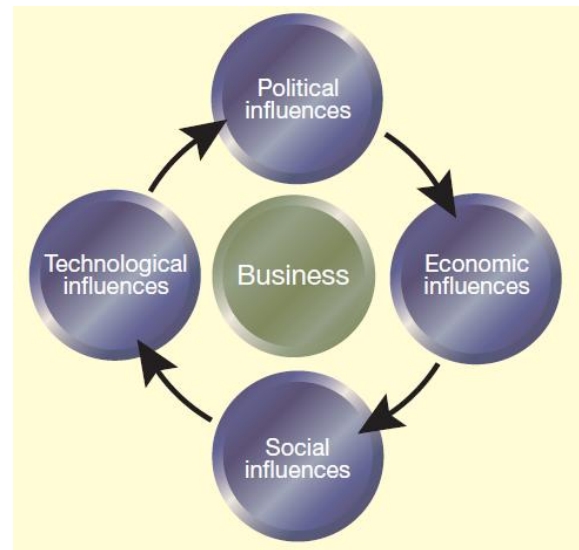




Economic influences - Logica

Businesses do not operate in isolation. They are constantly faced with internal and external factors that impact on the dynamics of their operations. Monitoring the external environment is vital to identify changes that could affect the business operations. Being able to address and adapt to these changes ensures the longer term survival of the business. Logica is an innovative IT services organisation that brings people, business and technologies together. Logica employs more than 41,000 people and has clients around the world in a variety of industries including automotive, oil and gas and manufacturing. Logica's services aim to add value for clients through, for example, improving efficiency and productivity or reducing waste. Logica monitors its external environment using PEST analysis. This is a structured business tool that looks at the political, economic, social and technological influences affecting a business. By auditing and monitoring these influences, Logica can be proactive in ensuring it remains competitive by adapting its own business and by generating innovative and unique solutions for its clients.



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Economic factors change rapidly and are sometimes difficult to predict. The global economic recession has affected how most firms conduct business, perhaps by looking for cost-savings or reducing waste. As businesses focus on areas where efficiencies can be made, some might choose to outsource functions to reduce costs, rather than employing people with specialist skills. This has created increased demand for outsourced services such as those Logica offers. Logica's employees have the specialist IT skills required to offer businesses of all types efficient and effective ways to manage systems and processes. Logica was selected by BAE Systems, the global defence and security company, to provide a Human Resources outsourcing service for its employees within the UK. Logica works with BAE to increase the effectiveness of its systems and to enhance the efficiency of its operations. This improves how BAE engages with its employees to maximise their potential. This also helps BAE to reduce its costs and focus on growth.

The recession in the UK has also heightened the need for the government to cut spending. One example of this is the government's commitment to achieving savings through the better use of its technologies. As a result Logica has been awarded a 10-year outsourcing contract with the Serious Organised Crime Agency. During this contract Logica will manage the Agency's information and communication technologies and related services. This creates efficiencies by bringing together data centres and networks, whilst helping the Agency to exploit intelligence and case management more effectively through an integrated system. Similarly, Logica's services have helped Transport Scotland to put together the largest ticketing scheme in the world. This has involved the installation of new electronic ticket machines on 7,000 buses and 200 bus operator sites. The system processes over 12 million journeys every month and delivers cost-savings in terms of employee time.

Questions

1. What does PEST stand for?

2. What is meant by the 'external environment'?

3. Explain why PEST analysis is used by firms.

4. Analyse how a recession may lead to more firms outsourcing services to organisations like Logica.

Task

Some businesses suffer during a recession, whereas other firms are able to benefit from a poor economic climate. Carry out some research then write a brief report which outlines the types of businesses that are likely to suffer during a recession and the types of businesses that may be able to exploit one. For example...shoe shops might suffer but shoe repairers may do better. In each case, explain why.

What have you learned?

Create a summary circle of your learning from today's session.