Impact of External Factors on Fast Food Business

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Abstract
This paper investigates the impact of external factors on the fast food business. The major objective of this paper is to analyze Political, Economical, Social and Technological factors which affect the performance of fast food business. Qualitative method of research is used. The results show that external factors (political, economical, social and technological) have significant impact on the fast food business. To improve administrative performance and to make business prosper, organizations should focus on the factors which affect their business by taking repeated examination. Given the importance of understanding the PEST analysis with need to fill the niche of research on the topic in our country; this study is of high significance to academia and practitioners in the Hotel Industry.
Keywords: external factors, political, economical, social, technological, administrative performance, fast food.

1. INTRODUCTION

Fast food is defined as, the food prepared and served very quickly. Fast food was first disseminating in the 1950s in the United States. The meal required less preparation time also considered as fast food. The term fast food also determined as the food sold in a restaurant or store with preheated or precooked ingredients, and delivered or served to the customer in a form of take away. The restaurants delivering fast food are generally divided by the ability of food serving.

Economic fluctuation is complicated and has great effect on the fast food business in Lahore. Users and clients have been showing complex behaviors in local and international markets (kennerly& nelly, 2003). The modernized business manager serves in more influential (dynamic) environment. The change in the environment is uncertain and quick. The most breathtaking concern was the pressure of your competitor s. Competitors are using one or the other strategy to modify the dynamic and unpredictable nature of the business environment (Chaganti et al., 1983, Venkatraman&Prescott, 1990; Beal, 2000).

Organizations or foundations work willfully to attain and win certain goals. The most important thing in an organization is its policy and strategy regarding inside and outside environment of organization (Duncan, 1972 and Grant 1999). Presently business environment is anticipated to overcome complexity and disturbance. All Pakistani organizations must pay attention to their environment. Prepare policies and strategies that how to survive (otokiti&awodun, 2003). It is commonly admitted that the order and outcome in a foundation is determined by environmental complexity, dryness and volatility (Miles &Snow, 1978; May et al, 2000). Furthermore, business organization has perceived the environment as opportunities and threats presented by external environment.

The aim of this study is to analyze the effect of PEST forces on the performance of fast food industry. The company which have better understanding with the PEST factor can generally raise higher revenue, rather than others who did not update themselves with PEST factors of their country (white lock&jobber,2004). Main objective of this study is to find a solution against these problem which is being forced in the environment to improve the quality of fast food and made part of the policy (Taster, Stephanie Estevez et.al.2010), should be able to achieve a positive co-relation between customer and the restaurant and also use technology to grow our fast food industry, e.g. McDonald's increased their budget by TV advertisement (Harris, Schwartz et.al.2010).

2. LITERATURE REVIEW

In the literatures, there had been different opinions about the factors, through addition of different authors and scholars. Fast food industry is expanding briskly; it is again producing ensuing effect on the social, political, economical forms of life (DeMaria 2003). Fast food has a great social impact on the life of people; it being one of the most crucial aspect in the rising of fatness or chubbiness in the young generation (Bowman, Gortmarker et al., 2004). In general opinion it is found that in a country, the government is responsible for the consciousness in the public, that what kind of food should be used or evade.

Two views have been perceived from opinion of different people .The first is inter-organizational view, which looks at the environment as number of people, groups and new organization, for that they give recommendations. The second consideration is that the environment is a set of political, social economical and technological circumstances (Okoh and munene; 1986). Environment as a whole is the sum of tangible and social pressure .Business as a whole is related to the organizational aim settings and aim achievement. That is

seized straightly into the examination by the members of the organization when making decisions and plan for the business (Obasan; 2001).Environment is always seen as the sum of the factors that affects, controls or decides the performance of a business.

Any business in the international or local market is directly affected by the political (P), Economical (E), Social(S) and Technological (T) factors (White lock & Jobber; 2004) .The advancement in fast food industry directly depends upon employment and per capital income. The customers pay out at fast food outlets shows the better life style of people according to economic condition (Deane; 1987).According to Deane, these factors affect the advancement of fast food industry and with a better management to these circumstances managers can raise profit and remain up-to-date with time.

A positive correlation was built between per capital income of customers and visit of customers to different type of restaurants .Customers with higher incomes go to restaurants more frequently in comparison with customers with lower incomes. Fast food business has pessimistic effect on social practices of the general public, as the gain in the mass (weight) is found to be directly proportional to the fast food especially in women (Jeffery &French; 1998).

Hazard analysis and critical control point (HACCP) is considered to be one of the best technology which improves the speed, safety performance and the quality of food in the industry especially in fast food outlets (Sweet, Balakrishnan et al; 2010).The increase in technology has increased the growth of the fast food industry, as the Burger King and the MacDonald's raised their budget from the T.V advertisement, which in response increased their sale (Harris, Schwartz et el .2010). Chicken (one of the key ingredients used in the fast food industry) quality is one the very important and main issue of the fast food industry, so for this reason, PRP is introduced to manage the meat requirement and supply efficiently (Manning &Chad ; 2006).

On the basis of literature review we are proposing the following conclusion: Performance of fast food industry is related to political condition of the country, economical condition of the country, socio cultural factor of the country, technological factor of the country.

3. METHODOLOGY

In this study the approach used for the analysis is qualitative. Main reason of selecting this approach is to get deeper insight of the phenomenon. The sample used in this study was the research work already done by different authors in different years and the focus group on this specific issue. The sample used in this research will analyze:

1. Political factors
2. Economical factors
3. Social factors
4. Technological factors

4. ANALYSIS

Political factors

A politically balanced environment is also of great importance for the productive and decisive operation of the business. The political surrounding is seen through the legal framework in which the system works and this is done via the rules and regulations that lead the operations of business in question. The authority of the system must take cognizance of these constraints, actual and potential and seek out the implications for the business organization from legal advisers Ogundele, 2005).

The political environment in a country affects its business environment. The political environment, in turn, affects the performance of a business organization. In Pakistan, for instance, there are significant differences in Democratic and Republican policies. Government could change their rules and regulations, and this could have an effect on a business. For example, after the accounting scandals of the early twenty-first century, the United States Securities and Exchange Commission became more focused on corporate compliance and the government introduced the Sarbanes-Oxley compliance regulations of 2002. This was a response to the political environment that called for such change to make public companies more accountable. If businesses that operate internationally, a lack of political stability in any country has an effect on its operations. A hostile takeover could overthrow a government, for instance. This could lead to rioting and looting and general disorder in the environment. All this disrupts the operations of a business. For example Such disruptions have occurred in Sri Lanka, which went through a protracted civil war, and in Egypt and Syria, which have been subject to disturbances as people agitate for certain rights.

Economical Factors

A failure of a system has many reasons and a time of down turn is one of the reasons that can bring about failures to a system. According to the "Economist" magazine, in a poor economy, customers with an inflexible budget shift to cheap priced meals at fast food chains. Nonetheless, if the customers prefer to save their money

by eating at home, the magazine outlines that a long-term reduction of business activity can expose fast food chains to profit losses. Ogundele (2005) concluded that the economic surrounding goes a great way to wind up. He describes the freedom for a system as a growing economy which gives operational scope for the systematic presence and also for the building of new ones. Hence, as mentioned by Ogundele, the economic surrounding is a vital concern to a system. In cases like the one mentioned in the Economist, to bring customers back to their restaurants, large restaurant chains may decrease their prices in addition and increase their advertising, whereas comparatively, small fast food restaurant chains may not have the allowance to do the same to protect their profits. It is of superior value that the administration should be able to differentiate between short-run phenomena and more fundamental changes in its judgment of the overall economy. Thus, fast food restaurants tend to fare better during an economic downturn than pricier restaurants do.

Social Factors

The systems' incapability to predict its environment or foresee the elements that define its environment, results in environmental unpredictability according to Milliken (1987). These elements are normally classified into two groups (Bourgeois, 1980) i.e. "ordinary" and "task" external business environmental elements.

The factors that are an element of the normal environment have an indirect impact on the system and it is a comparatively obscure environment. This environment is commonly composed of elements such as social values, educational, political, economic, legal, behavioral, demographic, natural environment, natural resources and technological (Asheghian&Ebrahimi, 1990; Grant, 1999).

Asheghian&Ebrahimi (1990) and Grant (1999) concluded that the factors that made the task environment have a direct impact on the system and more over that it is the nearest environment of the system. This surrounding comprises of elements such as consumers, competitors, suppliers, labor market, industry and financial resources. Elements in the general environment create less and unperceived uncertainty to the system than the elements in the task environment, concluded by Daft et al.(1988) and Auster&Choo (1993). The answer to this being, the task environment joined with the short run, is more elusive than the general environment that is joined with the long-run.

When the outer business surrounding shows any changes, it is classified as balanced and when it shows relative changes it is classified as not balanced. Also when it shows changes continuously, is it classified as vigorous (Aguilar, 1967). Duncan (1972) considered the outer business environment as the collectivity of elements outside a system that are examined by a system in its decision making. These elements confide greatly on the dynamism and the complexity of the surrounding (Duncan, 1972; Desks& Beard, 1984). Thus the viewpoint of a system about the category of the outer business environment is largely dependent on their size and industry which it runs.

Technological Factors

Technology is constantly changing .this means the business must change in order to keep up. This affects business in three ways:

1. Production
2. Workers
3. Marketing

New technology can be used to improve production .New technology has positive and negative affects upon workers. Jobs should be less boring because of new technology .Due to upgrading of technology safer work environment was provided to workers. On the other hand some worker may lose their job because their place was taken by machinery .Staff that don't like technology will become de motivated. Staff may need to cope up with new technology for this purpose they have to do training regarding the technology. New technology has changed the way that firms market their Product Price Placement and Promotion.

Administrative Performance

Administrative performance has been directed with countless opposing explanations. It is not an advanced fact or reality in between the scholar, managers, owners as well as general organizations . Administrative performance has been origin of control or dominations to the behavior by associations. The point to which an administration recognize or understand its ambitions as well as the declared target of the association through the action of the designed plan and the procedure of the company. (Folan & browne ,2005 ; Etzioni 1964) .

The concept of association performance was stayed on the location or basis of its consolidation of beneficial or advantageous belongings. Capital made up of personal, substantial and origin of capital for the primary logic or sense of achieving a dream, idea, vision or winning a common and mutual aspiration (Barney, 2002; Carton & Hoffer , 2006). Association performance was also seen or observes as the part of how manager handle the basics of the company conveniently and sharply to achieve the aims of the company .Also fulfilling by satisfying all the stakeholders (Jones & George, 2009).

Association performance as the actual yield deliberates in comparison to the calculated or proposed yield. They over look association performance as a concept of three primary operations of company conclusion and those three major parts are:

- Economical and monetary conduct that consist of profits, return on assets (ROA) .return on investments (ROI) etc.
- Stock market performance which could be sales, market share, etc.
- Partnership return such as total share holder return (TSR) ,economical value added (EVA).etc (Richard et al .2009)

Associations as they were construct or designed to understand that organizations has to achieve convinced aims that are identified basically and essentially (Seldon & Sowa ;2004). Differentiates between two types of association's aims, authoritative aims which are the basic ambitions of association's founders and leaders. The other association aim is the operational aims designed the desired target by the original operational policies .The adjustments and undermining of these end decisions by people having posts and by the strength of the outside environment (Per row, 1961).

The achievements are exercise or action of capability, strength and chances or opportunities. The ability of capability depends upon the information, talent and technological abilities that give us sings of scope of achievable goals. Strength and effort is a purpose of essentials, expected aims and returns which relies on the quality to which an individual or groups inspired to applicant effort. Chances should be provided by the managers according to the ability and strength of each employee that is used in different ways which results in the accomplishment of designed goal (Kast &Rosenzwing 1985)

Associations performance can be concluded to assess the growth made in achieving targets, point out and accommodating factors that stops the growth of association in competing and tough environment.

5. CONCLUSION

It is of great value that a system keeps up its performance evaluation order to make sure it stays relevant and gives information that is only related to the issues of present significance. Knowledge of the flow of external business environment and power that outlines the opposition will help a system choose the right plan of action that fits the direction in external business environment and help a company that wants to succeed. The verdict of analysis mirror that external business environment has an influence on systematical performance. The analysis also shows that the controlling of external business environment can be done to an extent if all things are equivalent. The main goal of this paper was to determine the influence of external business environment on the administrative performance on the industry.

There were a number of limitations in this analysis, for instance time limit, lack of resources in analyzing PEST factors. As this research paper is based on qualitative study of PEST related to validitiy and reliability because qualitative study occur in the everyday environment and it is very much difficult to reproduce or simulate this study (Wiersma, 2000). When we select such type of methodologies designs have more limitations on which researcher have little control.

Recommendations

The PEST analysis has an effective mean for sympathizing growth and decline of business in market. Such as standing of business, possibilities and the ways to run a business in an effective way. The fluctuating variables of the research are political status, economic status, social status and technological status and administrative performance. A business could be analyzed by means of PEST. PEST analysis can be used while making business strategies, marketing planning and also for the development of business product. Hence with the help of PEST it is proved that political, economical, social and technological factors have great impact on the business if these factors are analyzed properly then the administrative performance can easily be improved.

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