

Environmental Analysis of an industry - Assessment 1

Name: Balta Mirela

Student Number: 1920865

Module Lecturer's Name: Raxon Nting

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Introduction

Environment pollution is one of the key factor that the organisations irrespective of the business sector is looking at to address as a part of their sustainability policy. By working on this, companies are not only is looking to enhance its creditability in front of the customers but at the same time, looking to ensure that it is able to introduce or expand its product and service offering to increase the busivess as well. In the automobile industry, the demand for the electronic vehicles is growing at a rapid pace keeping iv mind the factor of sustainability as well as meeting demand of the consumer in both local and global market by means of trade. Volvo Cars', a Swedish multinational automobile industry, initiative towards incorporating electric motors to cars from 2019 has gained a lot of importance from analysts around the world. The company has taken a revolutionary decision in the automobile industry around the world. The report is going to identify the impact of the organisation's contribution in international trade and the changes it adopted for the production of electric cars.

Discussion

There are different environmental factors that controls the overall process of business performance. According to Perera (2017) political factors incorporate changes in the government, constitutions, political security and results etc of the world that impacts on the organisation. The international automobile industry is grievously affected by Brexit, as vehicle producers are stood up with a dubious market and dangers of high working expenses (Sampson 2017).The UK's political system is indeed dynamic and continuously changing especially on account of Brexit. However, the automobile industry has been impacted by the changing government rules in different countries across the Europe, especially in the UK after it implements the law of BREXIT. Carbon emission is one of the main reasons that not only affects the environment but also the health of the people and the government of various European nation has taken strict restrictions for automobiles emission on Carbon, forcing it to redesign their engine (O'Driscoll *et al.*, 2018). According to Agrion *et al.* (2016), Volvo automobile the new government affects industry's markets regulations on Safety, rise in insurance price along with the government's initiative to protect the local automobiles by imposing heavy taxes on the automobile industries of Europe. The global automobile industry faces a lot of difficulties due to the trade war between the nations around the globe (Abad 2018).

The rising price of fuel in the countries like UK has also affected the automobile industry and Volvo UK by decreasing the performance of the car. The rising price of fuel has also affected the behaviour of the customers, as they now demand for “fuel efficient cars” (Berggren *et al.*, 2015). According to the report of PWC (2020), in last two years the GDP growth of the European Union was slower than that of the expectation (2.1 and 1.9 percentage respectively) after a strong performance in 2017. Only 3 major nations, Germany, Netherlands and Australia were able to perform better than that of the average. In 2020, the COVID pandemic affects the overall EU to large scale and economic growth is very slow which is a big point of concern for the EV industry as well. In 2018, consumer expenditure was growing since in 2018 however, as the Pandemic is resultant in a significant level of job cuts, the same is going to get affected yet again. The unemployment rate, which was 9% last year supposed to reach a greater high this year as the organisations in order to maintain its business are started to reducing its employee base. This will affect the spending as well which is having a direct impact on the automobile sector, especially on the purchase of the EV.

The status of owning a car globally had a standard. However, owning and maintaining a car has a lot of expenses. All across the Europe, there is a huge population which often can attract the car manufacturer to try something unique which not only will increase its demand in the global market but at the same time work on the process of sustainability as well. Focus of the consumers are now shifting toward those organisations which are providing value for money as well as enhance the possibility of trade. This is a positive factor which will act in favour of the firm. However, Volvo UK has also suffered the impact of Uber and rental cars facilities that are in high demand. However, Volvo's initiative of electric motor cars have also created a great impact on the nation and around the world especially for those who look for environment friendly technologies. The ageing population faces a lot of safety problems while driving. Volvo automobile's initiative to produce safety vehicles have made the older section of the UK prefer cars of this company. The international automobile industry is completely and solely dependent on technology. Countries like Japan, United States, Europe, China, Canada etc have adopted “**Global Technical Regulations**” under the UN that directly affects the manufacturing of the design of the car. This regulation increases the production of the car and also puts restrictions on the way it will be sold or marketed. The manufacturers are trying to shift their traditional automobile industries by adopting the new technologies by using “AI” or Artificial Intelligence; “ML” or “Machine

Learning techniques in the process of production operation. Companies are emphasising on making the vehicles an advanced IoT which is helpful to manage the overall driving safety. Use of self-drive technology in the production process, especially in the “electric car” increasing its demand as well (Utermohlen, 2018). The Volvo Company has taken the initiative to shift its old way of production to the new way by producing electrical motors in cars. According to Lindberg (2016) although Volvo has failed to adopt the feature of the technology for advanced external environmental factors, it has successfully produced safe cars by incorporating some of these modern techniques. As a result it is able to develop a slight new but extended customer base in the wider market segment in other parts of the Europe.

The “*environment factor*” also plays a key role. The automobile industry is highest in producing carbon which affects the environment of the globe throughout. To prevent this the government has imposed strict tax and rules to produce electric and hybrid cars to prevent environmental degradation. According to Kushwaha and Sharma (2016) “the 1958 Agreement Act” of the UN directs the country to accept the agreement to test the design before the manufacturer manufactures it. To encourage sustainable energy the UK government has also banned the gasoline and diesel cars and encouraged the use of hybrid vehicles. The step of producing electric motors by Volvo automobile industry in the UK has been exhale due to this initiative taken by the government as electrical engines prevent environmental degradation (Palmer *et al.*, 2018). This restriction encourage the business organisation to emphasise more on producing electronic cars with modern technologies in order to meet the demand of both market as well as rules set by the government in relation to environment safety. As the consumers of modern era are more emphasising on the sustainability, it is important that Volvo as an organisation emphasise more on developing electronic car which is not only in demand in some countries within Europe like UK, but as a whole there is a demand of the same which will increase the level of trade. Some of the key legal factors are also controlling the process business operation of the company. The Global Technical Regulation by the UN has given the countries all over the world adopting it with the power of approval of design of the car manufacturers before they manufacture the car. This regulation is adopted internationally to prevent environmental degradation. The Clean Air Act passed by the government of the UK has brought a lot of changes in the behaviour of the customers (Singh *et al.*, 2017). Previously Volvo focused mostly on the safety of the vehicles but now it has taken initiative towards producing cars that prevent environmental degradation and are eco-friendly.

However, the initiative of Volvo in producing electric cars is under the effect of this act. The critical evaluation of the possible expansion of business along with development of the international trade of the firm like Volvo is closely linked with its external business environment review. Although there are numerous benefits to foreign globalization, there are many significant problems involved with this dynamic and increasing trend. The analysts are also able to provide professional guidance and assistance in order to leverage your company strengths on major foreign markets (Keck *et al.*, 2018). The trend in the PESTEL analysis reveals that boost in revenue and productivity helps the organisation to improve the business market. Expanding to the regional environment is most likely to boost net profits and products and reduce operating costs while gaining a wider consumer base. In turn, with the help of automation and the Internet boom, foreign trade has become much more attractive to smaller companies. By enabling them to delegate, they are able to save and enhance their market performance and to operate output. (Andrews *et al.*, 2016). Factors like economic development trend, social and political factors as well as modern technology-all these factors are playing an important role in the overall process of expansion of business and foreign trade. Many firms will choose to grow their market goods so that they are more likely to be embraced around the globe. For some sectors, globalization through internationalization can help businesses to gain greater economies of production. However, internationalization may also serve as an opportunity to differentiate or exploit new commodity extension services (Favaro, 2020).

In addition to “**PESTEL factors**”, another key model that can be analysed here is the generation of value by the firm which can be analysed by the “**Porters Value Chain**” analysis is one of the key model that helps to determine how the organisation is able to generate value in the long run. The porter’s value chain model has two significant segment, one is the primary activities and the other is supporting activities. The primary activity includes inbound and outbound logistics, operations, marketing and sales and services. The support activities includes procurement, HRM, technology and structure of the firm. As an organisation, inbound and outbound logistics of Volvo is very much stable and properly developed which is helpful for the company to enhance its foreign trade and at the same time its standardise operation model is helpful to improve the quality of the products. Marketing and after sales service of the firm is of highest order which is helpful to increase the value generation for its customer base. This core operation model of the firm is supported by the well-designed HR team and the organisation structure of the company which is

looking to incorporate the modern trade as much it can into its business operation (Simatupang *et al.*, 2017). In order to improve the overall process a detail critical assessment of the organisational and other changes needs to analyse appropriately. Organizational transition has been described as the process of changing an entity from its current state to a new position, whether intentional or unintentional.

Organizational transition is a type of deviation from its long-term role by implementing a new concept and intervention to enhance efficiency and adapt the current world. **Level of Influencing is important** as various influences could affect organizational adjustments, from the consequences of internal management to external positions in customer behavior, or shifts in market settings. The most important explanations are: policy, globalization or success, dynamic environment, the global economy, economic reform, technical development and strategic reorganization. As a consequence, technical innovation generates internal and external demands to develop the potential of organisations and to review their approaches on a regular basis (Higgins *et al.*, 2019). **Resistance to Change** is a condition that influences the cycle of transition by decelerating its launch, impeding its completion and rising its expenses. Resistance, on the other hand, is a way of maintaining the status quo, so it is analogous to friction that tries to eliminate transformation. However, the traditional vehicle manufacturing involves lesser complicated equipment as the components of the car are simpler and it requires assembling with the help of automation. However, for electronic advance vehicle, there is a collaboration between advanced technologies, AI, IoT along with the equipment of the car to make it more improved. Control of Resistance is also different in the old and new car manufacturing company. There is no overarching solution to avoid opposition to transition. However, managers may play a crucial role in mitigating opposition to transition. Next, they will understand the corporate context of shifting priorities and take the appropriate action to address the cultural void. Another aspect is preparation that will resolve behavioural difficulty in order to reduce opposition to contact challenges and to obtain the ability required to implement positive transition (Higgins *et al.*, 2019). The process of modern manufacturing is important as new generation of employees often like to use those advanced technology for production which is important as in companies there are people of old school of thought who prefers the older mode of working.

There are a range of major benefits for “electric vehicles” (EVs) over standard petrol / diesel automobiles one of which is cheap availability “**Technicians of the EV**” get the privilege of lower

production costs. The strength to be charged by the EV is around a third as costly per kilometre as the price of gasoline for the same automobile. There are a number of useful graphs that might be used to see savings. Find out about the petrol price Savings tracking system on the hybrid vehicle page. Apart from that, cheap option to afford, improving the level of environment safety and health of the people, increasing safety and security while driving-all these are key that attracts the organisations in the automobile sector to introduce EV in the market (Ghemawat, 2017). In relation to the overall process, Product life cycle plays a key role in relation to the EV production. The overall product lifecycle includes 4 different phases namely initiation, growth, maturity and decline. When the product first introduced in the market, the stage is known as introduction. In the growth phase, the sales volume increases as the production as well as demand started to increase. The maturity is the phase where product demand reaches the top and then start declining (Kabeyi, 2018).

Volvo as an automobile company is focusing on the production of basic EV production which although does not have high end technology but it is able to produce high level safety cars for its customers. Being within the affordability rate of the customers of the middle class people, Volvo is able to increase the demand of their product and at the same time enhance their trade. Volvo is in the growth stage as the firm is growing its business steadily and yet to reach the maturity phase. While analysing the possibility of the market expansion, the firm needs to consider Porter 5 force analysis which address factors like bargaining power of buyers and suppliers, threat of new entrants, substitutes and market competition. Porter's 5 force model helps to determine the market scenario and possible factors that controls the decision making of the company. Zhang (2018) in his review discuss how the 5 forces are linked with the industry. The **"Threat of new Entrant"** is very daunting for every new business to reach the industry and place the current automotive enterprise at risk. As, they have already built their client base and spread their company across the globe. Moreover the investment required to start a new venture is on the higher side hence the threat is low. The **"Bargaining power of the Buyer"**: An automobile corporation is trying to produce higher quality automobiles for its particular clients and thus the costs of their cars are very high. Customers belonging to the upper tier of the business could manage such cars. Therefore the bargaining capacity of the buyers are also low. **"Bargaining power of a supplier"**: An automobile business has a large range of vendors that provide them with supplies to create their own. As a consequence, manufacturers are trying to bargain and raise the cost of raw materials to create

challenges in running a company in a different way. As a consequence, maintaining a good partnership with manufacturers is of utmost importance. This could depend upon the relationship between the authority and the company and the material suppliers. **“Threats from Substitutes:”** A single automotive sector faces competition from a range of other automobile makers on the market. As a result, they consider it challenging to compete on the market and to attract clients. Many automotive makers are trying to sell identical functionality in their cars at a low price. This causes problems for their company. Hence, the threats are high. Lastly, the **“Competitive Rivalries”**: The automobile sector is dealing with intense rivalry from the numerous firms that produce luxury vehicles. It renders things really complicated. To ensure that the administration of the organization executes its duties in a meaningful way. This could be a major threat to the company (Zhang, 2018).

Conclusion

Environmental research offers an organization with an overview on what may have an effect on the market. The paper discussed how the market climate, skills, strengths and shortcomings, the external world, customer benchmarking, corporate structure and strategic positioning relate to this study and provide the company with a path forward in a constantly evolving operating setting. The overall analysis reveals that the external environmental analysis plays a key role in the discussion of the development of foreign trade of a company. In order to deliver high quality business value, the organisation must work on PESTEL as well as Porter 5 force analysis that discuss in details how the organisation is looking to work on designing new products, expand business and develop foreign trade in order to improve the overall process

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