

Swot and pestel for arcelormittal



ArcelorMittal is the leader in all major global steel markets, including automotive, construction, household appliances and packaging, with leading R&D and technology, as well as sizeable captive supplies of raw materials and outstanding distribution networks. With an industrial presence in over 20 countries spanning four continents, the Company covers all of the key steel markets, from emerging to mature.

Through its core values of sustainability, quality and leadership, ArcelorMittal commits to operating in a responsible way with respect to the health, safety and well-being of its employees, contractors and the communities in which it operates. It is also committed to the sustainable management of the environment. It takes a leading role in the industry's efforts to develop breakthrough steelmaking technologies and is actively researching and developing steel-based technologies and solutions that contribute to combat climate change.

In 2009, ArcelorMittal had revenues of \$65. 1 billion and crude steel production of 73. 2 million tonnes, representing approximately 6 per cent of world steel output.

ArcelorMittal is listed on the stock exchanges of New York (MT), Amsterdam (MT), Paris (MT), Brussels (MT), Luxembourg (MT) and on the Spanish stock exchanges of Barcelona, Bilbao, Madrid and Valencia (MTS).

ArcelorMittal operates across 85 sites in the EU with its head office based in Luxembourg. Its international revenues in 2008 were \$124. 9 billion and its global crude steel production was 103. 3 million tonnes, representing

approximately 10% of world steel output. ArcelorMittal owns both steel plants, and mines which supply raw materials for steel production.

PESTLE Framework

Johnson et al. (2005) proposed the pestle framework and it consists of factors which influence nearly all organisations. The pestle framework shows us what could cause changes in organisations. When doing so, the PESTLE framework could be used to identify the future trends in political, economic, social, technological, environmental and legal environments. It helps to make key drivers of change clearer (Johnson et al, 2005). Also, it analyses possible factors for changes within the business concept. One of the main areas is the environment of competitors and markets. It consists of many different groups and organisations with different concentration.

The PESTEL framework could be used to “categorise environmental influences into six main types: political, economic, social, technological, environmental and legal”. (Johnson et al, 2005)

Fig. 5. Pestel Framework (Johnson, Scholes & Whittington, 2005)

Political factors

ArcelorMittal operates, or proposes to operate, in a large number of developing countries. In recent years, many of these countries have implemented measures aimed at improving the business environment and providing a stable platform for economic development. Risks of widespread insolvency, mass unemployment and the deterioration of various sectors of the economies where ArcelorMittal operates increased during crisis. Any

slowdown in the development of these economies could have a adverse effect on Arcelor Mittal's business, financial condition, results of operations .

For example, in December 2008 the French Competition Council ruled that subsidiaries of ArcelorMittal had agreed with their competitors to fix prices and allocate markets and customers during the 1999 to 2004 period and imposed a fine of €301. 78 million, although the fine was subsequently reduced on appeal in January 2010 to €42 million. Also, in September 2008, Standard Iron Works filed a class action complaint in U. S. federal court against ArcelorMittal, ArcelorMittal USA Inc. and other steel manufacturers, alleging on behalf of direct purchasers that the defendants conspired since 2005 to restrict the output of steel products in order to affect steel prices.

The political systems in developing countries are vulnerable to their populations' dissatisfaction with reforms, social and ethnic unrest and changes in governmental policies, any of which could have a material adverse effect on Arcelor Mittal's business, financial condition, results of operations or prospects and its ability to continue to do business in these countries.

Economic Factor

Arcelor Mittal's activities and results are substantially affected by international, national and regional economic conditions. ArcelorMittal operates and sells products globally, and, as a result, its business, financial condition, results of operations or prospects could be adversely affected by fluctuations in exchange rates. As Steel prices are volatile, reflecting the highly cyclical nature of the global steel industry, Volatility in the prices of

raw materials, energy and transportation, including mismatches between trends in prices for raw materials and steel, as well as limitations on or disruptions in the supply of raw materials, could adversely affect on Arcelor Mittal's business, financial condition, profitability .

The various industries sector in the economy that are substantial consumers of steel products, like automotive industry (to which Arcelor Mittal shipped approximately 9. 8 million tonnes of steel in 2009 after having shipped 15. 0 million tonnes in 2008) and the construction industry, and the bankruptcies of large companies in such industries have effected the financial operations of Arcelor Mittal.

Social Factor

ArcelorMittal has already embedded sustainability principles into its general contracts, and set out clear expectations in the areas of safety, health, social dialogue, and environment. It also requires suppliers to comply with all the relevant laws and regulations.

For example, Technical Education Centre in France and investing 5 million Euros in the Technical Education Centre we'll be able to put up to 120 students though engineering and technical training courses. ArcelorMittal University invested just under \$20 million in training, and had 17, 751 participants from 23 countries in its academies and induction programmes. This represents almost 40, 000 training days throughout the year.

Technological Factor

ArcelorMittal is the biggest DRI (Direct Reduced Iron) in its Energy Plants as a substitute to pig iron. Develop a revolutionary steelmaking process CO2

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Ultimate Reduction in Steelmaking Process by Innovating Technology for Cool Earth 50. The CO₂ reduction of some 30% through the reduction of iron ore by hydrogen, and the separation and recovery of CO₂ from blast-furnace gas & establish the technology by around 2030 industrialize the technology by around 2050.

Research and Development plays a key role in Arcelor Mittal's strategy to lead innovation in the world of steel. The Group employs 1, 200 researchers in 13 research centres around the world. In 2006, US\$185 million was spent on research.

ArcelorMittal have made tremendous progress in recent years in new steel grades with greater strength, better and environmentally-friendly protection against corrosion. The car manufacturers want to reduce the weight of their vehicles by using thinner, but stronger steel ensuring good deformability. They then have maximum freedom in designing strong and elegant bodywork.

Legal Factor

ArcelorMittal is subject to stringent health and safety laws and regulations that give rise to significant costs and liabilities. Despite Arcelor Mittal's significant efforts to monitor and reduce accidents at its facilities, there remains a risk that health and safety incidents may occur, which may result in costs and liabilities and negatively impact Arcelor Mittal's reputation or the operations of the affected facility.

The legal systems in some of the countries in which ArcelorMittal operates remain less than fully developed, particularly with respect to property rights,
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the protection of foreign investment and bankruptcy proceedings, generally resulting in a lower level of legal certainty or security for foreign investment than in more developed countries. Assets in certain countries where ArcelorMittal operates could also be at risk of expropriation or nationalization, and compensation for such assets may be below fair value.

For e. g., the Venezuelan government has announced a policy of selective nationalization of companies operating in the country, and has effected a number of nationalizations. Although ArcelorMittal believes that the long-term growth potential in developing markets is strong, and intends them to be the focus of the majority of its near-term growth capital expenditures, legal obstacles could have a material adverse effect on the implementation of Arcelor Mittal's growth plans and its operations in such countries.

Environmental Factor

ArcelorMittal is the biggest DRI (Direct Reduced Iron) in its Energy Plants as a substitute to pig iron. ArcelorMittal supports the European Regulation of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) , which entered into force on 1 June 2007. ArcelorMittal is set to become the largest¹ beneficiary of the EU Emissions Trading Scheme. By 2012 the company is set to have 80 million permits to pollute which it does not need and which it was given for free.

For e. g.; The company's Kazakh coal mines also have an appalling safety record, with 102 miners dying in accidents since 2004, it has been implicated in unduly influencing Liberian politicians with donations of four wheel drive

vehicles and now it wants to build at least two mega-steel mills in India, depriving indigenous people of their ancestral land.

Strength

Resource & Capabilities(people and raw material)- Arcelor Mittal strength is in its people working for the company . Making each and every person working on our behalf feel valued. More than 300, 000 people have been trained since 2007. The world's largest producer of direct reduced iron (DRI) with total production of approximately 8. 1 million tonnes in 2008.

High Research & Development Team- Over 1, 400 full time researchers with Budget of approximately \$300 million. And has the number one R&D in the industry.

Distribution Network- Network of more than 450 facilities for more than 200, 000 customers. Value-added and customised steel solutions through further steel processing to meet specific customer requirements.

Weakness

High investment cost with low disruption in supplies while Political Conflicts increase as in case when Arcelor Mittal wants to enter into China but due to regulations on FDI in Steel Industry, Arcelor Mittal faced many challenges into setting up an business entity in China. Low hanging fruits are gone, we have to deal with huge investments to keep up with ever-growing demand and to cope with years of underinvestment. Delayed shifts until weather-related and geo-political events take place and Stringent regulations emerge to control investment and energy choices.

The increasing scarcity and cost of resources, together with tightening environmental regulations, are pressuring steelmakers to improve their operations in two ways: by decreasing the energy intensity of their processes and by reducing environmental pollution. Enhancing the sense of urgency are the expectations of various industry stakeholders, including shareholders, governments, nongovernmental organizations, and the general public.

Opportunities

New markets- Arcelor Mittal is in talks with Indian government over joint venture with SAIL (Steel Authority of India) to tap the market of Indian Steel Market, by getting ahead from its rival POSCO for not getting into joint venture.

New acquisition-

Arcelor Mittal acquired a 29% stake in Uttam Galva Steels for Rs 422 crore through an open offer, taking its holding in the domestic firm to 34.42%.

2006: With Acquisition of Mexico's Sicartsa, Arcelor-Mittal Became the Mexico's Largest Steel Producer

2005: Acquisition of a stake in Hunan Valin > ISG Acquisition completed > Mittal Steel Europe created > Mittal Steel makes Fortune 500 list of top companies > MDA with Liberian government > Acquisition of Kryvorizhstal > MoU with State of Jharkhand, India > Acquisition of Stelco subsidiaries > Stake lifted in Mittal Steel Zenica

Acquisition of Polski Huty Stali > Acquisition of BH Steel > Acquisition of Macedonian facilities from Balkan Steel > Creation of Mittal Steel and proposed acquisition of International Steel >

Acquisition of Iron & Steel Company of Trinidad & Tobago Arcelor Mittal buys Imperial Crown Trading for R800m .

Threats

Large integrated international metal manufacturers including POSCO and Alcan have announced plans for expansion in India. Tata Corus in European market and Nippon Steel in South East Asia.

Shut Down of Steel Mills Worldwide due to increase in steel import, exchange rates, curb exports has made arcelor mittal to shut down its steel mill in South Africa throwing thousands out of work employing 70, 000 people, the Saldanha Mill has the capacity to produce steel sheet as thin as 1. 6 millimeters (0. 06 of an inch) will undermine the country's growing car industry.

Setting up an Steel Mill in Eastern India , arcelor mittal facing an protest form local families who are poor farmers, who do not want to sell their Land to the steel giant for setting up the mill. Arcelor Mittal's proposed project would destroy forests, water sources, and ecosystems, thereby imperiling the environment and the subsistence economy of a tribal society that is rooted in agriculture and forest produce. Nearly 10, 000 people would be displaced and chunks of prime agricultural land taken away, and it is question to the steel giant that Why can't the company instead go for waste lands without forest and agriculture which are available in the district?"

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Competitive Advantage of Arcelor Mittal

Five Forces Analysis.

The consolidating steel industry

It has been understood from long time that the steel industry is a static and unprofitable one. Producers were nationally based, often state owned and frequently unprofitable – between the late 1990s and 2003, more than 50 independent steel producers went into bankruptcy in the USA. The twenty-first century has seen a revolution. For example, during 2006, Mittal Steel paid \$35bn (£19.6bn; A28bn) to buy European steel giant Arcelor, creating the world's largest steel company. The following year, Indian conglomerate Tata bought Anglo-Dutch steel company Corus for \$13bn. These high prices indicated considerable confidence in being able to turn the industry round.

New entrants

In the last 10 years, two powerful groups have entered world steel markets. First, after a period of privatisation and reorganisation, large Russian producers such as Severstal and Evraz entered export markets, exporting 30 million tonnes of steel by 2005. At the same time, Chinese producers have been investing in new production facilities, in the period 2003-2005 increasing capacity at a rate of 30 per cent a year. Since the 1990s, Chinese share of world capacity has increased more than two times, to 25 per cent in 2006, and Chinese producers have become the world's third largest exporter just behind Japan and Russia.

Substitutes

Steel is a nineteenth-century technology, increasingly substituted for by other materials such as aluminium in cars, plastics and aluminium in packaging and ceramics and composites in many high-tech applications. Steel's own technological advances sometimes work to reduce need: thus steel cans have become about one-third thinner over the last few decades.

Buyer power

Key buyers for steel include the global car manufacturers, such as Ford, Toyota and Volkswagen, and leading can producers such as Crown Holdings, which makes one-third of all food cans produced in North America and Europe. Such companies buy in volume, coordinating purchases around the world. Car manufacturers are sophisticated users, often leading in the technological development of their materials.

Supplier power

The key raw material for steel producers is iron ore. The big three ore producers – CVRD, Rio Tinto and BHP Billiton – control 70 per cent of the international market. In 2005, iron ore producers exploited surging demand by increasing prices by 72 per cent; in 2006 they increased prices by 19 per cent.

Concentrated suppliers- Where just a few producers dominate supply, suppliers have more power over buyers. The iron ore industry is now concentrated in the hands of three main producers, leaving the steel companies, relatively fragmented, in a very weak negotiating position for this essential raw material.

Supplier competition threat- Suppliers have increased power where they are able to cut out buyers who are acting as middlemen. Thus steel industries have been able to negotiate tough contracts with different companies, governments as the rise of infra-construction & real estate industry has allowed them to create a direct route to customers. This is called forwards vertical integration, moving up closer to the ultimate customer.

Most organisations have many suppliers, so it is necessary to concentrate the analysis on the most important ones or types. If their power is high, suppliers can capture all their buyers' own potential profits simply by raising their prices.

Competitive rivalry

These wider competitive forces imply direct competitive rivalry between an organisation and its most immediate rivals. Thus low barriers to entry increase the number of rivals; powerful buyers with low switching costs force their suppliers to high rivalry in order to offer the best deals. The more competitive rivalry there is, the worse it is for incumbents within the industry.

Competitive rivals are organisations with similar products and services aimed at the same customer group (i. e. not substitutes). In the European Steel industry, Tata-Corus are rivals for Arcelor Mittal, As well as the influence of the four previous forces, there are a number of additional factors directly affecting the degree of competitive rivalry in an industry or sector:

Conclusion

By examining trends in the wider (macro) environment it is possible to identify product and market opportunities. The need for sustainable construction presents many opportunities for ArcelorMittal to add value, and develop a competitive advantage. Using PESTLE analysis is an excellent tool to examine the macro environment and by linking this tool with future trends it is possible to develop products for future opportunities.

Thus PESTLE is a useful tool for ArcelorMittal to use. It makes sure that factors which may affect it in the future have been taken into account. It helps ArcelorMittal plan more sustainable development over the globe. It can be seen clearly that PEST analysis gives an organisation a clear advantage for the future by predicting changes in the external environment. This gives them the opportunity to prepare for the change and, for example in the event of a high economy, take full advantage and capitalise on this change. The number of macro-environmental factors is virtually unlimited. In practise, an organisation must prioritise and monitor those factors that influence its industry.

The future of the global steel industry is in the hands of its key players: the companies that produce the world's steel and the regulatory bodies that govern its trade. We are convinced that the industry has a real opportunity to undertake a radical transformation-one that will render it leaner, more efficient, and more profitable. This transformation will require shared insight and understanding, as well as a huge amount of vision, determination, and courage. It will also require strong leadership to implement bold new value

creation strategies. For the industry to develop in a positive direction, this is the work that must be done.