

<u>PESTEL Analysis</u>

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Subject: BMGT-RG

Year: FY MBA

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What is PESTEL Analysis?

A PESTEL analysis is an acronym for a tool used to identify the **macro (external) forces** facing an organisation.

The letters stand for **Political, Economic, Social, Technological, Environmental and Legal**. Depending on the organisation, it can be reduced to PEST or some areas can be added.

In marketing, before any kind of strategy or tactical plan can be implemented, it is fundamental to conduct a situational analysis. And the PESTEL forms part of that and should be repeated at regular stages to identify changes in the macro-environment. Organisations that successfully monitor and respond to changes in the macro-environment are able to differentiate from the competition and create a competitive advantage.



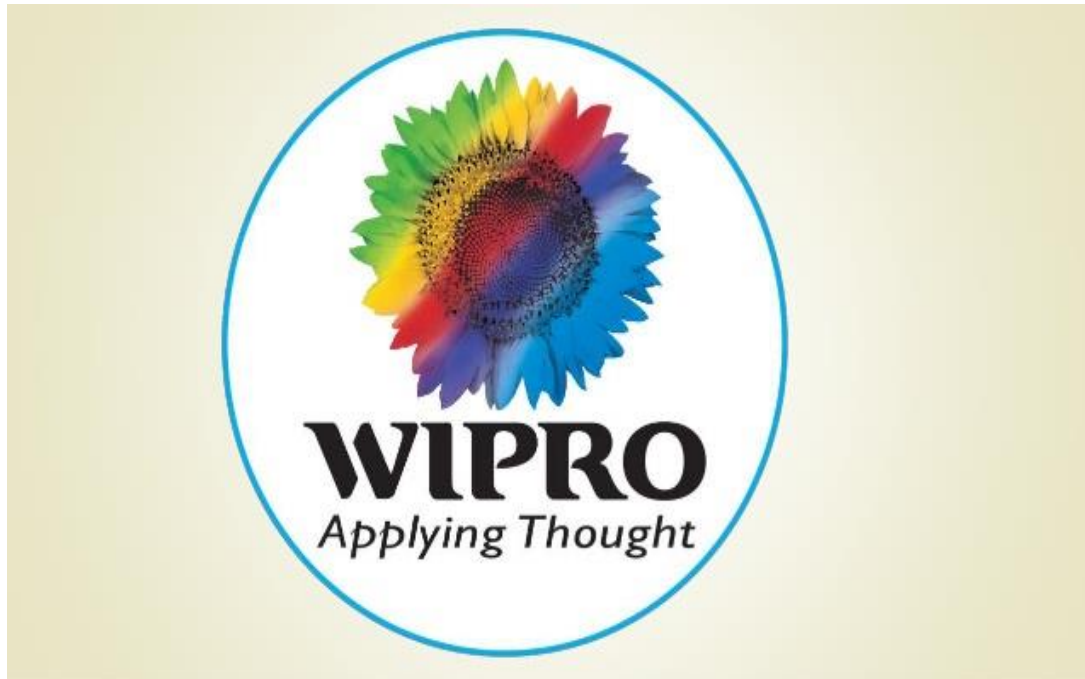
PESTEL Analysis of WIPRO

Western India palm Refined Oil Limited

PESTEL analysis provides great detail about operating challenges Wipro Limited will face in prevalent macro environment other than competitive forces. For example an Industry may be highly profitable with a strong growth trajectory but it won't be any good for Wipro Limited if it is situated in unstable political environment.

About WIPRO:

- Wipro Limited is a global company provider of comprehensive IT solutions and services, including Systems Integration, Consulting, Information Systems outsourcing, IT-enabled services, R&D services.
 - Wipro entered into the technology business in 1981 and has over 140,000 employees and clients across 54 countries.
 - IT revenues were at \$7.1 billion for the year ended 31 March 2015
- Wipro Limited is an Indian Information Technology Services corporation headquartered in Bangalore, India.



1. POLITICAL factors that impact WIPRO:

- Regulatory Practices - The regulatory practices are streamlined with global norms which have helped the country to improve its “ease of doing business” ranking.
- Role of Non-Government Organization, Civil Society & Protest Groups –Civil society groups are influential not only in policy making but also in building a society wide narrative.
- Government Regulations and Deregulations – The government is adhering to all the rules and regulations under World Trade Organization norms.
- Democracy & Other Democratic Institutions –Strengthening of democratic institution will foster greater transparency and reduce the level of corruption in the country.
- Political Governance System –Wipro Software can make strategies based on the stable political environment.
- Judiciary Independence – In the matter of commercial and business decisions, judiciary of the country is independent to a large extent. Business do face problem when the conflict is between public interest and proprietary technology.
- Role Local Governments Play – Local governments are highly influential in the policy making process and implementation as most of the policies and regulations are implemented by the local government.
- Segregation of Political Responsibilities between Different Government Agencies – There are numerous government agencies which reduces the risk of overwhelming pressure by one agency.

2. ECONOMIC Factors that impact WIPRO:

- GDP Trend & Rate of Economic Growth – The higher GDP growth rate signals growing demand in the economy. Wipro Software can leverage this trend by expanding its product range and targeting new customers.
- Financial Market Structure and Availability of Capital at Reasonable Rates – The quantitative easing policy of Federal Reserve has led to liquidity flooding all across the global financial markets.
- Level of Household Income and Savings Rate – Wipro Software needs to be careful about building marketing strategy that is dependent on “Purchase on Credit” consumer behaviour.
- Government Spending – The implication for Wipro Software is that it can boost sales of its product in short run but also expose Wipro Software to medium term forex and currency depreciation risks.
- Inflation Rate – The inflation rate can impact the demand of Wipro Software products.
- Employment Rate – If the employment rate is high then it will impact Wipro Software strategies in two ways – it will provide enough customers for Wipro Software products, and secondly it will make it expensive for Wipro Software to hire talented & skilful employees.
- Demand Shifts from Goods Economy to Service Economy – The share of services in the economy is constantly increasing compare to the share of manufacturing, goods, and agriculture sector.

3. SOCIAL Factors that impact WIPRO:

- Attitude towards Savings – culture of consumption and savings impact both type of consumption and magnitude of consumption.
- Immigration Policies and Level of Immigration – it will enable the Wipro Software to determine – if required can it hire talent globally to work in that particular market.
- Demographic Trend – The demographic trend is one of the key factors in demand forecasting of an economy. Wipro Software should consider demographic trends before new product developments and integrate features that cater to this segment.
- Birth Rate – Birth rate is also a good indicator of future demand.
- Power Structure in Society – Wipro Software should carefully analyse both - What is the power structure in the society? How it impacts the demand in the economy?

- Attitude towards Authority – Wipro Software should carefully analyse the attitude towards authority before launching a marketing campaign for its products and services.

- Level of Social Concerns & Awareness in Society – Higher level of social concerns in the society often result higher consumer activism and pressure from non-governmental organizations, & pressure groups.

- Attitude towards Leisure – Wipro Software should conduct an ethnographic research to understand both attitude towards leisure activities and choice of leisure activities. Experience economy is one of the fastest growing segments both among millennials and among baby-boomers.

4. Technological Factors that impact WIPRO:

- Empowerment of Supply Chain Partners – Wipro Software should analyse areas where technology can empower supply chain partners. This can help Wipro Software to bring in more transparency and make supply chain more flexible.

- Acceptance of Mobile Payments and Fintech Services –Wipro Software should assess what are preferred choice of mobile payments in local economy and chose the business model based on it.

- Level of Acceptance of Technology in the Society – Wipro Software has to figure out the level of technology acceptance in the society before launching new products.

- Intellectual Property Rights and Patents Protection – Before entering new market Wipro Software should focus on the environment for intellectual property rights.

- E-Commerce & Related Infrastructure Development – As E-Commerce is critical for Wipro Software business model. It should evaluate the e-commerce infrastructure, technology infrastructure etc. before entering a new market.

- Transparency & Digital Drive – Wipro Software can use digitalization of various processes to overcome corruption in the local economy.

- Technology transfer and licensing issues for Wipro Software – laws and culture of licensing of IPR and other digital assets should be analysed carefully so that Wipro Software can avoid shakedowns and IPR thefts.

5. Environmental Factors that impact WIPRO:

- Level of Consumer Activism Regarding Environmental Concerns – Wipro Software needs to know the level of consumer activism regarding environmental concerns is. It will help Wipro Software in both developing environmentally friendly products and thwarting PR stumble blocks.

- Waste Management – What is the policy of waste management in the prospective market and how Wipro Software can adhere to the waste management requirements in that market.

- Environmental Standards and Regulations both at National & Local Levels – Often the environment policy at national and local level can be different. This can help Wipro Software in numerous decisions such as plant location, product development, and pricing strategy.
- Influence of Climate Change – How climate change will impact Wipro Software business model and supply chain.
- Corporate Social Responsibilities Culture – Are Wipro Software present CSR efforts applicable in the new market or does it need to have new initiative to cater to the prospective market.
- Recycle Policies – What are the recycle policies in prospective market and how Wipro Software can adhere to those policies?

6. Legal Factors that impact WIPRO:

- Intellectual Property Rights Protection – Wipro Software should assess the level of protection that intellectual property rights get under the legal system of the country.
- Business Laws – Before entering into new market – Wipro Software has to assess what are the business laws and how they are different from home market.
- Consumer Protection Laws – Wipro Software needs to know what are the consumer laws, what is the rate of enforcement, what is the attitude of authorities towards consumer protection laws, and what is the role activist groups in enforcement of consumer protection laws.
- Transparency in Judiciary System & Processes – Transparency is essential for fair and consistent decision making. If the process is consistent and transparent then Wipro Software can plan ahead with greater conviction.
- Employment Laws – What are the employment laws in the country and are they consistent with the business model of Wipro Software.
- Data Protection Laws – Wipro Software needs to assess what are the data laws in the country and what it needs to do to comply with them.
- Laws regarding Monopoly and Restrictive Trade Practices – As a new player Wipro Software shouldn't be worried about the monopoly and restrictive trade practices law.