

# **Strategic Management**

**MG 5596**

**Macro Environment  
Analysis**

**Week 2**

**Dr. Ainurul Rosli**



**Nathan King**  
**Business Scale-Up Coach and Market Strategist**  
**Founder, AddVantage Strategy**

Nathan King, founder of AddVantage Strategy, is a dynamic business scale-up coach and strategic marketing consultant. Nathan aims to bring to life the strategic management theory, using real-world examples gained from eighteen years marketing and operations experience with the likes of GSK, Dairy Crest, PepsiCo, Danone and Britvic, together with over six years working with both international and SME clients across multiple sectors including food, healthcare, manufacturing, membership, software-as-a-service, technology and telecoms.

 <https://www.linkedin.com/in/nathanrjking/>



**Ainurul Rosli, PhD**  
**Director Business Engagement, BBS**  
**Reader Entrepreneurship and Enterprise**

Ainurul area of specialisation is strategy and entrepreneurship. She is an Entrepreneurial Mindset Practitioner (EMP) and an avid believer in the importance of university-industry-community interaction. She incorporates strategy, social innovation and entrepreneurial practice in her work and emphasises on the importance of a purposeful organisation that leads to value creation for the business. Co-creation, Impact, Value and ecosystem development have been key themes throughout her work. She is a founding director of GRITse (UK) and also Social Innovation Movement (Malaysia) that lead impact-driven social innovations through community development. Her experience incorporates innovation management and strategy development within the R&D telecommunication and higher education industries and consulting business.

 [www.linkedin.com/in/ainurulrosli](https://www.linkedin.com/in/ainurulrosli)

# AddVantage Strategy

## Meet The Team

**AddVantage is a growth planning and delivery partner for forward-thinking, ambitious SMEs.**

We're a team with a unique blend of skills across strategy, finance, research & marketing, each with over 20 years of hard-hitting commercial, multi-sector experience bringing a **fresh perspective for better decisions**.

### Nathan King



A dynamic business scale-up coach and strategic marketing consultant.

### David Milnes



An experienced and diligent business-to-business (B2B) qualitative research expert.

### Ivor Middleton



Qualified chartered management accountant and part-time finance director.

### Phil Gray



An expert in business-to-consumer (B2C) quantitative research.

For further background visit [www.addvantagestrategy.com](http://www.addvantagestrategy.com)

## **Recap:**

# **Strategy is about making Choices**

- 1.The central question of Strategy: Why do some firms outperform others?**
- 2.The concept of Strategy: Strategy is about making Choices, not goals.**
- 3.Three main choices: What? Who? How? The answer to these questions implies trade-offs: What not? Who not? How not?**

# Recap: Strategy is about making Choices

## MISSION

Why we exist

## VALUES

What we believe in  
and how we will behave

## VISION

What we want to be

## STRATEGY

-----  
What our competitive  
game plan will be

## BALANCED SCORECARD

How we will monitor  
and implement that plan

The **BASIC**  
**ELEMENTS**  
**of a Strategy**  
**Statement**

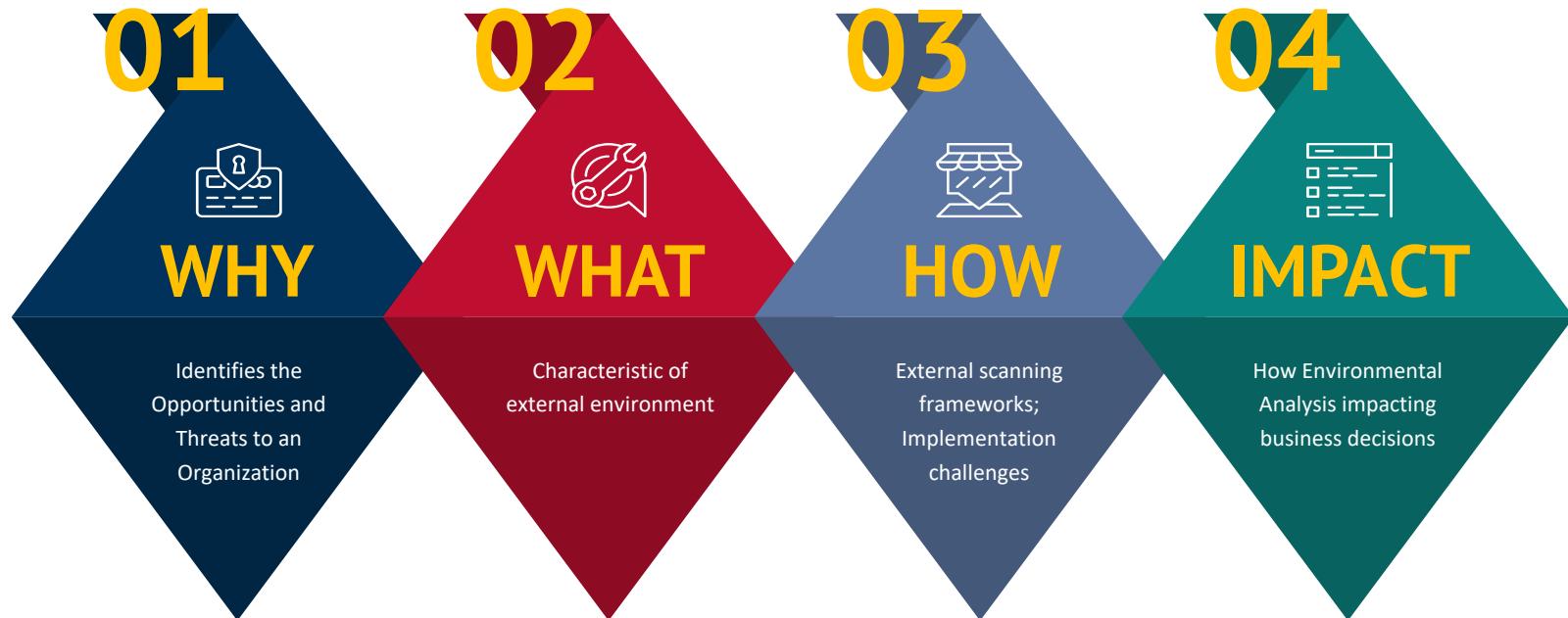
**OBJECTIVE** = Ends

**SCOPE** = Domain

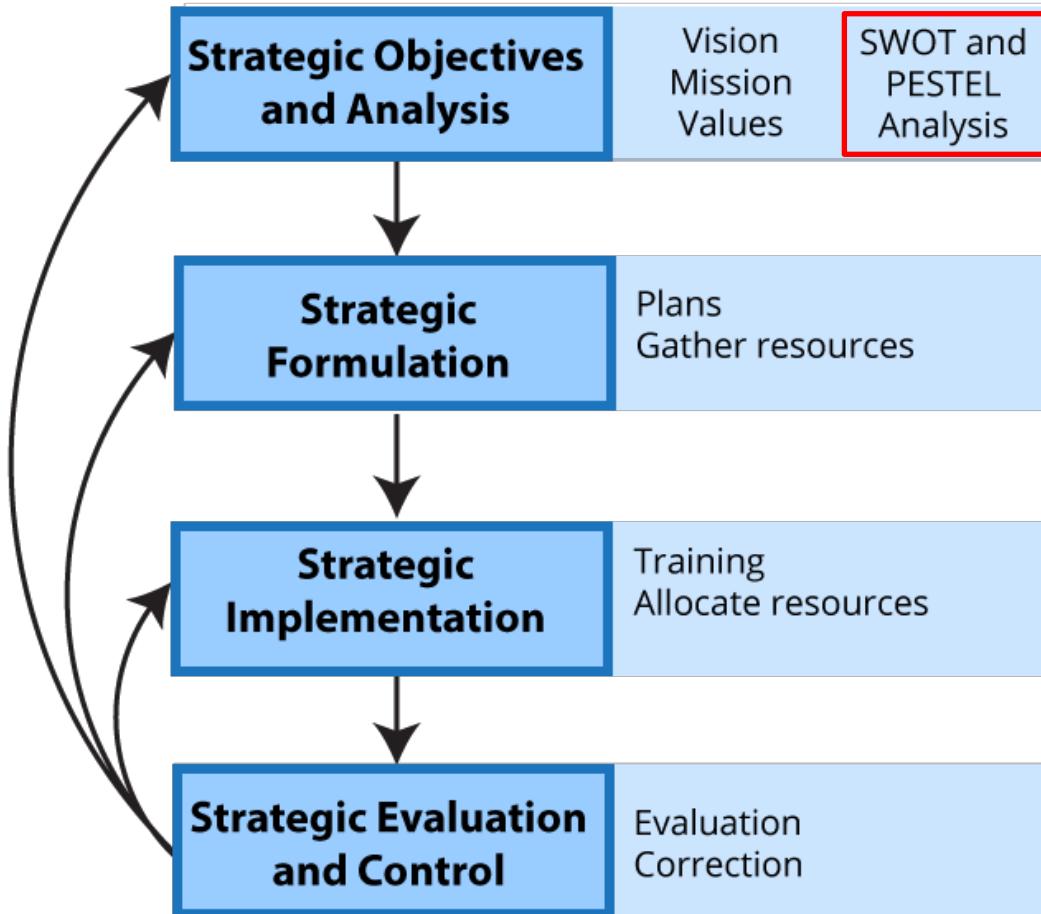
**ADVANTAGE** = Means

# Session 2: Learning Outcomes

Macro environmental Analysis



# Strategy Development Process



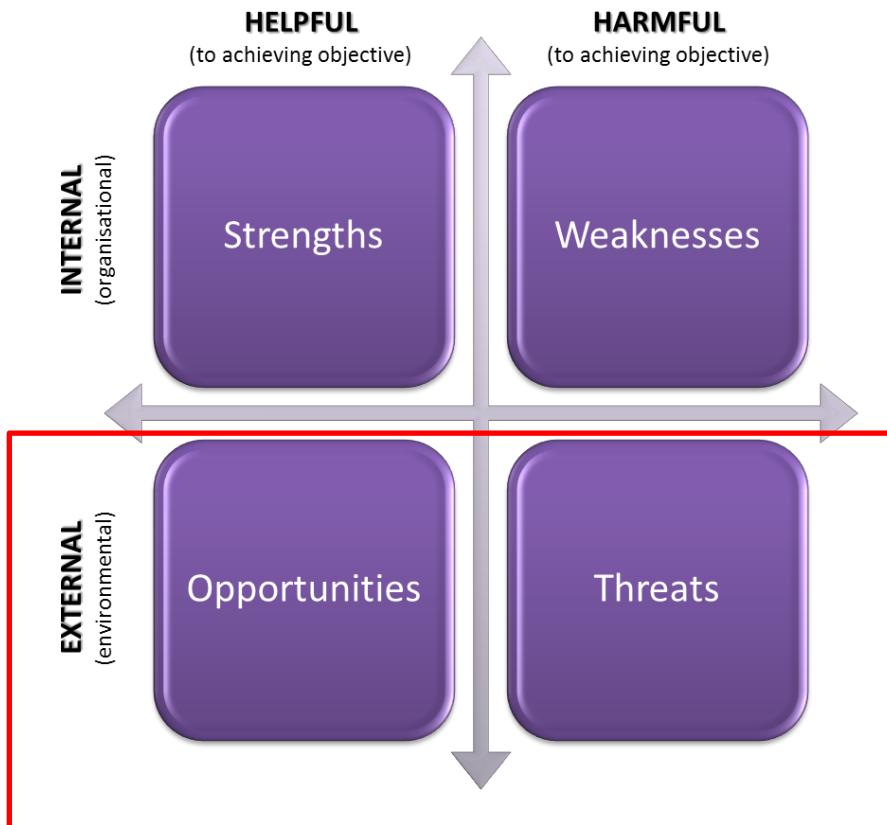


## WHY

Identifies the Opportunities and Threats to an Organisation

# WHY?

Identifies the Opportunities and Threats to an organisation.



# Macro-environment

PESTLE/  
STEPWISE

Scenario  
planning

## Micro-environment

5-forces

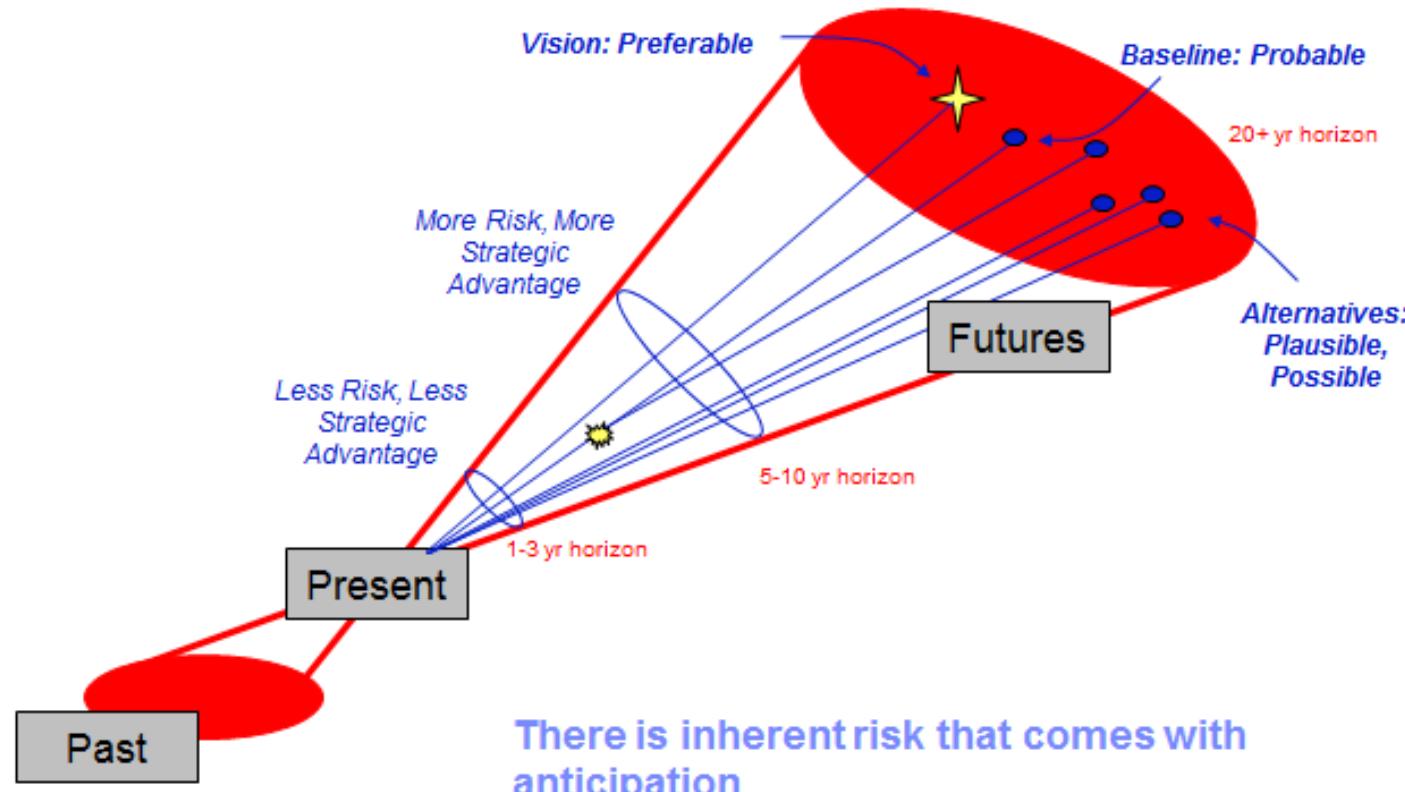
Strategic  
groups

## Internal environment

Value chain

Strategic capabilities-  
VRIN

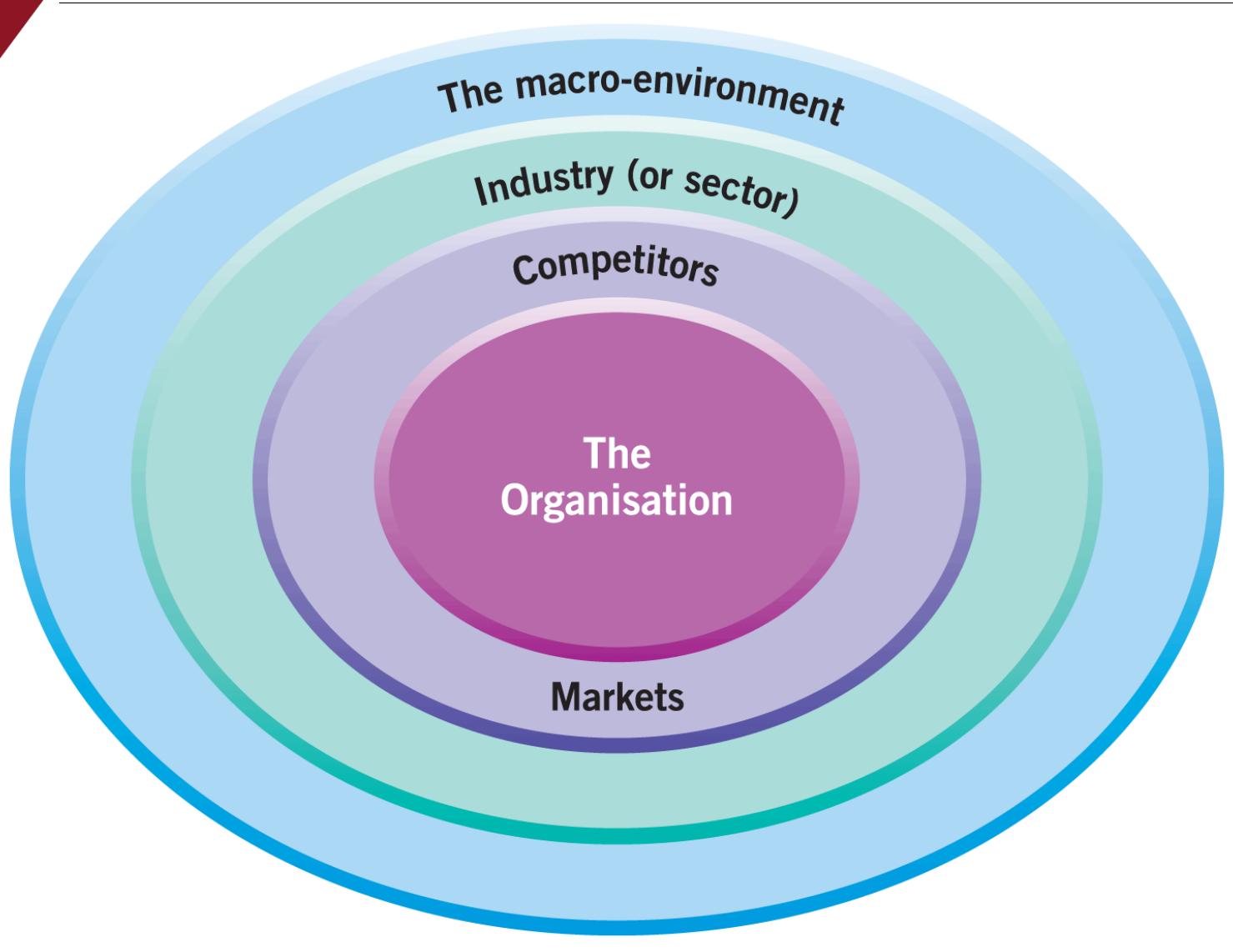
# Cone of Plausibility – Test Assumptions



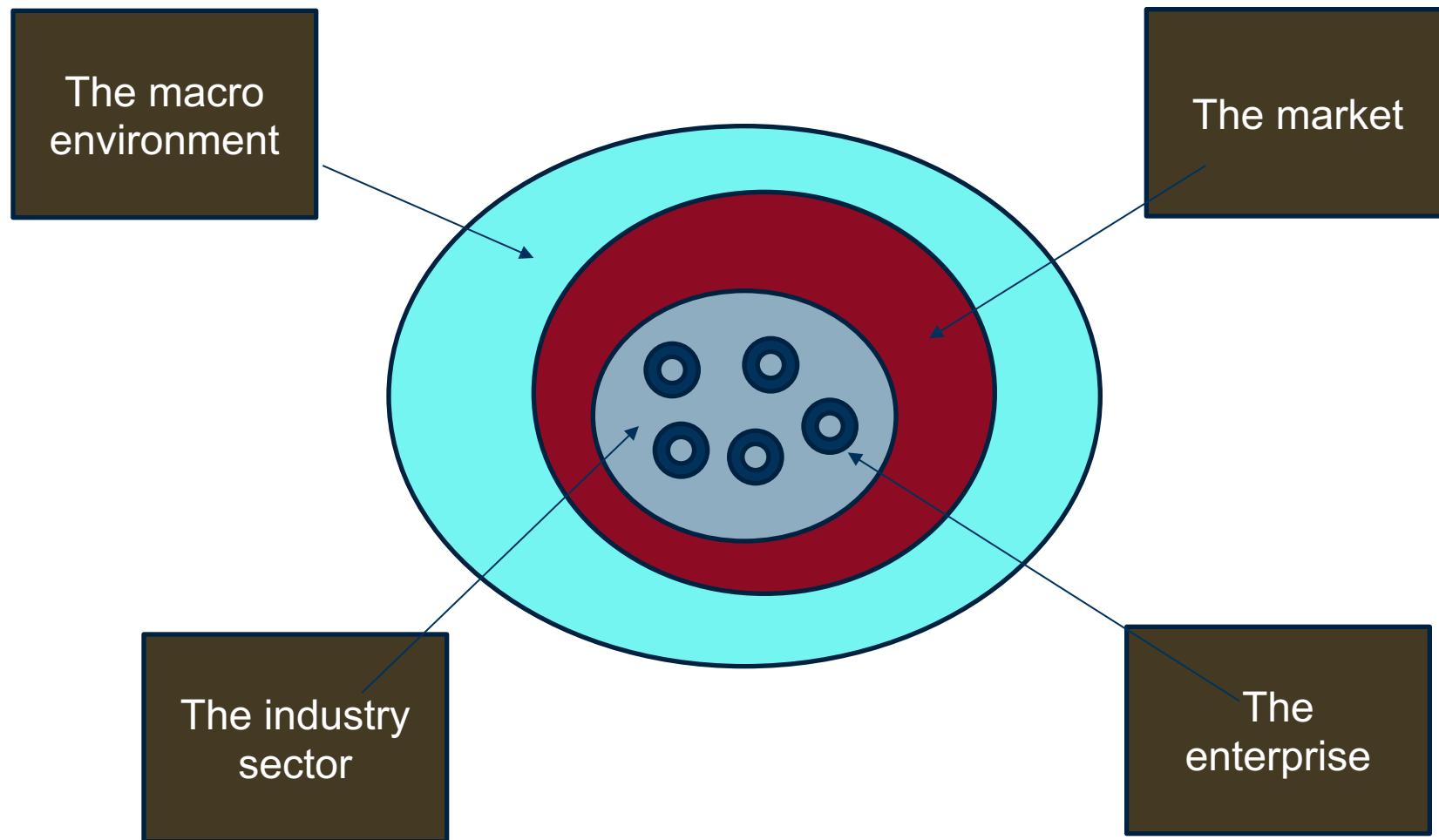
Source: Cody Clark



# What?



# The ‘Nested’ structure of the external environment



# External Environment Characteristics

22 January 2020

Environmental uncertainty: affects enterprises because of 3 main characteristics that vary in their degrees of severity.

1. **Complexity** (many & diverse influences).
2. **Dynamism** (rate of change of these influences).
3. **Hostility** (arising from direct threats & indirect influences).



Why is this a problem?  
**Vague, huge, complex, hard to grasp...**



**Analytical tools and concepts: PESTEL**



# Analytical Framework

## Macro environmental Analysis

PEST or PESTEL: commonly applied frameworks to identify issues and evaluate their possible implications for a particular enterprise.



- Political



- Economic



- Social



- Technological



- Environmental (ecological)



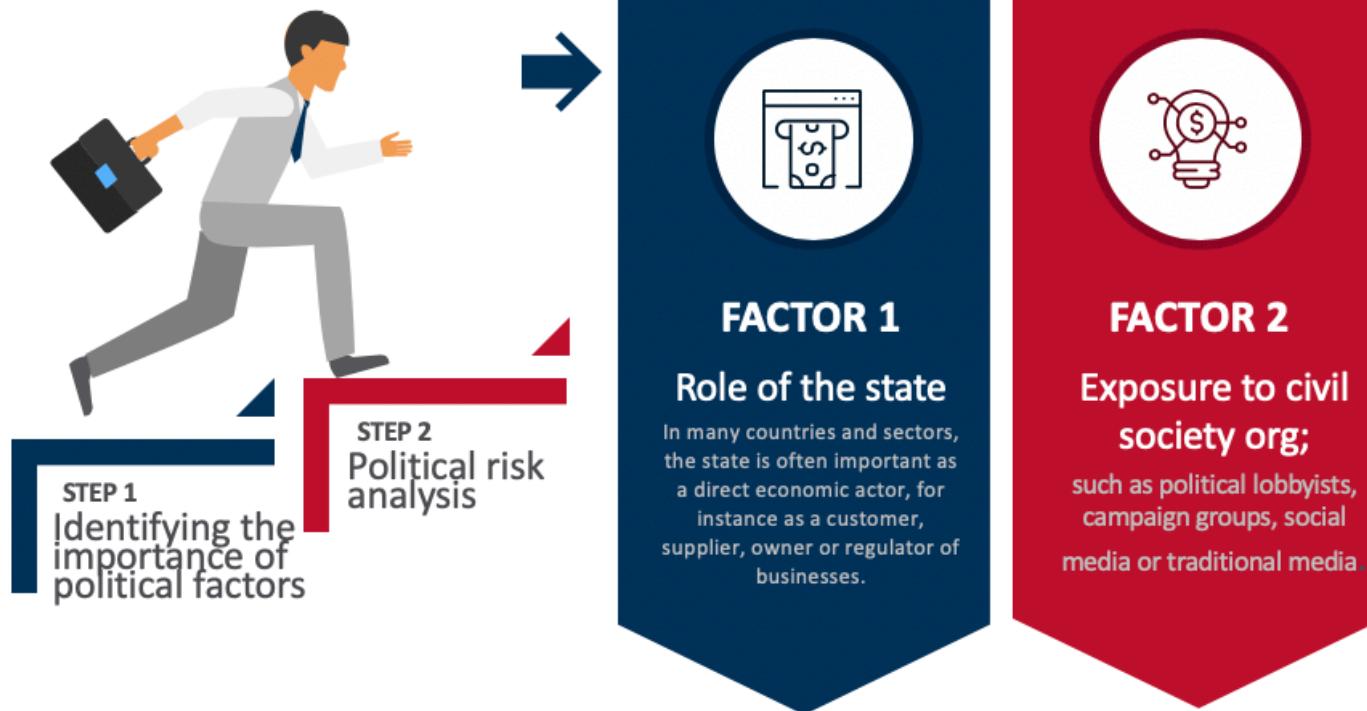
- Legal

# Analytical Framework & Worksheet: ScanStep©

- **Social**
- **Cultural**
- **Authority (legal and regulatory)**
- **Natural environmental**
- **Security**
- **Technological**
- **Economic**
- **Political**

# POLITICAL

The state and other political factors in the macro-environment.



# Political: Camelot



22 January 2020



National Lottery funding for good causes falls despite 'excess' Camelot profits

MPs are calling for the regulator to intervene as they claim profits are "well in excess" of what was originally envisaged.

By Greg Heffer, Political Reporter

Thursday 5 April 2018 10:50, UK

LOTTERY

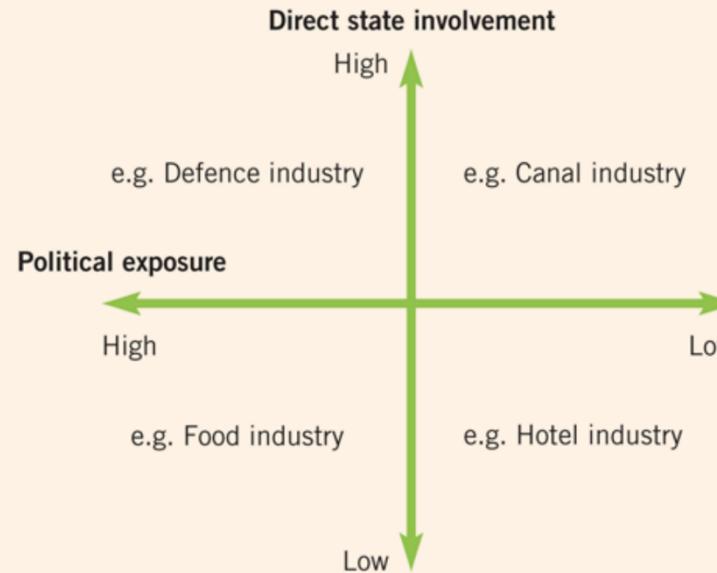
2020 will see a battle of titanic egos and high stakes take place, as the **UK Gambling Commission (UKGC)** launches its tender to operate the fourth National Lottery contract from 2023.

Monitoring early developments, UK media has branded the National Lottery tender as one of 2020's most intriguing business narratives, as incumbent Camelot defends its position against hostile competitors seeking to end its 25-year reign.

Source: SBC News – 25<sup>th</sup> November 2019

Source: Sky News – 5<sup>th</sup> April 2018

# Matrix of political factors



Facebook, Inc. Common Stock  
NASDAQ: FB



## Boeing: global grounding of 737 Max will cost company more than \$1bn

Plane-maker says it's abandoned 2019 financial outlook and halted share buybacks in mid-March as it deals with crisis



# POLITICAL FACTORS

Macro- Micro Dimension

Internal-External Dimension



<http://morlandcartoon.co.uk/the-times-cartoons/>

# ECONOMIC FACTORS

Macro-economic factors:

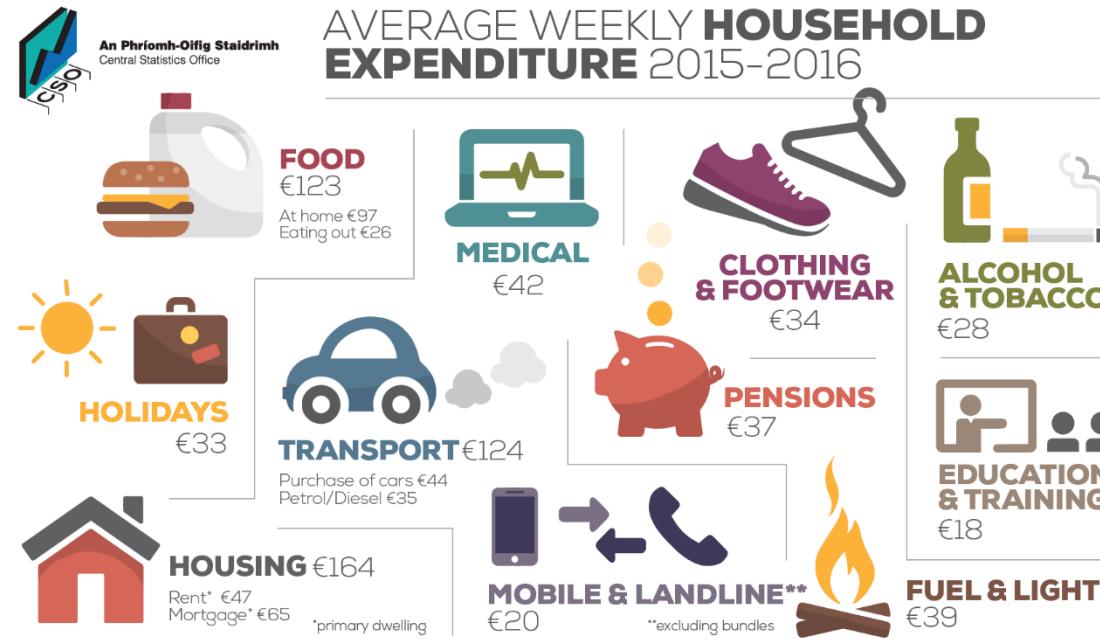
- Currency exchange rate
- Inflation
- Interest rates
- Fluctuating growth rates
- Prosperity of the economy as a whole
- A key concept for analysing macro-economic trends is the economic cycle (in contrast with economic shock)

# Cyclical vs Non-Cyclical

22 January 2020

After recession, companies increase stock. Economy grows. As stocks reach needed levels, economy slows down.

Driven by surge of investment in equipment. But as new equipment gets built, demand slows down. New surge will come when equipment wears down or technology changes.



# Economic: Leading Indicators?

22 January 2020

Source: *Economist* – 14<sup>th</sup> November 2019

# 2009

THE  
NEW YORKER

CURRENCY

## MOVIES REALLY ARE RECESSION-PROOF



By James Surowiecki January 5, 2009

f t v

Back in the fall, as it became clear just how deep this recession was going to be, there was a lot of talk that this time around, the entertainment industry, and in particular Hollywood, wasn't likely to be as "recession-proof" as it was reputed to be. (Box-office receipts rose in six of the last seven recessions, and the Depression, famously, was the heyday of movie

# 2018

27

BUSINESS

## Hollywood Assumes Crash Position: How "Recession Proof" Is Showbiz?

6:20 AM PST 12/18/2018 by Paul Bond

f t e



<https://www.theatlantic.com/ideas/archive/2019/08/millennials-are-screwed-recession/596728/>

# When times are bad women reach for the lippy says new study

22 January 2020

Lipstick sales reportedly soared following the 9/11 terrorist attacks, and in 2008 when the rest of the economy suffered record sales declines, cosmetics giant L'Oreal's figures revealed sales growth of 5.3 per cent.



The 'lipstick effect' was observed during periods of recession

# PESTLE: Social Factors

22 January 2020

Demographics

Wealth distribution (for ex., size of middle class)

Geography: innovation clusters, urbanization

# Social – Intergenerational Conflict

22 January 2020



The soaring cost of housing has created gaping inequalities and inflamed both generational and geographical divides. In 1990 a generation of baby-boomers, with a median age of 35, owned a third of America's real estate by value. In 2019 a similarly sized cohort of millennials, aged 31, owned just 4%. Young people's view that housing is out of reach—unless you have rich parents—helps explain their drift towards "millennial socialism". And homeowners of all ages who are trapped in declining places resent the windfall housing gains enjoyed in and around successful cities. In Britain areas with stagnant housing markets were more likely to vote for Brexit in 2016, even after accounting for differences in income and demography.

Source: *Economist* – 18<sup>th</sup> January 2020

# PESTLE: Technological factors

22 January 2020

R&D budgets

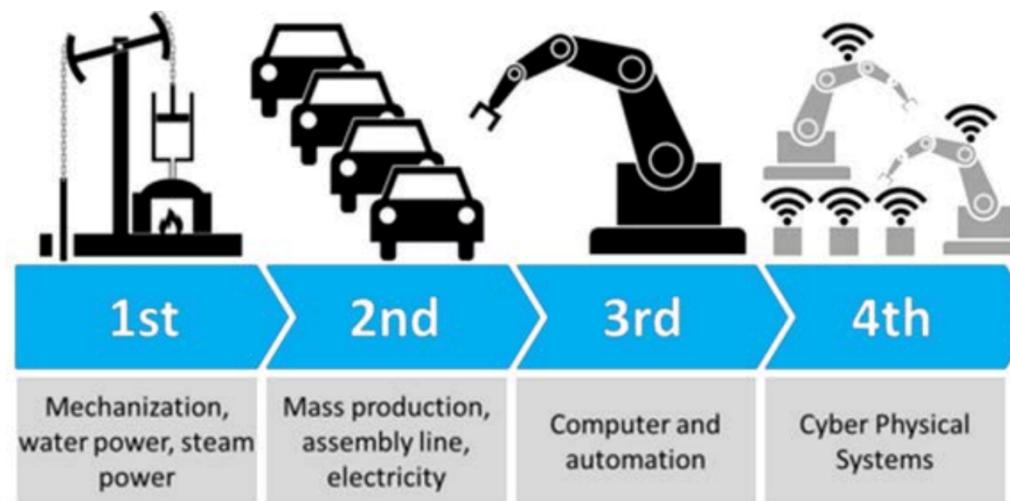
Patents

Citations

Conferences

New product announcements

Media

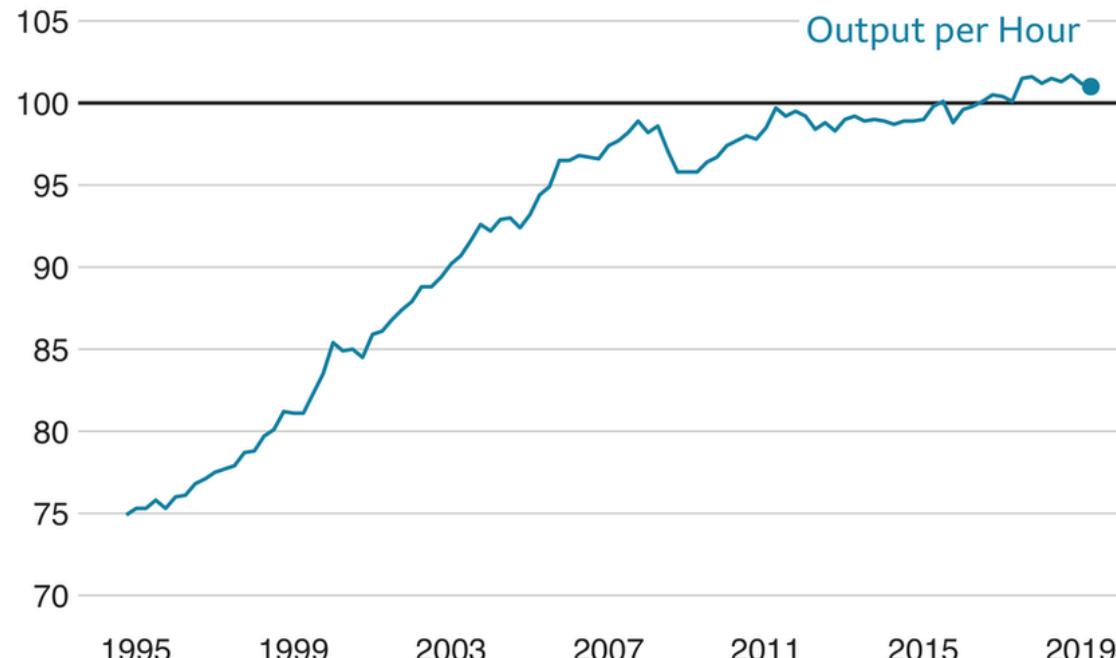


# Technology – Key to Productivity?

22 January 2020

**UK productivity has flatlined since the recession**

Index

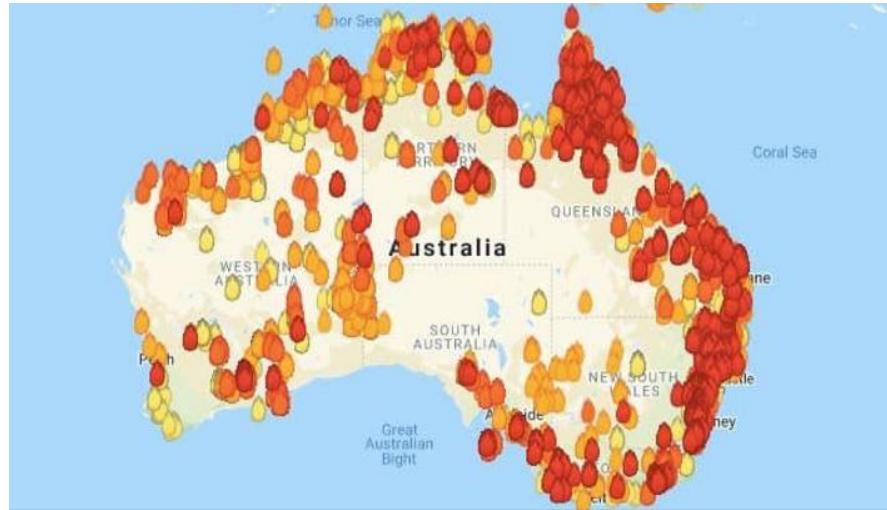


Source: Office for National Statistics

BBC

# PESTLE: Environment Factors

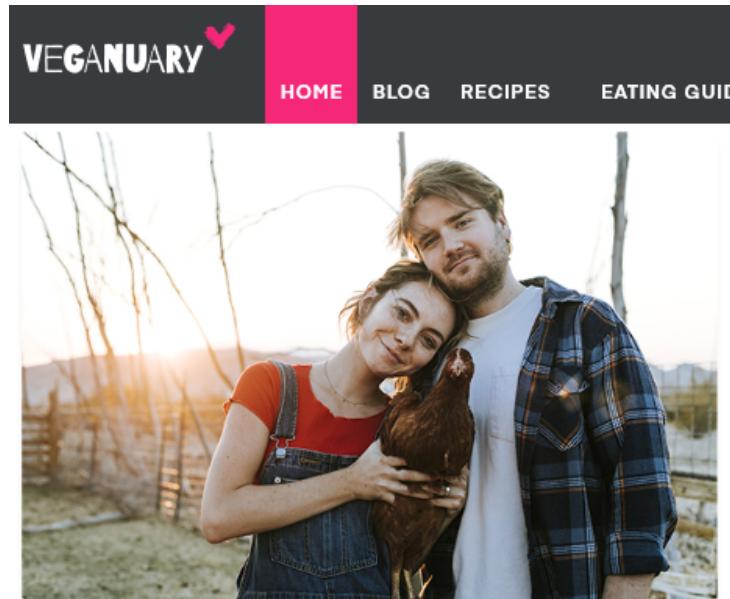
22 January 2020



## SUSTAINABLE DEVELOPMENT GOALS



# Environment (/ Social) – Rise of Veg



Sales of meat-free foods in UK to exceed £1.1bn by 2024  
– Mintel

Posted By: Jules Scully on: January 17, 2020 In: Food, Industries

[Print](#) [Email](#)

Almost a quarter (23%) of all new UK food product launches in 2019 were labelled as vegan, up from 17% in 2018, according to new figures from Mintel.

Sales of meat-free foods have grown 40% from £582 million in 2014 to an estimated £816 million in 2019. The market research firm predicts that sales are expected to be in excess of £1.1 billion by 2024.

The proportion of meat-eaters who have reduced or limited the amount of meat they consume has risen from 28% in 2017 to 39% in 2019.

Source: Veganuary.com – January 2020

Source: Foodbev.com – 17<sup>th</sup> January 2020

# PESTLE: Environment Factors

22 January 2020

BUSINESS

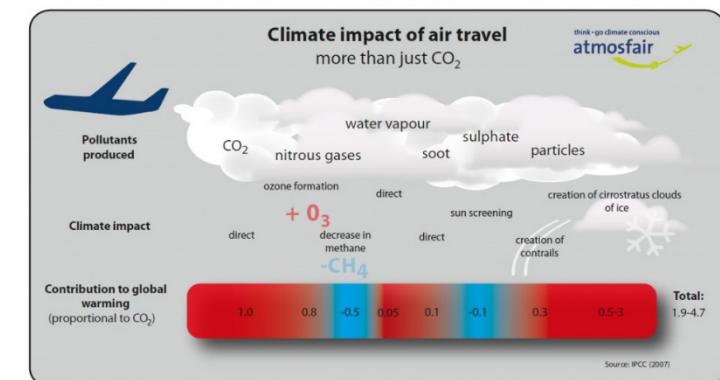
## Airbus To Stop Production Of A380 Superjumbo Jet

February 14, 2019 · 4:43 AM ET



the trend today is toward offering more direct flights using smaller aircraft,

The A380 “is an aircraft of a previous generation where fuel was not as big of an issue,”

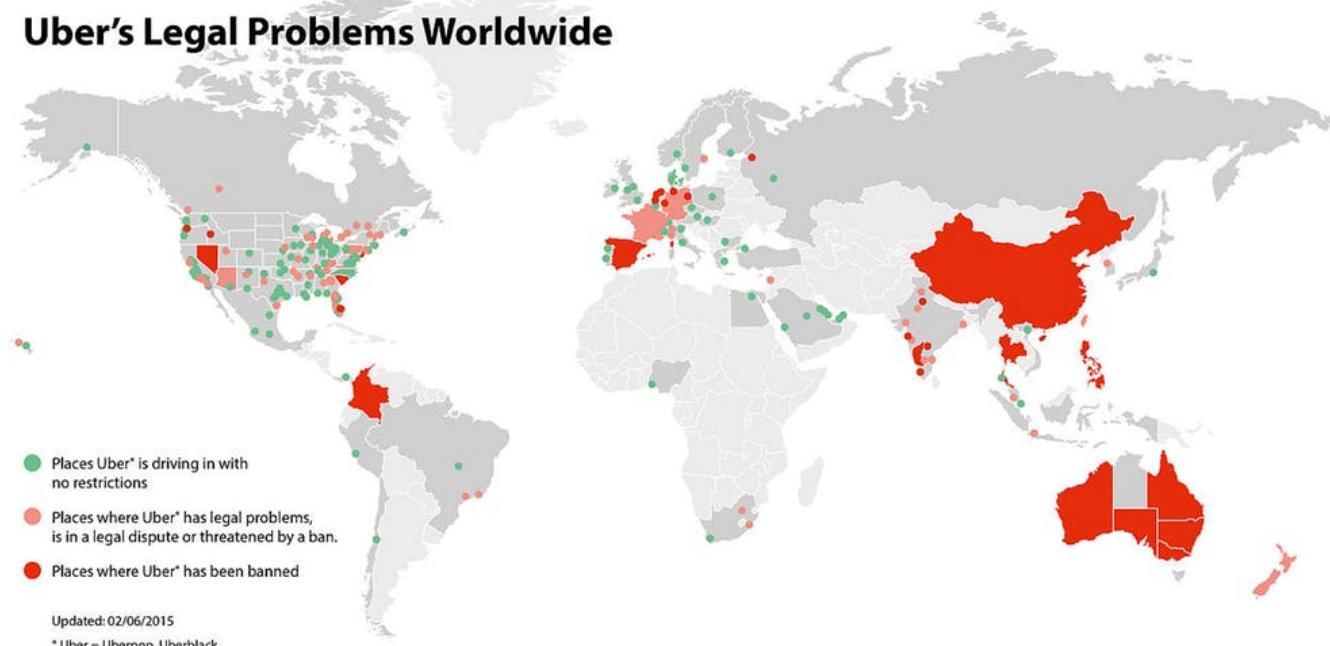


# PESTLE: Legal Factor

22 January 2020



## Uber's Legal Problems Worldwide



# Legal – Sport Salary Caps

22 January 2020

## Saracens relegation 'is most remarkable scandal in the domestic game'



By Tom Fordyce  
Chief sports writer

© 19 January 2020 | Rugby Union

Share



Billy Vunipola, Maro Itoje and Owen Farrell were all part of England's team at the 2019 World Cup

Source: BBC.com – 19<sup>th</sup> January 2020

04



## IMPACT

How Environmental  
Analysis impacting  
business decisions

# Using the PESTEL framework



**Megatrends** – large-scale changes that are slow to form but influence many other activities over decades to come. Examples include ageing populations and increased economic growth in Asia.

**Inflexion points** – when trends shift sharply upwards or downwards. E.g. sub-Saharan Africa may have reached an inflection point after decades of stagnation (and may embark on a period of rapid growth).

**Weak signals** – advanced signs of future trends that may help to identify inflection points – often unstructured and fragmented bits of information. E.g. mortgage failures in California in 2007 were a weak signal for the financial crisis that hit the global economy in 2008.

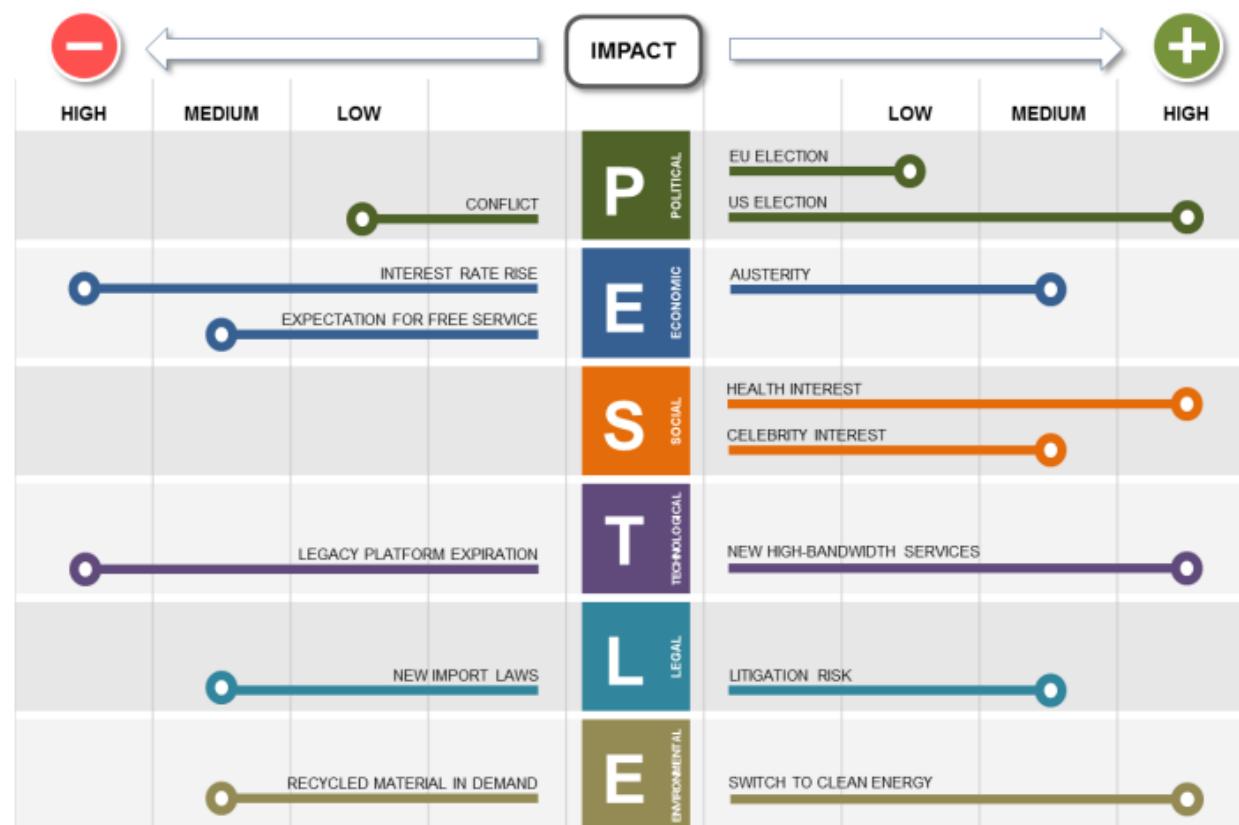
- The strength of ‘weak signals’, McKinsey Quarterly, Feb 2014
- Tech Trend Reports 2019, 12<sup>th</sup> Annual Addition



# PESTEL – Impact Assessment

22 January 2020

## PESTLE IMPACT MAP – POSITIVE & NEGATIVE



Source: Business-documents.co.uk

# PESTEL – High Impact Examples

22 January 2020



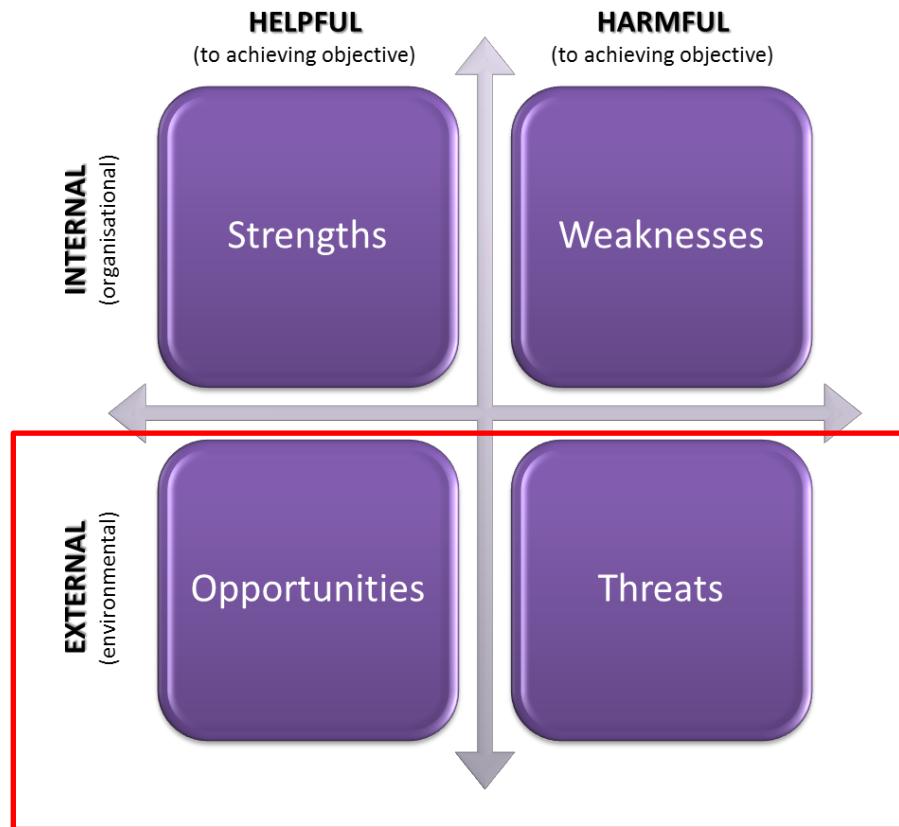
P POLITICAL	H		
E ECONOMIC			
S SOCIAL	H	H	H
T TECHNOLOGICAL			
L LEGAL			
E ENVIRONMENTAL		H	H



# WHY?

22 January 2020

Identifies the Opportunities and Threats to an organisation.

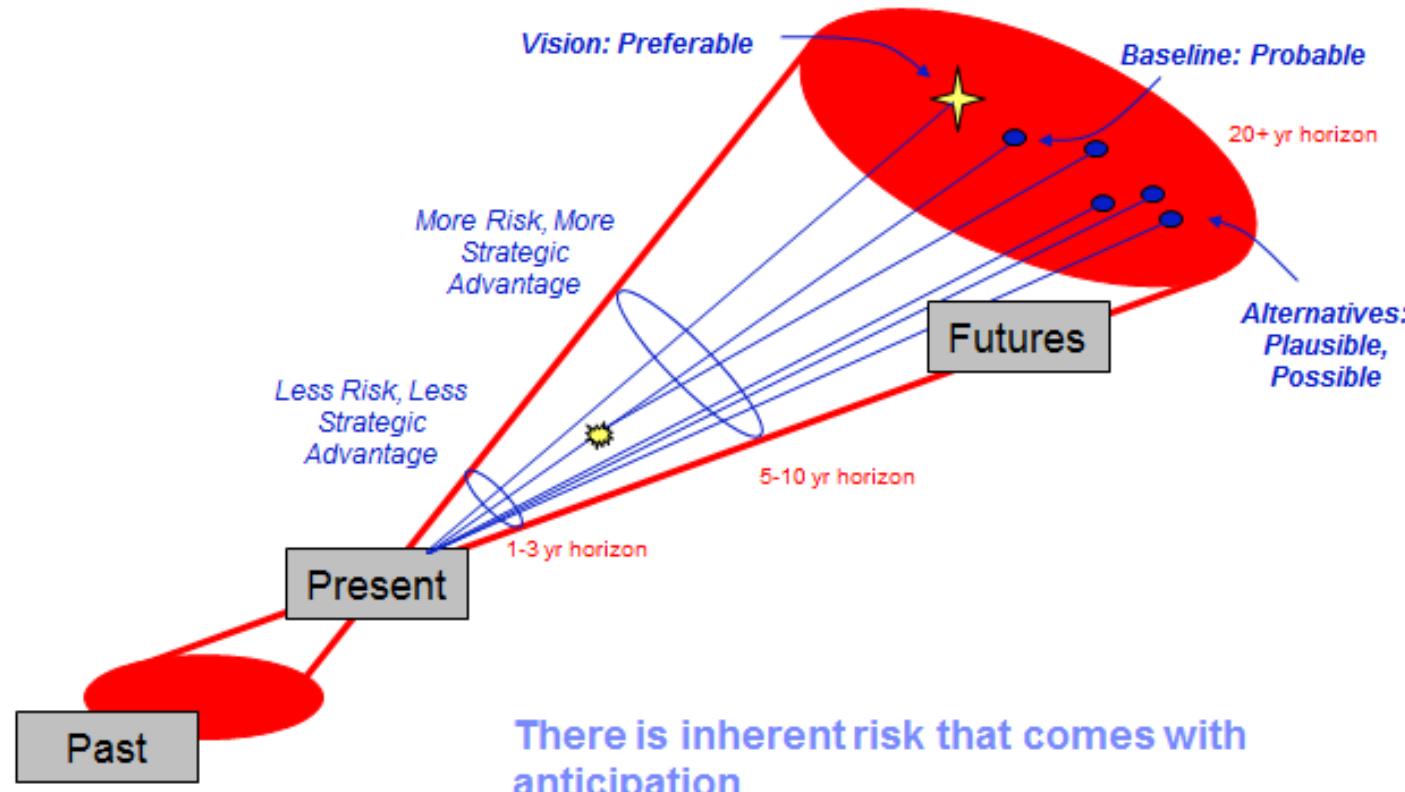


# Real World Implementation

22 January 2020



# Cone of Plausibility – Test Assumptions



Source: Cody Clark

# Next step

22 January 2020

- 1) Get into a group of 3 students
- 2) Select a company from a fashion industry.
- 3) Do a PESTLE analysis of that company
- 4) Share your analysis on PIAZZA



A close-up, slightly blurred portrait of a woman with long, dark, wavy hair. She is smiling broadly, showing her teeth, and her eyes are partially closed. The lighting is soft, creating a warm and friendly atmosphere.

*Thank you!*

[ainurul.rosli@brunel.ac.uk](mailto:ainurul.rosli@brunel.ac.uk)