Environmental Scan: Education Management Corporation

Zaneshia Barnes

Capstone Experience in Integration & Strategy | B6028-T A01

Faculty: Roberto Castaneda

Argosy University

Five force analysis of the company

Bargaining power of suppliers

Suppliers of this institution hold substantial strength in the role they play. Presence of many alternatives however works for the benefit of the company as competition thereof serves to minimize the price of supplies. The fact that the suppliers are relatively smaller than the company is a factor that works to its fever. Relatively small sizes make them unable to manipulate market forces through the creation of cartels and monopolies. The company therefore substantially holds a favorable relation to suppliers.

Bargaining power of buyers

Availability of many competitors in the market makes buyers have an advantage. Competition drives prices low making them favor buyers. Efficiency and innovativeness are used to aid in accessing the market by companies. Innovation is therefore paramount. Large customer base work in favor of the company as it is able to attract a good number. Customer loyalty is exploited for the company to remain relevant.

Competition from rivals

Competitors offer substantial challenge to the company. Institutions such as Kroton Educational, New Oriental Education & Technology Group are among the major firms in the industry. Their vast power in the industry makes them hugely influence market. It is on this basis that the company faces a major setback as competitors have huge potential. The company through collaborating with others however minimizes competition. For example, the company purchased Argosy Education Group from Chicago. It is able to maintain a competitive edge in the in the industry. Customer loyalty is a factor exploited by the company in the industry.

Threat of substitution

Due to the large nature of the industry, the threat of substitution is huge. Other institutions that offer the same services are available. Efficiency of big companies in this regard helps them standout (Epstein & Buhovac, 2014).

Threat of new entry

Barriers to entry exist in the industry for new firms. Huge resources bases of major companies make the business less viable for small firms. Cost of entry is high due to this stiff competition. Competition therefore makes the industry viable on large-scale making it challenging for new entries in the market. Economies of scale therefore immensely offer a challenge to new entries (Epstein & Buhovac, 2014).

Other issues and trends affecting the company

Strained investor relations are a factor facing the company currently. Inability of the institution to match finantial muscles of greater competitors makes realization of profit hard. As a result, investors who are guided by profit motive find the institution less viable for investment. This leaves the institution under minimal support of philanthropic institutions who mainly support the line of industry that the it engages in. the company has been incurring losses thereby discouraging potential investors (Epstein & Buhovac, 2014).

Vast legal issues have involved the company over the recent past. Aggrieved parties have sought to use the court system to have their issues addressed. The corporate picture of the institution is tarnished in the process. Corporate image is important because it informs viability of an institution to the public. National Defense Education Act is an example of a legislation that has led to cases against the institution by persons on the bases of denial of their rights due to talents that they (Epstein & Buhovac, 2014).

External factors that affect the institution

Political factors

Education is a necessity of persons in the country and finds itself at the centre of political activities. Policies such as universal education for all serve to inform the industry in which the company operates. Legislation of the government to create subsidies for education programs is strength for the institution because it makes it attract a large number of students. Financial muscles of competitors are also shielded by such policies (Epstein & Buhovac, 2014).

Environmental factors

They include competitors and buyers. Competitors serve to limit the scope of the institution therefore acting like a threat to the company. Customers on their part act as market for the company and therefore the well-being of the institution depends on their availability. They represent strength for the company (Asif, Searcy, Zutshi & Ahmad, 2011).

Regulatory and legal factors and trends

Legislations by the government surrounding the industry serve to ensure rights of citizens in the country against exploitation of such institutions. This means that they represent a threat to the institution as they limit its ability to exercise autonomy. Legal issues also act as threat to the institution as they serve to destroy its corporate image (Asif, Searcy, Zutshi & Ahmad, 2011).

Societal factors and trends

Population trends as well as preferences in the country affect the institution. Growth in population signals an increase in pool of customers. As a result, they act as strengths for the company. Recent trends in the United States of America show that population is on the rise. Personal preference on its part serves as a threat to the institution. Persons tend to favor greater institutions therefore minimizing on number of people willing to engage this institution (Asif, Searcy, Zutshi & Ahmad, 2011).

Technological factors and trends

Technology is another factor affecting the institution. Use of internet and computers has necessitated mobility of education. It offers an opportunity for the institution to engage persons who cannot be physically present in learning sessions (Asif, Searcy, Zutshi & Ahmad, 2011).

References

Asif, M., Searcy, C., Zutshi, A., & Ahmad, N. (2011). An integrated management systems approach to corporate sustainability. *European Business Review*, *23*(4), 353-367.

Epstein, M. J., & Buhovac, A. R. (2014). *Making sustainability work: Best practices in managing and measuring corporate social, environmental, and economic impacts*. Berrett-Koehler Publishers.