

## Political 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'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.

Business decisions may be influenced by political factors. For example, recent public sector budget cuts by the UK government and increased university fees are affecting the education sector. For students this has meant making key decisions about how they intend to pursue their careers. This in turn has meant that academic providers need to review how they will meet the challenges of generating income. Logica identified that these changes in the educational landscape could have an impact on the number of potential employees with the skills and competencies that it requires. For example, it had to consider the affordability of higher education for students and how this could influence long-term development opportunities within the company. The increasing cost of becoming a student may restrict the social mobility of talented individuals and they may then need to consider alternative routes to gaining qualifications and experience. Logica has therefore reviewed its workforce planning. It has now engaged in strategies to ensure it has enough workers with the right skills both now and in the future. To address the changes in the educational landscape, Logica has introduced apprenticeships and enhanced its graduate scheme. Logica has embraced the strategy of direct training as it provides the company with a new pool of talent, with the focus on individuals who have decided to specialise in IT or Computer Science. This is why Logica has embarked on creating Level 3 Apprenticeships in 2012. This widens the range of talented young people that Logica needs and supports the organisation's long-term commitment to career development of its employees. Also, in 2007 Logica launched a three-year sponsored degree programme with the University of Winchester. The degree programmes BA (Hons) Business Management and BA (Hons) Business Management with IT attract applications from students throughout the UK. These degrees allow students to combine academic study with on-the-job learning. Students spend one day a week studying on campus and four days a week working at Logica. Logica pays the course fees as well as offering students an attractive salary from day one. Upon graduation they can further develop their professional career within Logica.



As part of its sustainable focus, Logica has also responded quickly to government initiatives on climate change and reducing emissions. For example, it has been involved in the government's new Cycle Hire Scheme in London. It secured the contract for the major IT components with Serco, the contractor responsible for designing, building and operating the system. Logica's role is central and focuses on the design and build of the simple-to-use payment system. This is supported by a back office function.

## Questions

1. What does PEST stand for?

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2. Describe the 'external environment'.

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3. Explain why PEST analysis is used by firms.

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4. Evaluate whether government policy changes are always bad for firms like Logica.

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## Task

Research – carry out some research to find out other ways that political factors have affected businesses in the last year. The following points may help:

- Look at the last budget – what changes occurred that have either positively or negatively affected firms
- Research any policy changes that have recently happened or are about to happen. Which types of businesses are likely to be pleased by the changes and which are likely to be challenged by them.

## What have you learned?

*Mind the gap* - write a paragraph about political factors but leave some gaps in the text where some of the key terms should go. Swap with a partner and try to fill the gaps.