

ASSESSMENT 1

ENVIRONMENTAL ANALYSIS OF AN AUTOMOTIVE INDUSTRY

STUDENT NAME -DANIEL MIHAI

STUDENT NUMBER-1917723

**MODULE NAME – THE GLOBAL BUSINESS ENVIRONMENT
(LCBB4005)**

ASSESSMENT 2 -GR3-OCT2020-WEEKENDS

LECTURER NAME -MOLLY JACK

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Introduction

Global business environment defines as the environment in different countries, it uses all the factors such as capabilities, uses of resources regarding the organization. The business environment consists of all the external factors that are influencing the company, it refers the degree of competitiveness and price pressure of the industry. Automotive industry in the UK, the industry is known for best manufacturing cars, it also manufactures commercial vehicles. The assignment will discover the major forces that shaping the business environment of the automotive industry. It will evaluate the opportunities and challenges; it will also identify why the company engage in international trade.

A. The major forces shaping the business environment of the car manufacturing industry

Describe and analyse the PESTEL environmental factors at work in the industry in question

In Automotive industry, the PESTEL analysis will look for political, economic, sociocultural, technological, environmental and legal factors.

Political:

The political factors are safety regulations and emissions policies that affects the working area of the automotive industry. Due to the car or motorcycle accidents, the government has made strictly safety to the automotive industry.

Economic:

Growing disposable incomes affects the automotive industry, as people are earning more and more money which means people have more money to spend on motor vehicles (Tallman, Luo, and Buckley, 2018). The demand for motor vehicles increases which affects the economic growth of the industry.

Sociocultural:

In sociocultural factors, the term popularity of driving is growing as people are more interested to buy new cars. New generation becomes more excited to motor cars than bicycles, it increases the rate of selling to the automotive industry.

Technological:

The technological factors are self-driving cars, improved safety which affects the automotive industry, as the company introduces new strategies to attract people. It advanced in self-driving technologies, with the best use of technologies the company has improved standard, and it also adds emergency brake assist system. Evolution of technologies, the people has also changed the way of thinking and they would like to try new cars for better driving experience.

Environmental:

The environmental factors that affect the automotive industry are carbon emissions, final thoughts, as carbon dioxide is the most pollutant element. The company plays a large role in the global climate change due to this the government may take action to stop global warming.

Legal:

From the features of branding to shape is performed by trademark or patent laws, as there are many companies who may steals the designer of western counterparts (Zahra, 2020). It is a big issue which the company faces, and it is protected by some laws.

National and international aspects

Financial performance:

The domestic automotive industry develops their vehicles demand which is parallel to economy activity, the profit is depend upon the demand of vehicles which the company produces. The duration of 1985-86, the company faces in high level of competitive pressure, it makes more profit from trucks. The luxury cars, sports car has high demand which makes the company to make more profit from this factor.

Effects of competition:

Sometimes the government policy creates more burden to the company's growth than the other foreign manufacturing company. To make future state organization the company must withdrawals some other companies while by closing domestic industry. To increase the rate of sell, the company adds incentives, various marketing and service program.

Employment trends:

Decrease in demand of motor vehicles directly effects to employment, less profit makes the automotive industry to fire employees. Company's adjustment to the overcapacity also the

reason of reducing employees, many works are employed in company to introduce new vehicles.

Changing market share:

As the company Automotive grows with the evolution of time and technologies, it brings huge changes to the process of market share (Cogan, Hurd, and Johnstone, 2016). In order to make more profit and to sell more cars, the company uses logic path to bring product evolution which gives effectiveness to the manufacturing process.

Apply relevant business models (Value Network)

Value network:

Value network performs as a connection between organization and people, it helps the organization to interact with people and to sell and buy products. The Automotive industry works in two ways of value network, it creates services which are benefits for the company.

Internal value network:

It creates network within the organization, it forms when the two effective employees in business interacts. Research and development in automotive industry helps to develop new idea about the changes in the process of manufacturing. It helps to create new cars and vehicles in an effective way to make more profit, it acts as a profitability method. The company must interact with people to collect more data for further research, it helps to develop the company. Sometimes it is characterized as an automaker-driven network to collect information and to share information.

External value network:

It helps to create network with the people from outside which helps to bring new customer to the automotive industry in order to make profit. It includes business partner, stakeholders, customers and networks, it brings opportunities to the industry by interacting with large number of people (Hart, 2019). As it works together and shares together, the company will be affected if one of the participants does not get benefit.

International environment analysis (PESTEL)

PESTEL analysis helps to identify the different sectors like political, economic, sociocultural, technological, environmental and legal factors.

Political:

It relates to the government which influences the industry, it effects the industry with range of factors such as trade traffic, taxation, fiscal policy.

Economic:

Economic directly reflects to the industry market prospects, it effects the prices of the products and the demand model. It includes inflation rate, disposable income, unemployment rate and foreign exchange rate, unemployment is the big issue to the economic growth of the industry.

Sociocultural:

Social factors such as religion, demographics, the pattern of consumer buying, health, education, media affects the industry's growth, as the industry depends upon the peoples and on their demand of products.

Technological:

The factors have direct or indirect impacts on the industry's production as the company introduces new cars with the evolution of technology. Innovation effects the customer's choice, it evaluates the way of thinking, and the people are more interested to buy new cars (Sinkovics, Kurt, and Sinkovics, 2018).

Environmental:

Environmental factors such as climate, geographical location, weather and global climate change affects the industry, it is an important part.

Legal:

Legal factors affect both the internal as well as external environment of the company, it effects the policies that are made by the company.

B. A critical assessment of the opportunities and challenges that these forces present and discuss how firms can best position themselves to gain a competitive advantage

Understanding of competitive environment and its theory

In Automotive industry, the industry earns large number of revenues from selling sectors as the industry introduces new item to sell, it attracts people to purchased new cars for better driving experience. The competitive theory helps to identify the challenges and helps to compete with other companies. The company should be ready to face the challenges to make the industry to keep running on track. The needs of customers are changing as the world itself changing, people want more luxurious life to live and automotive industry helps the people to explore new luxurious cars.

Number of competitors:

The company has faced domestic competition most of the time, the theory helps to identify the challenges regarding the competitors. It affects the way of facing and helps to improve the process, automotive industry has likely to face competition from various companies of all over the world. The government only safe those companies which are doing good in their field and it makes clear the deserving company will survive in the race of competition. New technologies help to solve customers' problem in an effective way, to make success the company must follow the trends and need to produce more cars to gain attention from government.

Competition from new technologies:

With the evolution of time and technologies, it affects the people life and mindset which brings more competition to the automotive industry. The company must have to focus to develop the manufacturing process as to make it more effective, the people are searching for more comforts and safety (Smither, Houston, and McIntire, 2016). It will help the company to work with advance technologies with more new idea, it brings innovation to the company. The people become more creative and innovative which often helps the industry to go for further research and to do more experiment with the technology and products.

Assess market actions through micro and macro-economic foundations and different market structures affect the firm and major features of current international economy

Micro economic foundation helps to analyses the decisions made by the governments, porters five forces helps to see beyond the competitors' actions.

Competitive rivalry:

It looks at the number of competitors that the automotive industry has, it looks various factors regarding the competition such as the quality of the products (Kim,2019). It helps to attracts more customers with a suitable price, it makes the company differ from the other competitors.

Supplier power:

It determines the power of the suppliers in terms of increasing prices, it shows the number of potential suppliers that the company has. It also determines the product's uniqueness and about services that the company provides. In order to make it as advantage, the automotive industry must involve large number suppliers.

Buyer power:

It shows the power of buyers, as it impacts the level of the company, it involves all the details regarding the buyer utility. The availability of large number customer increases the power of the company as it has more selling rate.

Threat of substitution:

It refers that people are mostly goes with easy and cheap services, the company with less price cars will help to gain more customers. As people sometime goes for second option where they can invest money with more interest rate.

Threat of new entry:

The industry must introduce new techniques to make it effective as for the customer to enter, security and safety must provide by the industry in order to make more people to enter. The easily availability training helps to enhance the employee's knowledge and practices over the products and services.

Major features of current international economy:

International economy creates more opportunities to the small firms, it gives them the chance to make new markets as for better running.

More options for production:

With the form of international economic involvements, it shows the company to produce more products for selling (Olatunji *et al.* 2019). The company must be informed where the services are provided as to use it, it helps to improve the process of production.

A more level playing field:

New world economy gives huge opportunities, it gives chance to explore science and technologies, it shows the ways of things differently as to make competitive advantages. Network helps the company to get information regarding the markets, business needs understanding to proceed as networking helps to implement it.

National and international aspects

Capacity for investment:

It is difficult to decide whether the company is able to invest or not, since investment brings new opportunities to the industry automotive industry must have the capacity for investment which will improve their internal services. Fuel economy follows the own factors of the industry as product development process for this reason the risk of financial factor would be reduced.

Structural change in the industry:

The automotive industry to remain competitive, it must go for structural change, as changes will enhance the internal and external factors of the company which will helps the people to meet with more facilities. It must adopt new production process, it may take long time, but it is worth it, it will help to manage the competitive advantages.

International aspects:

Production logistics:

Before going through the availability of the products at another sector, it must identify the basic price of the product. The cost served by the other country sometimes can be disadvantage, if the raw material needs to be imported than the product price would be costly.

Primary distribution logistics:

The most important step for a successful business to decide where most of the products are going to be received (Cherry *et al.* 2018). The cost will be high in terms of distribution from the country to US, it also includes other cost to distribute products.

Conclusion

After going through the above section, it may conclude that the automotive industry is known as manufacturing cars and other commercial vehicles. PESTEL analysis helps the industry to look after the political, economic, sociocultural, technological, environmental and legal

factors. It helps to identify the internal and external factors of the company; value network helps the company to make connection with the people. Competitive environment helps the industry to make step towards the competition, as it helps to improve the way of facing the competitors. Micro economic environment also helps to identify the decision that has been made by the government as to make the company alert.

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