

Global Business Environment

ENVIRONMENTAL ANALYSIS OF AN INDUSTRY - ASSESSMENT 1

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Introduction

Understanding a business environment paves the path for adequate functioning of a business towards achieving success. Such aspects can also aid in integrating innovative strategies through which an organisation can experience sufficient growth and development. In this essay, the organisation of Volvo Cars has been established as the main focus. A thorough assessment of the business environment of this organisation in regards to electric vehicles (EV) can aid in understanding what forces impact its functioning. By focusing on the organisational changes, adequate strategic measurements can be implemented through which Volvo Cars could gain a competitive edge in the global market.

a) Analysis of major forces effecting business environment of car manufacturing industry

PESTLE

Political	• All European countries abide by federal and regulatory measurement through which adequate business can be conducted. • The UK's decision to move away from European Union can negatively affect trade and commerce from both sides (Bbc.com, 2020).
Economical	• The countries among European Union cater towards 15.77% of the world's economy, thereby positively impacting Volvo Cars (Worldbank.org, 2020). • An inflation rate of 1.57% is present within the EU (Worldbank.org, 2020). • The identified rate has been consistent since 2015 due to which there would not be a huge impact on the functioning of Volvo Cars.
Social	• A large population resides in the EU due to which adequate rate of business of Volvo Cars can be conducted (Worldometers.info, 2020).

	● A gradual rise in the demand for EV has been observed since 2013 due to which the business of Volvo Cars can gain effective momentum (Mckinsey.com, 2019).
Technological	● Shanghai along with New York has been identified to have adopted green technology. ● Green technology has been identified among modern and innovative technology through which sustainable development can be undertaken. ● Innovative technologies in terms of batteries relegated to the automotive industry have been incorporated within different countries of the EU (Mckinsey.com, 2019).
Legal	● Federal registration is incorporated among the countries within EU for upholding a proper legal system ● Various trading regulations such as EU and NAFTA are required to be abided by in terms of conducting global trade (Worldbank.org, 2018).
Environmental	● The electric cars are an approach towards sustainable measurement by Volvo Cars. ● The organisation is required to focus on complete elimination of carbon emissions. ● Adequate feasible measures are needed to be undertaken by Volvo Cars for maintaining its eco-friendly form of functioning.

Table 1: International PESTLE analysis

(Source: Influenced by Abubakar *et al.* 2018)

According to the international PESTLE analysis, the organisation of Volvo Cars has adequate scope to expand into the global industry. As opined by Daniels *et al.* (2014), international business can be conducted after a clear evaluation of the business environment. Therefore, through this analysis, it can be established that the Electric Vehicles of the company can reign in the global market with the integration of effective strategies. By focusing on innovation and sustainability, the organisation would be able to achieve a competitive edge in the international market.

Porter's Five Forces

Incorporation of the Porter's Five Forces can provide a clear evaluation of the market environment of Volvo Cars through which it can incorporate in the global market.

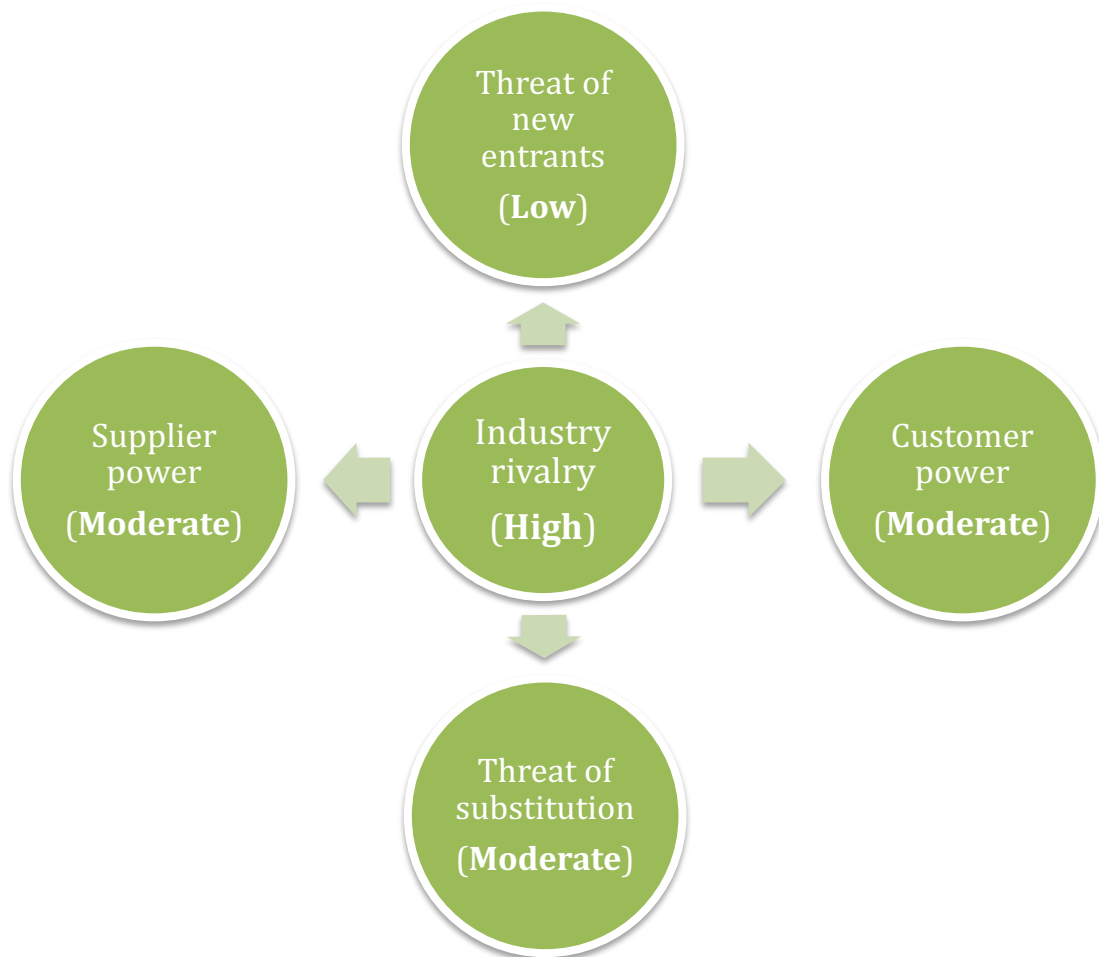


Figure 1: Porter's Five Forces of "Volvo Cars"

(Source: Influenced by Palmer and Hartley, 2012)

Industry rivalry

The aspect of industry rivalry can be asserted as **high** for Volvo Cars since there are a wide range of well-established organisations. Organisations such as BMW, Mercedes Benz along Audi prove tough competition to Volvo Cars in terms of functioning. In regards to electric cars, these organisations have also been observed to incline towards developing such cars. As influenced by Pelliccione *et al.* (2017), Volvo Cars has an advantage in these regards since it is already involved in utilisation of internal combustion engines (ICE). Therefore, by adhering to this aspect, Volvo Cars is required to incorporate necessary strategic measurements such as implementation of motor engines in order to stay on the tip of the competitive chain.

Supplier power

Volvo Cars incorporates an adequate amount of brand loyalty due to which supplier power can be identified as **moderate**. The organisation procures its raw materials from more than one supplier due to which disruption in terms of functioning can be deemed as rare.

Customer power

The organisation of Volvo Cars is a well-established brand with excellent organisational reputation (Forbes.com, 2020). Therefore, the organisation has a stable base of loyal customers due to which the customer power can be asserted as **moderate** despite them being the largest stakeholders. This can be justified because Shanghai as well as New York have already opted for utilising green technology. Along with this, almost 50% of the consumer base have been identified among Europe who are inclined towards efficient eco-friendly electric vehicles (Mckinsey.com, 2019).

Threat of substitution

The subsisting rate in regards to electric vehicles in the organisation of Volvo Cars can be stated as **moderate**. This is because various competitors of Volvo Cars are moving towards development of similar vehicles in order to cater towards a sustainable future. Therefore, the organisation is required to take sufficient measurements through which the impact of substitution can be reduced.

Threat of new entrants

In terms of new competition, the influence rate of new entrants can be determined as **low**. According to Mayyas *et al.* (2017), expanding in the automotive industry takes time and effort due to which it would not be possible for new companies to measure up to large organisations such as Volvo Cars. Therefore, through the aid of strategic measurements, the organisation can maintain its high rate of functioning.

Therefore, from this analysis, it can be concluded that Electric Vehicles (EV) by the organisation of Volvo Cars can generate a high profitability rate. Utilisation of green technology can aid in effective functioning of the organisation, through which the organisation can expand in the global market as well.

b) Critical assessment of organisational and other changes and its impact on Volvo Cars

Changes in the automotive industry

One of the most significant changes that has impacted the automotive industry is because of the technological driven changes. As forwarded by Fraga-Lamas *et al.* (2019), technology has played a crucial role through which re-emergence of electric vehicles has been observed. Its impact can be observed within the automotive industry at a rapid space since digitalisation has taken over the world. The focus of the automotive industry has been shifting towards making its products efficient for an increase in profitability rate. Almost with this factor, the organisations have also been focusing towards minimising the harmful impact of various automotive vehicles (Drivingworkforcechange.org, 2019). Due to these aspects, diverse mobility along with electrification have been taken into consideration by various automotive companies such as Volvo Cars.

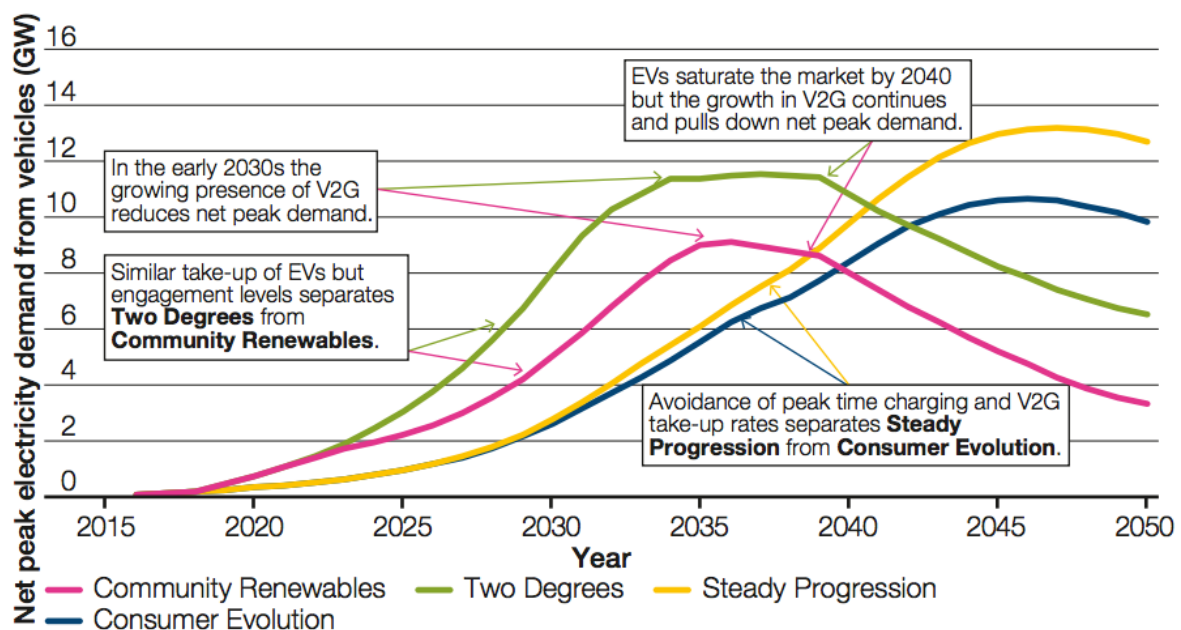


Figure 2: Key changes within automotive industry

(Source: Consultancy.uk, 2017)

In regards to the changes implemented in the automotive industry; powertrains can be observed to be a notable aspect. According to Macher *et al.* (2017), powertrain is a form of mechanism through which the engine's power is converted into movement by utilising the stored energy. Therefore, its utilisation in the retards to the various EV batteries have been observed to be

beneficial. Although this aspect is still in the development stage, its large-scale displacement in terms of traditional engine production provides an adequate scope as an alternative technology. The organisation of Volvo Cars has catered to the aspect of powertrains by focusing on its development. As per the case study, electric powertrains would play a vital role in Europe and other parts of the world within 2030 (Mckinsey.com, 2019). Therefore, this aspect can be recharged as a positive investment by Volvo Cars through which greater sources of benefits can be achieved in the future.

The significant change in regards to electrification have also been observed in the automotive industry. This aspect has been taken into consideration due to the greenhouse gas emissions that have been polluting the environment. As opined by Hache *et al.* (2019), electrification of vehicles can aid in reducing the rate of pollutants within the environment. Therefore, by catering to various environmental metrics, the process of electric vehicles has been integrated by Volvo Cars. As per the case study, it can be stated that the organisation already possessed a competitive advantage since it utilised an internal combustion engine. The decision to integrate electric motors for complete transformation to sustainable functioning. Therefore, this provides the organisation a huge advantage since various customers from the European countries are inking towards such electric vehicles (Mckinsey.com, 2019). Through such changes, the organisation can function in accordance to rapid changes in the industry along with its trends towards a successful future.

(Refer to Appendix 1 and 2)

Reasons behind these changes

Various changes have been implemented in the automotive industry in the 21st century. The main reason behind such changes can be catered to ensure long-term sustainability of every organisation. It has been identified that there are about 1.2 million unrest cars within the UK which has a high rate of carbon emission (Environmental-protection.org.uk, 2019). Therefore, environment pollution due to vehicle emission was one of the core reasons due to which the automotive industry underwent a drastic change. The organisation of Volvo Cars have undertaken adequate measurements in order to cater to these changes by welcoming electrification in terms of its vehicles. The organisation has started a complete launching of such vehicles from 2019 onwards. The ultimate focus of adhering to these changes is because of increase in greenhouse emissions which has been negatively impacting the environment and

been fuelling global warming. Due to this, Volvo Cars has shifted its focus of utilising ICE and electric motors which provides the organisation with a competitive edge.

The need for increasing organisational efficiency has also been observed in the global market. As per the view of Morrison (2016), for achieving success in regards to global business, abiding by industry trends can be asserted as essential. Therefore, technological innovation has been integrated with business model innovation in order to increase the rate of business efficiency as well as productivity. Powertrain technologies along with innovative batteries are being incorporated for ensuring a high rate of efficiency with the automotive vehicles (Consultancy.uk, 2017). The organisation of Volvo Cars has implemented such changes for adhering to environmental concerns. Most importantly, these changes are being considered because of the degrading nature of the environment. Volvo Cars have understood the significance of sustainability due to which by catering to this process, the organisation can maintain its long-term functioning. Therefore, these changes can be asserted as positive through which the Volvo Cars can establish itself adequate in the global competitive market.

Conclusion

Through this study, the significance of evaluating business environments has been adequately understood. Gaining a complete understanding of the business environment helps an organisation to position itself in regards to the competitive market. In terms of Volvo Cars, a thorough evaluation of the external environment has helped in understanding the business environment of the company. Assessment of the changes in the automotive industry has also been evaluated through which the changes within the organisation of Volvo Cars has been observed. These changes can be determined as electrification along with integration of electric motors for achieving a sustainable future. Adequate strategic measurements by the company in terms of changes have been observed in this study. These changes cater towards providing the organisation with positive advantages through which it can enhance its rate of functioning in the global market.

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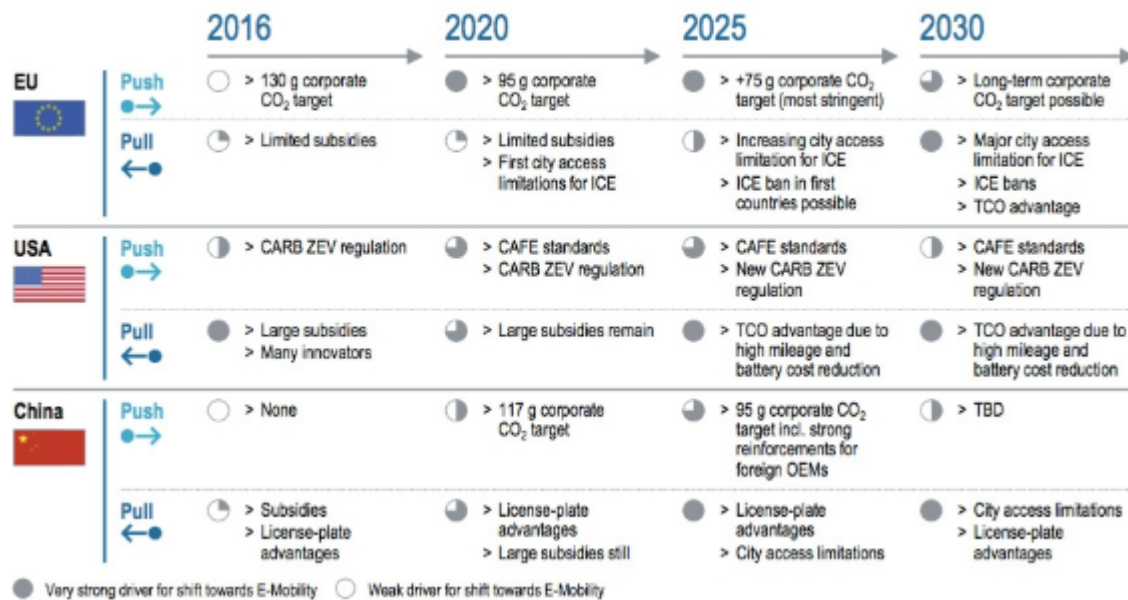
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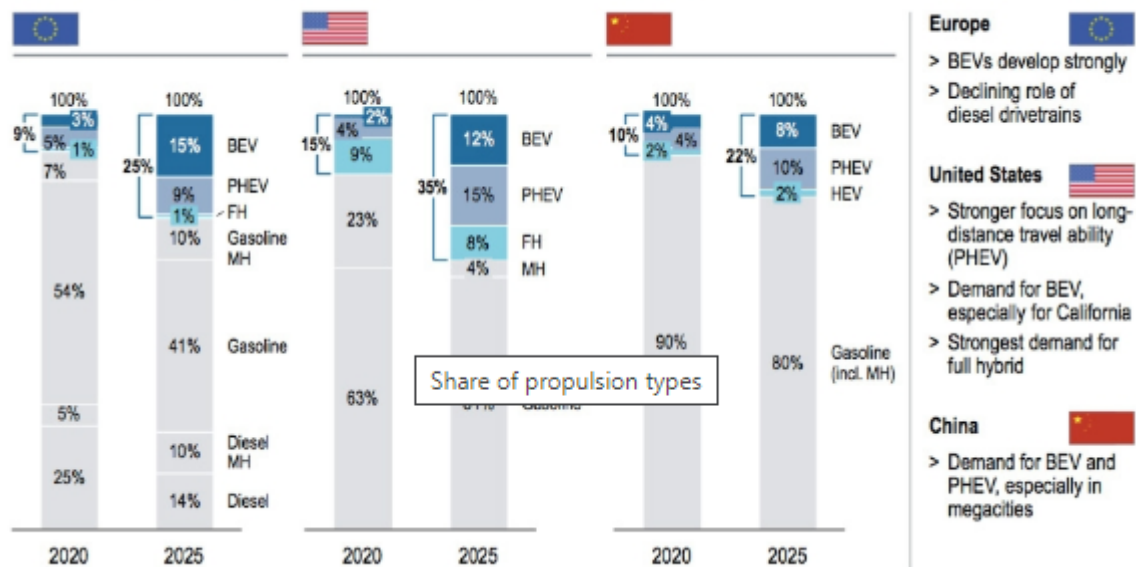
Appendices

Appendix 1: “Drivers of global electrification scenarios”



(Source: Consultancy.uk, 2017)

Appendix 2: “Share of population in regards to high electrification scenarios”



(Source: Consultancy.uk, 2017)