

- **Subject: Economics of the Institution**

- **Level: First Year Common Core in Economic Sciences**

- **Academic Year: 2023/2024**

- **Environmental Analysis**

Environmental analysis is a strategic approach used to identify all internal and external factors that can affect a company's success. Internal components reveal the company's strengths and weaknesses, while external components represent opportunities and risks that exist outside the company.

High-level trends and factors are considered in environmental analysis. For example, interest rates and how they might affect company operations. These analyses can help companies achieve attractiveness in their markets.

- **Benefits of Environmental Analysis**

Environmental assessments help organizations discover potential impacts. These can pose a risk or an opportunity. This helps them anticipate changes in their environment.

Using environmental scanning has several advantages, including:

- Predicting the future
- Identifying threats and allowing the development of a response strategy
- Helping to achieve business goals
- Increasing organizational effectiveness

Environmental Analysis Tools

Environmental scanning is often used to assist companies. It is used before launching a new product or service. For example, scanning the landscape of competitors, customers, economic conditions, market conditions, etc. PESTEL is a common project management tool for conducting environmental scanning.

It refers to Political, Economic, Social, Technological, Environmental, and Legal factors. The different components of PESTEL analysis are listed alphabetically below.

- **Political**

Political issues refer to the level of government intervention in organizational operations. Key concerns include taxes, tariffs, regulations, elections, and political stability. For example, different political parties adopt divergent views on raising the minimum wage. Small businesses may be affected by elections.

- **Economic**

Companies in the United States first consider the general health of the U.S. economy. Growth, employment, inflation, and interest rates are just a few examples. Organizations operating outside the United States will focus on exchange rates.

For example, a startup company might assess the current state of the economy to determine whether it can survive. The company's long-term revenues and expenses are affected by economic conditions.

- **Social**

Age shifts, demographic changes, changing attitudes towards safety and health, customer preferences, and technological improvements are all examples of social challenges. For instance, 86 percent of young people use social media.

As a result of successful business strategies, millennials are likely to run promotional advertisements, especially on social media platforms.

- **Technology**

Technology includes research and development, robotics, automation, and any other type of technological advancement. New technologies are referred to as "technological disruption." They have the potential to significantly change the workforce of key competitors.

- **Environmental**

Climate change, weather, air quality, and natural disasters are examples of environmental factors. Changes in the environment threaten some industries more than others.

Farmers, for example, can watch the weather channel or read the farmer's almanac. Because pest control processing, irrigation schedule, planting dates, and fungicide use are all affected by weather.

- **Legal**

Legal factors include employment policies and health and safety. Customer safety and discrimination laws can affect a company's ability to operate. For example, Congress passed the Dodd-Frank Act in 2009. In the wake of the Great Recession, banks were subjected to stringent requirements to protect customers.

- **Environmental Analysis Techniques**

Environmental analysis techniques can be used by the company in several ways. But some are more frequent. The PESTLE study is the most commonly used tool for conducting a complete environmental analysis of a business or even an industry.

- **Macro Analysis**

This is basically an overview of corporate behavior. As we take a broad look at some macro issues that have a significant impact on the health of a particular company or industry, this study is used by managers and strategists to determine where their market is currently. It also helps assess the company's future position.

The PESTLE study examines several factors that have an impact on the business environment. It is a macroeconomic tool used to understand the external environment for a more comprehensive environmental analysis. Each letter in the abbreviation represents a different component. These factors can have a direct or indirect impact on any sector or organization.

- **SWOT Analysis**

SWOT analysis stands for Strengths, Weaknesses, Opportunities, and Threats. It is an organized list of these four points.

It is an analytical framework used to assess the company's competitive position and identifies the specific strengths, weaknesses, opportunities, and threats faced by the business.

It is considered an important basic evaluation model that measures what the business can and cannot do, as well as its potential opportunities and threats it faces in order to be able to take advantage of these opportunities, confront threats, correct weaknesses, and turn them into strengths.

Internal strengths and weaknesses of the company, such as: (operations, patents, competitive advantage, team, geographical location, product). They can change over time.

External opportunities and threats, such as: (suppliers, competitors, prices, market, new policies and regulations), those associated with the market, occur whether you like it or not, and you cannot change them.

SWOT analysis is used to assess the changing environment and respond proactively. Companies, especially new ones, should use it as part of the planning process. There is no one-size-fits-all approach, so this analysis method is suitable for all businesses, putting them on the right track. Therefore, we recommend holding a meeting at least once a quarter to review the business strategy through SWOT analysis.

- **How to conduct a SWOT analysis:**

For integrated and objective results, it is best to conduct a SWOT analysis by a group of people with different perspectives and skills. Management, sales, customer service, and even customers can contribute a correct vision. Moreover, the SWOT analysis process can be an opportunity to bring your team together and encourage them to participate and commit to your company's resulting strategy.

- **Porter's Five Forces**

Porter's Five Forces is a framework that helps analyze the level of competition within a particular industry. It is especially useful when starting a new business or when entering a new industrial sector. The model is named after Michael Porter, a professor at Harvard Business School who invented this model, and was published in his book "Competitive Strategy: Techniques for Analyzing Industries and Competitors" in 1980. According to this framework, competitive ability does not come from competitors alone. Instead, the state of competition in an industry depends on five basic forces:

1. Threat of new entrants
2. Bargaining power of suppliers
3. Bargaining power of buyers
4. Threat of substitute products or services
5. Rivalry among existing competitors

Porter's Five Forces model is widely used among different types of companies or factories to understand the factors that affect company profits, and can help in making specific decisions

whether to enter a specific field, increase capabilities within a particular industry, or develop competitive strategies. The industry life cycle is also taken into consideration, where the early stages are the most difficult, in addition to thinking about changing attributes.