meeting environmental requirement across the company and its branches. Such system has recorded a significant performance in minimizing damage to the environment of the Bp operation.

Also, several companies have started to find environmental friendly energy sources. The technology has a given the company a challenge of enhancing its security and safety. The use of alternative source of energy such as Biofuels as the renewable source of energy. Therefore, as far as security and safety operation are concerned, the technological factor is giving the company an outstanding pressure for the sake of its own reputation and excellent performance.

3= Social

The factor is important because the success of the company depends on the influence and power it has towards the society. The Bp Company focuses on the society in terms of three major components. The components include; company and the impact on the society, human rights and host communities and societies. These three components have a tremendous impact on the company due to its the nature of the operation.

Since 2005, reputation and value of the company has been degrading mainly because the society is afraid of the history of the company. Therefore, as a factor affecting the company in terms of public relations, the company has engaged in corporate social responsibility. The company seeks to clear its indented image and have a positive impact on society. The company is out to manage the impact on the indigenous people and the issues of land

acquisition and resettlement. Other social factors such as environmental damages and crisis, economic development and provision of employment opportunities, workforce welfare and security and human rights have been major challenges that the Bp company has faced in the commitment of dealing with them. Example; the commitment of the Bp company in the restoration of the Gulf of Mexico has a given the company a positive social impact. In the field of law and regulation concerning societal expectation have given the Bp company a challenge to focus on; the Kyoto protocol, it has been made as a legal requirement for the global company to control and regulate the emission of carbon or the Chlorine fluorine (CF).

4= Economic

Also, the economic factor comes forth because the global economy and the global energy market are two variable that are proportional to each other. The economic analysis of the Bp Company states that there is a high demand of the oil and petroleum products in the market in such a way that; in 2008, USA credit crunch did not affect the market of the oil industry. Therefore, according to the international energy agency, the economy is significantly supported by the global energy market. The energy market is a wide concept; in the USA where Bp actively determines the economy of the country supplies not only the energy but raw material for the petrochemical industries and other petroleum related products. Therefore, the demand for energy in the global market is predicted to increase by 60 percent, with a tremendous higher rate in biofuels and nuclear energy. The economy is becoming dependent variable in this case whereby the global energy market impact on either positive or negative.

5= Political

Political factors entail government policy and intervention of such policies in the economy. They include trading policies, inter-countries relations, lobbying and other factors that can affect the organization. The Bp Company is facing political pressure especially in the USA and its branches worldwide. The history of the environmental crisis being the main reason for the political pressure the company is facing. It is reported that the company has faced lawsuits results to damages and loss of about \$2. 5 billion. Also, political intervention is experienced by the Bp Company; establishment of the National Commission on the BP deep water Horizon Oil spill and Offshore Drilling by the US president Barack Obama on May 2010. Such intervention has a major impact on thitsBp Company by increasing it rate of loyalty in funding such a strong government like USA. Such intervention tends to increase the financial turnover of the company leading to unstable financial performance.

6= Legal

These are legislations that affect the company such as employment law, human rights etc. the Bp Company is held responsible for the damages and losses of the oil spill in Gulf of Mexico. Therefore, the company is accountable for the safety and health rules and pays compensation to the victims of the deep-water horizon. The oil pollution act concerning the 2010 Gulf of Mexico oil spill on the base of gross negligence by Judge Carl Barbier has forced British petroleum and Oil Company to fulfil its legal obligations. (The Associated Press, 2013) The accountability and lawsuits towards Bp

Company are increasing a yield a negative impact on the financial performance of the company.

Limitations of the PESTLE analysis.

The PESTLE analysis also known as PEST is a tool of strategic management that analyses how the political, social, technological, legal and environmental factors impact on an organization or company. It is, in fact, a planning tool that monitors and scan the surrounding of the company or business. The tool has limits or disadvantages as far as the monitoring of the external factors are concerned.

Firstly, the external factors are dynamic; the factors in PESTLE analysis change at a faster and higher rate. Every day these factors change without notice of the company concerned and from such unnoticeable change may cause an adverse effect on the company especially in their initial stages. Therefore, the PESTLE analysis is faced with the problem of uncertainty even after carrying the analysis. Therefore, the PESTLE analysis becomes less effective due to the dynamic nature of these environmental factors.

Example; the technological factor is seen to be changing rapidly, the company should examine the factor on the daily basis to avoid uncertainty and lying behind in the competitive market.

Secondly, the PESTEL analysis seems to be of less value due to its nature of the presentation. The nature of the presentation is simply usual a simple list of the macro-environmental factors affecting the business or organization concerned. It becomes less effective unless the facts are critically analysed according to the degree or intensity of impact on the company.

Thirdly, the PESTLE analysis is time consuming and costly. A PESTEL analysis

entails the collection of relevant and pertinent data from different sources sometimes from the external agencies. Hence, this makes the analysis costly and time consuming in keeping the analysed data and continuous update of the data.

The PESTEL analysis is itself limited and insufficient as a tool of strategic management. The PESTEL analysis scans the external environment only while ignoring the micro or internal environment and the competition phenomena of the organization concerned. Therefore, the PESTEL analysis requires the integration of SWOT analysis (analyses both external and internal environment) in order to serve an efficient and effective position in the strategic planning.

The PESTEL analysis is a subjective analysis that is influenced by personal judgment and opinions of the person carrying out the analysis. Therefore, the interpretation of the external factors affecting the business vary from person to person. The company may suffer a lot of losses if the results of the analysis are misinterpreted for personal interest.

The analysis entails handling of a lot of information or data that may tend to confuse the analyst during the interpretation. Therefore, the PESTEL analysis is affected by the effects of ambiguity due to much and different information that could possibly lead to losses due to misinterpretation.

Lastly, the pestle analysis involves the utilization of the classical and updated data. Some of the data may be unavailable leading to too many assumptions without evidence. The PESTEL analysis is exposed to assumption rather than actual facts. The assumptions may make the organization interpret the data without a base of evidence or fact leading to

what is known as “ the planning disaster”

Therefore, I recommend that the Bp Company, when using the PESTEL analysis should put the consideration of constant review of the surrounding, avoid assumptions and interpret the findings based on the facts rather than assumptions. Also, the business can integrate the SWOT analysis in order to effect a better strategic planning.

Conclusion.

The scanning of the external environment of Bp Company using the PESTEL analysis provides an insight on how the company can deal with the factors in order to compete in the future and sustain the values and reputation of the company. The deep-water horizon as a major crisis that have been affecting the company can easily be managed as far as the use of PESTEL analysis is concerned. With respect to British petroleum and Oil Company, the use of PESTEL has limitations that need to be put into consideration during the analysis. In order to fetch more data and yield a maximum professional and financial performance, the company should integrate the use of SWOT analysis (strength, weakness, opportunity, technology) for the purpose of relating the external factors with the internal factors of the company.

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