

# PESTEL ANALYSIS- AN EFFECTIVE TOOL FOR RELOCATING THE BUSINESS- A CASE STUDY OF KNOWLEDGE WORKZ LTD-SMU GHANA

## Abstract

Life cycle is a universal truth for humans, product & even services. Telegram services, manual typewriting machine, manual thermometer are few examples which will substantiate the above statement. Sometimes, an entrepreneur witnesses an unexpected & premature decline or death stage of its life cycle which forces him to devise some strategy which could bring the turnaround & put it again on the growth stage. There are instances when one or more factors like political turmoil, war, sanctions, and economic situations leaves well established businessmen in a situation of Hobson's choice to leave the country & look for any other opportunity in some other countries.

A noticeable number of business and big corporate establishments have faced it in Lankan crisis & recently ongoing Russian War. One such well-established business house in Nigeria faced turmoil in the year 1999 when there was a coup. The present paper is a case study of the same group written in two parts. The first part which would explain the sudden death of the business in its life cycle & the entrepreneurs attempt to use PESTEL analysis to identify new opportunity & relocate to the nearby country Ghana. The institution found its growth stage in quickest possible time with the help of proper PESTEL analysis, a well-crafted unique business idea & a well suited sales proposition.

The content developed is solely based on my extensive structured interview with the Rector of the institute who worked with the group & my own experience of working with the institution from 2016-2019. The journey of the institution since its inception will be a reflection to the readers that PESTEL analysis is an

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effective and useful tool in exploring business idea which can help at the death stage of any company or product in relocating the business. It also establishes that the Turnaround Strategy is not by chance but a critical & carefully done PESTEL analysis & well devised action plan.

**Keywords:** Life cycle, turnaround strategy, PESTEL analysis, Political turmoil, Growth stage

## I. INTRODUCTION

Mr. Deo (name changed), an Indian, first generation entrepreneur, educated & ambitious was doing pretty good in his trading, mining & paper business in Nigeria for a decade having a consistent & growing net worth with high reserves and surpluses. His business was growing roughly at 12-14% pa & he was very much successful in keeping his businesses on growth stage of his business cycle. It was in the year 1997 when the country witnessed the worst political instability due to coup in the country. Many businesses were forced to wind up for their safety & relocate in any neighboring country. It was a difficult task to be planned & implemented in a very short notice. Liquidation of assets, recovery of debt, exploration of a new venture and a new country was not that easy but safety of the family brought Mr. Deo to a Hobson's choice & he was determined to leave the country in the shortest possible time. As a student, he had read about idea generation techniques to explore new idea & a venture centered on it. He had also discussed cases related to various companies adopting various turnaround strategies. That knowledge brought a smile on his face & he decided to apply the knowledge to reshape his business future.

## II. LITERATURE REVIEW

Macro environment of a company that consists of the political, economic, socio-cultural, technologic. Ecologic, legal factors (Eren, 2002) directly or indirectly affect the operation of the company (Ulgen & Mirze, 2007). Developing a suitable & sustainable competitive advantage by identifying opportunities and threats require careful & comprehensive environmental analysis. PESTEL Analysis has not only been used for strategic analysis since long. Rather it has also been used in different fields which have not been highlighted. The trend to use it in other field has increased in recent past. (Katko,2006; Richardson, 2006; Shelei & yong,2009) Two important functions of PESTEL have been utilized by the entrepreneur in present study. First, it allows identifying the environment within which the company has to operate and second, it helps to extract information that will help the entrepreneur to predict the situation that it may encounter in future.

Turnaround plans necessitate improved market analysis by organizations in order to take risky decisions that result in organizational healing (Morrow, JR., Sirmon, Hitt, & Holcomb, 2007). Understanding the company strategy during an emergency involves financial managers to understand the underlying cause of drop, turnaround practices, and the necessary reactions to the drop, because turnaround strategies should rely on the origin of downturn and the requirement to recognize both the company's internal and external issues (Kazozcu, 2011; Santana, Valle, & Galan, 2018).

Most businesses will experience economic downturns and poor productivity at some point throughout their organizational life cycle. Different industries undergo the downfall and adopt a turnover strategy due to different reasons. The creative industry faces gradual losses due to the decline in earnings by the core artists. The financial industry adopts a turnover strategy due to the fluctuations in economic situations. The travel industry is a fast-paced industry which requires the utmost attention to the customer's expectations and if not done properly, this might lead to the situation where either the firm has to liquidate or adopt a turnaround strategy. Failure of manufacturing firms is happening due to its internal problems

and inefficiencies like no control over cost, lack of training of staff and delay in technology advancements. Effective turnaround plans focus on the reasons of failure and remedies that are tailored to specific circumstances (Rasheed 2005).

In Assam, research was carried out to investigate various micro-level difficulties associated with the illness of creative industries such as the brass and bell metal industries. The researcher (Sahay, 2015) suggested revitalization through the application of suitable technology, product design and diversity, the use of current tools and equipment, and paper training for craftsmen.

Banking activities are constantly subject to the business cycle. As a result, banks frequently develop a turnaround strategy to maintain banking expansion amid changes in business cycles, which frequently occur during transformations in a country's economic position or law. A research conducted by (Munir , Muda, & Bustamam, 2018) examined 250 banking organizations, of which 122 used a process-oriented turnaround approach focused on cost savings, asset retrenchment, core operations, and activity build-up. According to a study conducted by (UKAIDI, 2016), implementing a turnaround plan in manufacturing enterprises will boost corporate performance in the future. When a company strives to reduce expenses and assets while also attempting to produce income, it will have a better profit, a higher return on investment, and a higher return on equity.

The travel industry needs effective management and departmental collaboration. Air India's failure is linked to its employees and strategies. According to a study by (Agrawal, Sherchan, & Aggarwal, 2020), there is a need for greater talent, staff training, repositioning of the company by renovating or restructuring , and continuously working itself to adapt to the changes occurring in the rest of the industry.

Under turnaround techniques for small business owners suffering a downturn in performance, small business owners assess the decision between expansion and retrenchment. His findings show that when their perceptions of resource availability and prior financial performance are both strong, these contractors adopt a growth approach. This suggests that small business owners/managers stay aggressive in the face of adversity Rasheed (2005) Quality management, lower cost, efficiency improvements, and R&D investment are all acknowledged turnaround tactics for improving operational efficiency (Collett et al. 2014; Trahms et al. 2013). Organizational reshuffle, staff reduction, dissemination of information, and culture construction are the strategic alternatives suggested in the field of top leadership and HRM to assist firms during a falling circumstance and to place them on a journey of fixation and expansion (Pajunen 2005).

**1. Pestel Analysis as a Tool:** Mr. Deo was having a cup of tea with only newspaper in his hand. He was worried due to the locked finance & inability to liquidate the assets in short notice. The first criteria in his relocation plan were not to employ resources in fixed assets & outstanding. It was then his eyes stuck on news that stated “World Bank was funding for IT education in Africa”. An immediate comparison flashed in his mind & he took minutes to conclude that Education line has least amount of fixed capital requirement with least amount of receivables in comparison to his earlier businesses.

Africa consists of East, West, and North, South. Each zone had its advantages and disadvantages. Comparing different zones for its advantages and disadvantages, Ghana in West Africa was found to be very stable, high literacy rate, democratic & culturally influenced by UK. It was the first country in sub-Saharan Africa to get its independence from European colonial rule in 1957. It was earlier Gold Coast but later named Ghana.

Though Ghana was 8<sup>th</sup> richest country amongst top 10 countries in Africa, the difference in per capita GDP was very high with Ghana (US\$1800 & Nigeria US\$5600) in 1999. Nigeria's GDP is more than seven times the GDP of Ghana in 2021 where as the difference was 14 times in 1999. Despite these facts, out of options like Egypt, south Africa, Algeria, morocco, Kenya, Ethiopia & Ghana, Mr. Deo opted for GHANA mainly for following reasons:

- Mauritius & Ghana were the safest countries in Africa
- While Ghana was put into the bracket of least developed country but rated as the fastest growing economies in Africa.
- Political stability
- English speaking country with high literacy rate

Accra, the capital of Ghana was more or less final as the city for relocation. However Education domain as the new venture needed little more review as narrated by Mr. Abhishekh.

A visit was planned for Accra to meet few of the established and reputed Ghanaian & following crucial findings were noted from a formal interviews with many people:

- The constitution of Ghana, in the year 1992 had made few general guidelines & provisions related to education in particular for higher education. The utmost attractive provision in higher education was that the same was to made accessible to all, on the basis of capacity, in particular by progressive introduction of free education (Augustine, 2009) . This provision started attracting many investors to the country who were willing to setup educational institutions.
- High population growth during 1960-1990 was another attracting point that substantiated the need for the higher education & the proposition to opt for Accra, Ghana for relocation. The nations' population grew from 3.6 million in 1960 to over 25 million in the 1990s.
- Looking at Legal, institutional & regulatory reforms that government was planning to introduce backed by greater emphasis on TVET (Technical, Vocational Education & Training) Reforms, Mr. Deo was confident that Accra, Ghana will transform to be an educational hub in coming decade.
- While talking to local Ghanaians & Lebanese businessmen, it was found that Indians are most preferred expatriates for employment & they are considered world class IT Experts. Ghanaian government also offered very lucrative policy of minimum investment & expat work permits to run the institutions.

So Accra, Ghana was locked to be the destination in the field of education especially vocational IT training with least capital requirement in fixed assets. The main objective was also minimizing the risk of financial losses by using the World Bank offering of funding for IT Education in Africa. It was also finalized that the service provider & Indian expatriate

would be explored to run the venture at Accra keeping in mind the perception among Ghanaians for Indian companies & expatriates..

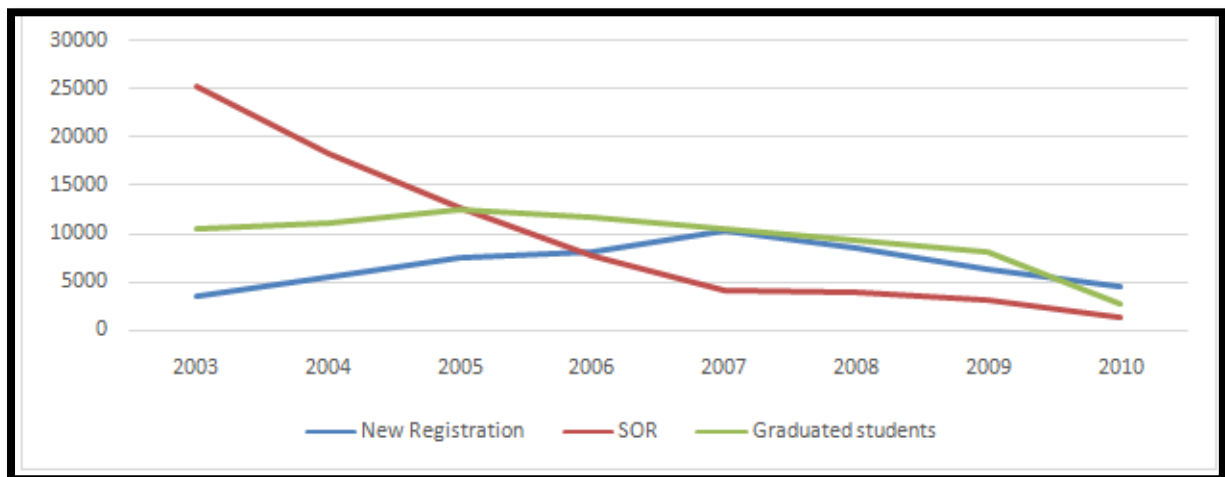
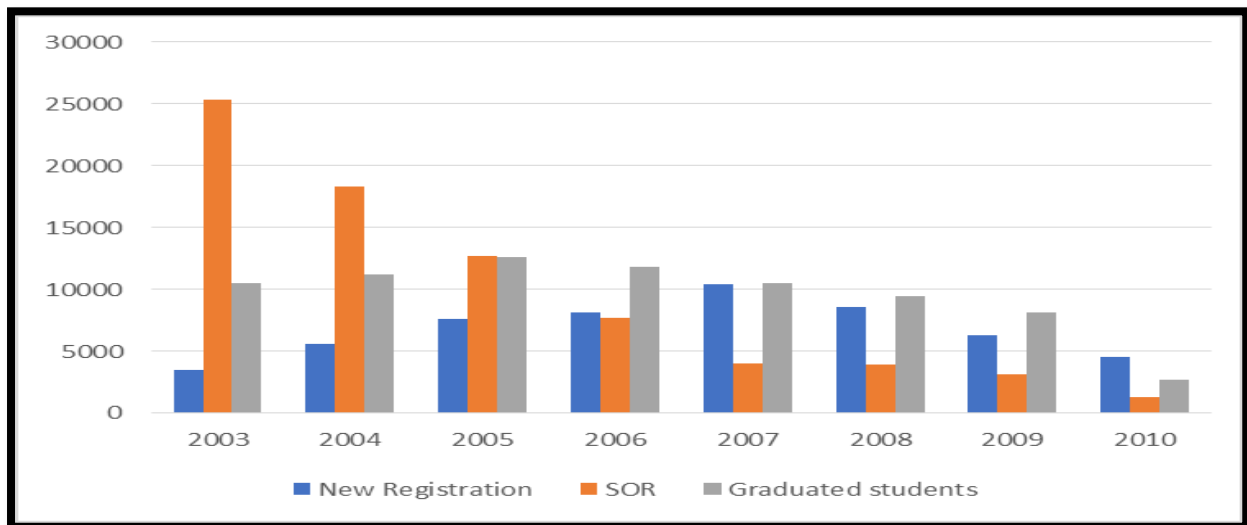
**2. NIIT, India:** NIIT, a software and training company was founded in India in the year 1981 & became India's most trusted education brand in a very short period of time. It had earned trust of many Fortune companies and having presence in over 30 countries when it came in the mind of Mr. Deo. The USP of NIIT that made its presence felt in many countries were award-winning design methodologies and a clientele list of market leaders across the world including; oil and gas, pharmaceuticals, banking and financial services, insurance, technology, telecom, and manufacturing. NIIT had a franchise model in India taking the leadership position in vocational training domain. They used to appoint Franchisee on a sharing of 60%-40% fee sharing ratio.

A very well educated and experienced guy was hired to work as expat their along with instructors. Ghanaian government's requirements were met in quickest possible time & A company called "knowledge workz Ltd., Ghana was formed as Ghana's maiden franchise of NIIT in Ghana. 4 million US \$ Loan was availed from world bank to extend best possible infrastructure & IT training facility at Accra center , first of its kind in Ghana. Ghana did not have any policy on franchisee model in education & similarly there was no clear policy in India on Franchisee model/study center oversees.

These two ambiguities went in favor of the franchisee at Accra. Accordingly, MOU was signed between two parties to follow the existing pattern in India. Overseas franchisee study center was treated at par with Indian centers. NIIT used to charge 50% of the Indian fee in Indian currency & Accra center was allowed to charge their own fee in us dollars.

- **A journey from 2001-2010:** The Franchisee model of NIIT worked exceptionally well from 2001-2010 reflected in the following table. Roughly 77,000 students were trained at various level ranging from 6 months, 1 year, 2 years & 3 years Certificate & Diploma programs:-

	2003	2004	2005	2006	2007	2008	2009	2010	Total
<b>New Registration</b>	3500	5600	7600	8100	10400	8600	6300	4500	54600
<b>SOR</b>	25300	18300	12700	7700	4000	3900	3100	1300	3100
<b>Graduated students</b>	10500	11200	12600	11800	10500	9400	8100	2700	76800



### III. CONCLUSION

The present case of the entrepreneur substantiates the power of PESTEL analysis as a tool to relocate & establish the path of success & growth in the company's life cycle. It can also be concluded that the institution again needs a turnaround strategy as it clearly indicates that the SOR is constantly on downward trend along with the new registration. The promotor earned huge profit by leveraging on the clause of MOU that they can fix their fee & collect money in US Dollars but pay the franchisee amount in Indian currency. The difference between collection per student & remittances made towards franchisee per student fee was huge to create a very high net profit leading to huge reserves and surpluses.

However, the promoters could sense the fading attractiveness of the USP & the certification products & realized that a decline stage is quite nearby & a turnaround strategy would be needed soon with an improved Unique sales proposition. Hence, A venture with an identity of Academic City College was born in 2007 taking over the business of "Knowledge Workz Ltd-Ghana". They were proactive to lay the foundation to prepare themselves to fight with any eventuality that they were sensing with the data from 2001-2010.

**Note:-**The case has been structured, framed & articulated based on an in-person interview with Mr. Abhishek Tyagi at Faridabad, Haryana District on 30<sup>th</sup> July 2022. He had joined Academic City College, Accra, Ghana, and West Africa as Rector of the college in the month of August 2010.

The Author had joined the college in 2015 as Dean of Management & social sciences. Mr. Abhishek is now working Director IHM, Guru gram & has granted permission to the author to use his original name and narration for publication for the benefit of the academician & management students in particular.

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