

THE GLOBAL BUSINESS ENVIRONMENT

UNIVERSITY OF WALES TRINITY SAINT DEVID

STUDENT NAME:-MD JAMMAL KHALIED

STUDENT NUMBER:-1605302

TUTOR NAME:-JOHN PAUL OKEKE



T

Introduction:

In a competitive world like this especially when it comes to businesses, administration of the company, managing all its activities, also managing the employees and maintaining a strong foothold in the business world is a lot yet they are imperative for the survival of the business and the people who are connected with it. There are a number of strategies, activities, and things to concentrate on and for managing a company, its external and internal factors and understanding its environment and its affects and impacts are paramount and in this case, the criteria of the business does not matter. In this report, we will concentrate on the business environments and all its essential fractions of it based on the given case scenario which is Car Production Surges in Eastern Europe mainly Slovakia and Czech Republic.

Write and structure an academic essay that analyses the PESTEL forces in the case

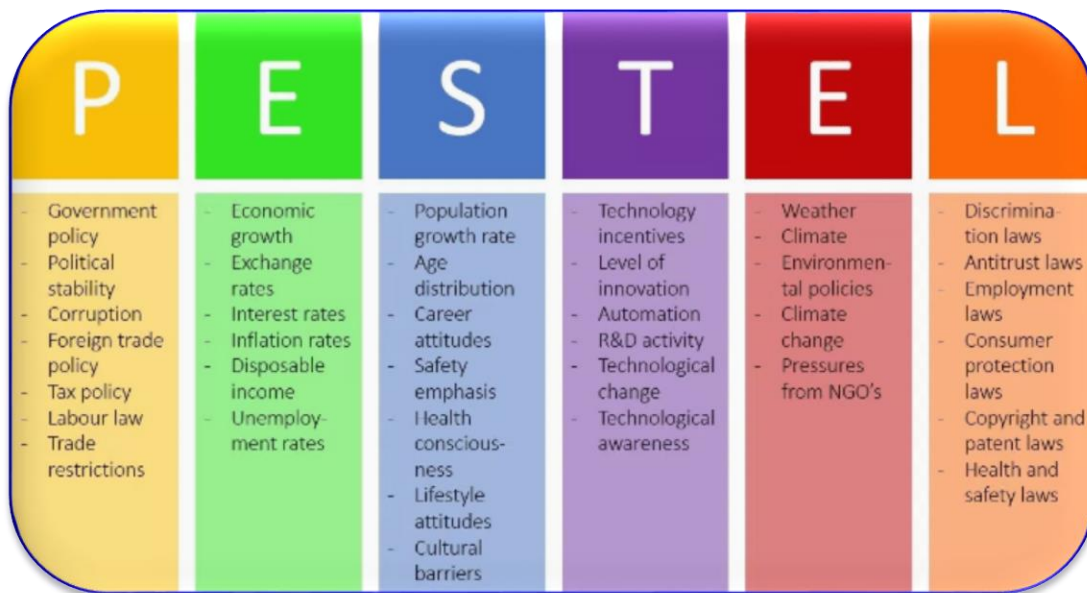
Based on the given case scenario, we can understand that, for Slovakia the topical and one of their most memorable moments was the investiture of their automobile company of worth \$890 million. It was a huge deal for them as many of the government high officials and the prime minister attended the event and not only that, the main founder of the company Peugeot Citroen himself attended the event who flew all the way from France into Trnava. Slovakia is the world's biggest and most influential automobile companies in the world doing businesses and exporting cars internationally is their most excellent specialty (Johnson, 2011). This country's company's motto was it to employ 3500 people and their primal objective was to ensure up to 300,000 cars each year. We can clearly see that this was a huge issue and one of their very best attempts so far. Communism literally broke the automakers in the Eastern Europe and Slovakia has been affected by it immensely. However, not to forget that the Eastern Europe despite all the disastrous circumstances has managed to be the primal center of Europe's manufacturing industry. For their own betterment, they require being more and more confident and prepared for forthcoming conditions and especially concentrate on the business macro environmental factors which will be elaborated below-

★ Political

For Eastern Europe, as one of their most rudimentary industries is automobile and without it, their internal business will be gravely harmed, they really have to be super alert and consistently have to work to improve themselves so that, their companies can get international recognition and also can surpass the turmoil of the environments. Now, it is quite clear that if a country's political condition is somewhat shaky and not stable, then the companies of the country will not be strong as well. They will have a hard time maintaining their position in the competitive business market, as well as they will get a lot less competitive advantages, they will also face numerous challenges especially doing businesses internationally. In the year 2010, Czech Republic being a European country has been quite capable of manufacturing over a million cars because, their political condition has been incredibly stable over the last couple of years (Hazelhurst, 2012).

★ Economic

Now we can easily understand that a country's economical condition incredibly and deeply affects its business organizations especially companies which are multinational. Slovakia, Czech Republic, and all the Europe based business companies on automobile have to be really very concerned about their political condition as well if they want to compete with the UK and the US because, even though the Europe is doing tremendously well in car manufacturing, the US is not at all behind in this race as they are capable of manufacturing 12.6 million cars a year. As the Eastern Europe has become the central of automobile backyard after 2010, they were capable of manufacturing over 3.4 million cars over a year and that was in the year 2010 (Cottrell, 2010). So now, they should be more capable of increasing their manufacturing and their international business only if the company can remain economically stable.



★ Social

Now, if we talk about the sociological issues, we have to consider the fact that all these cars that Slovakia and all the other European countries manufacture have to be suitable for all kinds of people out there in the world so that, people can choose what they can or cannot afford and there has to be variety and options. One of the most important things that these European countries including Russia has to consider is that, people would only purchase the cars if they feel they are

safe, they are user friendly and easy to handle. Another essential factor under the sociological issue has to be concentrated on is that; the Eastern Engineers who manufacture the cars are paid way less than Western Engineers and this has to change otherwise, there will be a huge conflict between the two parties and sociological factors and peace will be in jeopardy (George, 2015).

★ **Technological**

It is nothing unknown that, Slovakia is the world's largest cars manufacturing countries in the entire world. Despite how gigantic its reach on other developed countries like UK and US, Slovakia, Czech Republic have been incredibly astounding in manufacturing the most high quality and technologically advanced cars and also maintaining the competition with the US and UK. They have always been open to exploring new technologies and have always been very much eager to improve their automobile companies so that, they can rule business world inexplicably well and get the most competitive advantages.

★ **Legal**

Another most essential factor that Slovakia or any other European or any other countries have to be incredibly concerned about is their legal factors and the maintenance of it. A country can do exceedingly well if they always follow the rules of their country's legislations and abide by them while managing their companies and also doing business internationally, they will be even more profitable and will be more competent to handle their companies. As they have been obedient towards their legal issues, they have been proficient and profitable over the years as well. One of their most internally famous cars is Volkswagen in Bratislava (Brett, 2013).

★ **Environmental**

Environmental issues are not to be overlooked here because, without concentrating on the environment, a country cannot prosper especially when its root is wobbly. A country is best represented by its environmental factors and if they are incompetent of maintaining their environment then, their companies will have a hard time managing their businesses along with their employees as well (Thornhill, 2012). Not only companies, but also especially when it comes to automobile industry, manufacturing cars that have less dangerous and life threatening substances in it and have less carbon in it, can indeed ensure country's better environmental state.

Think constructively about the competitive environment, within the industry detailed in the case using Porters five forces framework.

The Porter's Five Forces is one of the most famous tools in terms of determining the companies' environmental issues and this tool was invented by Michael Porter who was a Harvard Business School professor (Flick, 2011). He named the tool after his surname and since of the birth of this tool right in the year 1979, this tool has been a revolutionary tool for business companies for developing their businesses and for the effectual creation of business strategies.

Porter invented this tool so that, business organizations of numerous kinds can always be one step ahead and have full comprehension of their own capabilities and their potentials so that, they can do well in the business markets and always keep their rivals in check. This is not unknown that keeping a close eye on the rivals and competitors are sort of a habit of the companies and if so, then companies should keep an eye on them in a more strategic and systematic manner which can benefit them immensely. Onto the next, the five Porter's forces based on Eastern European automobile industry will be explained-

★ **Competitive Rivalry:**

Competitive rivalry is the first of the Porter's five forces and this is one of the most crucial factors to concentrate on because, companies have rivalries and those rivalries impact their businesses abundantly (McCrum, 2010). However, rivalries impact companies in a very positive manner like, when rivalries augment and business market gets all kinds of businesses 'initiation and new trends are forthcoming, companies especially automobile ones get the most market footage. Competitive rivalries increase market tension, increase customers' most attractions, it increases buyers' choices and those impact companies unbelievably. However, these rivalries can also work in negative favors, like when a company is not capable of satisfying the customers with their demands and needs at the correct time because, in terms of competitive rivalries, time is of the essence because a lot of companies will compete as well.

★ **Supplier Power:**

When the market is booming, naturally suppliers have some sort of powers to themselves as well because; they are the ones who provide the resources for the companies to produce cars and other

automobiles. As Slovakia is one of the largest automobile industries in the world, generally its suppliers have demands and powers as well. If they cannot satisfy the suppliers, they can easily switch companies which will not work in the favors for the respective companies.

Threat of new entrants	Bargaining power of suppliers	Bargaining power of buyers	Threat of substitute products or services	Rivalry among existing competitors
- Barriers to entry - Economies of scale - Brand loyalty - Capital requirements - Cumulative experience - Government policies - Access to distribution channels - Switching costs	- Number of suppliers - Size of suppliers - Uniqueness of each supplier's product or service - Focal company's ability to substitute - Switching costs	- Number of customers - Size of each customer order - Differences between competitors - Price sensitivity - Buyer's ability to substitute - Buyer's information availability - Switching costs	- Number of substitute products available - Buyer propensity to substitute - Relative price performance of substitute - Perceived level of product differentiation - Switching costs	- Number of competitors - Diversity of competitors - Industry concentration - Industry growth - Quality differences - Brand loyalty - Barriers to exit - Switching costs

★ Buyer Power:

The companies have power, the suppliers have their own powers but one of the most powerful forces in the five forces is the buyers power because, whatever a company manufactures, ultimately is purchased by buyers so naturally, they are regardless powerful. So, when a company especially an automobile company in the time of manufacturing has to be heavily cautious about what are they producing, if they can be suitable for the customers, if they will use them or not, all these things have to be considered (Yukl, 2015). If buyers do not like them, they will not survive the competition of the market. Another factor regarding buyers' behavior is that, their bargaining power which can impact on the company and also affect its profitability.

★ Threat of Substitution:

Now it is not unknown that, if one product is new in the market and they are desirable to the customers, then obviously there will be substitutions and this is a huge threat to the companies

especially in terms of automobile companies. Threat of substitution basically means when customers are gravitated towards likelihood products of another companies and this can harm cars companies incredibly (Robbins, 2013). Substitution basically persuades customers to be more attractive towards cheaper products that are available in the market.

★ **Threat of New Entry:**

New entry can easily hinder the existing companies business processes because, new entrances naturally mean a threat and that threat can be a false one if the new entrance does not have the desirable products and lack of ability to attract market. Now, if it can be a false threat, then it can easily be a legit one because, many new entrances have the quality to take over the market's thunder with their amazing new products and services especially if the new entrance is a car company. Cars are always updating and new trends are always in order and this can easily create terror among the existing companies (McCrum, 2010).

Conclusion:

To conclude we can say that, automobile companies in the Eastern Europe have the most tremendous potential and opportunities to do even better than they are doing now in terms of international business because, they have already proven to be one of the largest automobile industries in the world easily competing with UK and UK automobile companies. They will have way more opportunities in the future and they will be competent enough to rule the automobile industry only if they can maintain the PESTEL and Porter's Five Forces on a regular basis while doing national and international business.

Reference:

Robbins A.(2013), Essentials of Organisation al Behavior (7th ed)”, Prentice Hall: USA,

Yukl, G. (2015), Leadership in Organisation s, sixth edition, New Jersey Prentice Hall

McCrum, R. (2010) Globish: How English Became the World’s Language, London, Viking.

Flick, U. (2011) Introducing Research Methodology: A Beginner’s Guide toDoing a Research Project. London: SAGE.

Thornhill, A. (2012) Research Methods for Business Students. 6th Ed. Harlow: Pearson.

Brett, J (2013) ‘Managing Multicultural Teams.’, Harvard Business Review,

George, H. (2015). International Finance Handbook. New York : Wiley Publishing.

Cottrell, S. (2010) ‘The Art of Reflection’, in Skills for Success: Personal Development and Employability

Hazelhurst, J. (2012) ‘Buying up Britain’, Management Today

Johnson, B. (2011) ‘The CEO of Heinz on Powering Growth in Emerging Markets.’, Harvard Business Review,

