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Assessment 1

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Table of Contents

Introduction.....	3
Part-A.....	4
Part-B	8
Conclusion	10
References.....	11

Introduction

The business environment encompasses both internal and external elements as well as influences that have a significant influence on a company's ability to establish good customer relationships. Modern businesses must assess the business climate of the sector in which they operate to ensure success and profitability. The global, micro, and internal environments are all important aspects of the economic environment (Worthington, Britton and Thompson, 2018). These surrounding factors must be considered before developing company strategy to provide the greatest results. A company can regulate the external and micro environmental elements by implementing effective tactics. A corporation, on the other hand, will not be able to influence macroenvironmental forces. Having a thorough understanding of the aspects that make up the company environment helps managers and stakeholders make better choices because those who know how to deal with a specific environmental issue and how to mitigate its impact.

Part-A

PESTEL Analysis

PESTEL methodology is a research tool that determines which macroeconomic indicators are impacting the functioning of a vehicle manufacturing plant. To have a better grasp of the whole international market, it is also beneficial to better examine the industry's prospective strengths, weaknesses, possibilities, and dangers (Tidström, 2012). The following sections will analyze the business environment of the automobile manufacturing sector using the PESTEL framework. The car business is heavily influenced by political considerations.

Politics: Governments all throughout the world are prioritizing pollution control automobiles. Charges on luxury class transportation have increased and it is influencing operations of BMW. Furthermore, the government's pace with the fast policies and guidelines for about the same legislation might put the vehicle sector at danger.

Economics Economics evaluation includes elements such as sustainability performance, currency conversion, inflationary gauge, unemployment numbers, yearly cost of borrowing, and lending provision (Hood and Vahlne, 2013). When the economy is doing well, the auto industry may expect to sell a large number of automobiles. In this situation, poor economic circumstances may result in a decrease in sales and it was seen on BMW.

Social: In regards to social risk assessment, a fashion style, age structure, automotive culture, taste, predilection, health education, and the attractiveness of driving, among other things, may have an impact on the vehicle manufacturing sector. In many contemporary nations, prudent clients are increasingly prioritizing the purchase of environmentally friendly vehicles and it had changed the production system of BMW. As a result, the automotive industry should design automobiles based on the preferences of the target market.

Technology: Technological analysis is concerned with the development of new goods as well as the improvement of current ones. BMW are already modifying their old models to include cutting-edge technology such as artificial intelligence and self-driving automobiles. The bigger the market value of a company, the more innovative it is.

Environment: Environmental threat assessment seems to have become a serious concern in the vehicle industry as a result of environmentally conscientious consumers and governments (Sridevi, 2015). The vehicle sector has the most environmental impact. Many nations have adopted rules on the maximum permitted carbon emission while automobile buying in latest days. Additionally, shoppers contribute to environmental preservation by considering gasoline use while making purchasing decisions and it can change the operations on BMW. The functioning of a transportation firm is influenced by the country's industrial legislation.

Legal: Government-imposed policies and rules, such as copyright protection, overseas markets law, safety legislation, tax codes, and environmental law, must be followed by the automobile manufacturing business (Chen and Wang, 2015). Before entering the worldwide market, any vehicle business must meticulously adhere to all relevant government ordinances; otherwise, they risk being prohibited and facing legal complications.

Porter's five force model

Michael Porter's five forces analysis is useful for determining the competing forces within an industry, such as the automobile manufacturing business.

Entry barriers: The first factor is the danger of potential entry, which is extremely minimal in the car sector owing to massive entry and exit barriers. Likewise, for BMW, the entry barriers are very limited.

Bargaining power of suppliers: The second factor, suppliers' negotiating strength, is equally limited since, in comparison to automakers, they are small businesses. For BMW, bargaining power of suppliers is low.

Bargaining power of buyers: In this context, buyers' bargaining position in the car sector is very great, owing to the industry in terms aggressive rates and consumers' negligible switching costs. Bargaining power of buyers is very high on BMW.

Risk of substitution: Porter's fourth criterion, the danger of replacements, is likewise minimal in the automobile manufacturing sector due to alternatives' performance limitations. There is no risk of substitution on BMW.

Competitive rivalry: This is a very competitive business all across the globe. So, in the car sector and BMW, the last of Porter's Five Forces, intense competition, is particularly powerful (Steidle, 2017).

Industry condition and performance of BMW

All organizations or individual people who seem to have a serious influence on an industry's performance are considered part of the micro - environment. It is made up of elements that are close to the establishment and have an impact upon on a regular basis. Consumers, new entrants, institutions, the market, distributors, and counterparties are some of the major factors in the micro - environment of the automotive market. These microenvironmental factors have a direct impact on the automobile manufacturing business like BMW. Customers are thought to be the most important component of the microenvironment (Worthington, Britton and Thompson, 2018). This factor has a significant impact on the automobile manufacturing firm's profitability and growth. The car industry's internal environment also includes suppliers, intermediaries, and the market. Suppliers aid in increasing the provision of key components for the production of an automobile. Customers are connected to the BMW via intermediates such as vehicle dealerships, and the market is where real car products can be sold. Furthermore, competition are another important aspect of the environment which assists to maintain a good pricing equilibrium in BMW. In comparison to the original form, the diversity of features in the current vehicle industry must be beyond comprehension (Rubenstein, 2011). The most important cause for this is the convergence of technology. The vehicle business is constantly evolving due to the rise of digital technologies. Over the previous decade, the industry has been growing. The advent of identity technologies is one of the most significant innovations in latest days that has completely transformed this business. A self-driving automobile is capable of recognizing its surroundings and traveling safely without the intervention of a person in the car. This automated technology is being used by a number of manufacturers, including BMW, Tesla, and others, in automatic automobile parking. Furthermore, the creation of electric cars has resulted in a reduction in emissions and pollutants. Automobile manufacturers may quickly cut transportation costs by a third as compared to traditional patrolling by creating electronic transportation. The advent of manufacturing processes is another key development that happened in the BMW as a consequence of different business climate. It has something to do with 3D printing (Luo, 2013).

The advanced manufacturing technology aids in automotive ease of construction, printing replacement components, and ensuring use of such compact and lasting components in new cars. The primary motivation for the use of incremental innovation in the automotive sector is to secure a higher production rate of automobiles at a lower cost, allowing businesses to maintain a healthy profit margin.

Part-B

Value chain analysis

Following an examination of various environmental factors affecting the automobile manufacturing business, particularly macroeconomic and microeconomic pressures, a number of opportunities and problems are identified that have been directly related to the sector. Before discussing the potential benefits and challenges, it is vital to supply the vehicle manufacturing industry's executives and managers with sufficient knowledge on the industry's existing strengths and shortcomings. BMW's primary strength is its consistent pace of expansion. Aside from that, the industry's low labor costs are another plus. A fundamental issue that BMW is now experiencing seems to be that the industry has evolved from a demand to a supply market, resulting in a considerable rise in bargaining power of customers. Another issue that the sector is now dealing with is government action. In the worldwide marketplace, the BMW is now confronted with a number of possibilities as well as obstacles. Political problems are posing difficulties for the automobile manufacturing business. The Brexit problem has produced an unpredictable market environment in the business, which will ultimately drive up operational costs in the BMW. Emerging markets in the area, such as those in Asia And the Middle east, are opening doors for the sector (Joshi, 2019). Individuals in these nations are more position to finance around their own cars as their expendable income rises. BMW is facing a difficult scenario as a result of industrialization between major nations such as the United States and China. Due to the obvious trade war, China, which is among the world's largest vehicle markets, has seen a major decrease in sales for autos (Yilei Sun, 2020). In the BMW, social factors are producing possibilities. According to recent data, 87 percent of individuals in the United Kingdom believe that owning a vehicle is important for a better existence. 94 percent of automobile owners in the United Kingdom said they like the independence that their vehicles provide (Financial Times, 2020). Furthermore, in emerging nations, owning a vehicle is seen as a sign of social status, resulting in an increase in automotive sales. BMW is also benefiting from newly developed technologies. Automobile manufacturers are able to lower their costs while also improving vehicle safety thanks to new technology. In BMW, environmental factors have brought both possibilities and obstacles (Hood and Vahlne, 2013). People have become much more ecologically concerned, which presents a challenge for automobile manufacturers. While

addressing environmental factors will provide a significant benefit to industrial businesses, the legal elements of greenhouse emissions in many nations have produced a difficult scenario for the automobile sector, and the industry's enterprises are attempting to lower it, and they are succeeding. It has dropped dramatically during the last ten years. Different components of Porter's five forces, such as suppliers' bargaining, entrance of new threat, and substitution threat, have a reduced influence on the automobile manufacturing business, which is offering possibilities for the company. Porter's five forces components, such as bargaining power of customers and existing competitors, have a greater influence on the sector, creating a problematic position (Tidström, 2012). The aspects of the environment listed above are assisting BMW in gaining a competitive advantage in the worldwide market. The automobile manufacturing industry in terms enterprises provide competitive advantage by ensuring opportunities and adopting effective actions against difficulties. Most vehicle manufacturers, notably Porsche, Volkswagen, Mercedes Benz, Toyota, Nissan, and others, are engaging in supply chain management to stay ahead of the competition (Irawati, 2011). The primary elements of strategic sourcing, such as logistics management, procedure, delivery of products and services, marketing and promotion, and provider, as well as supporting aspects such as HRM, infrastructural facilities, future technologies, and acquisition, all serve to minimise production costs of modern vehicles, allowing firms to gain a competitive edge in the global competitors by providing better automotive at lower prices. Furthermore, BMW may differentiate their automobiles from their rivals by putting innovative features in their automobiles, which will help them maintain the greatest place in the global market. Many automobile manufacturers, such as Lamborghini, Porsche, Tesla, and BMW, are producing new revolutionary cars with distinctive designs that are assisting them in establishing a strong stance and attracting more consumers. Another component that modern vehicle industrial companies may employ to ensure a strategic advantage in the worldwide arena is brand image (Mahfooz, 2015). Another area that car manufacturers may leverage to gain a competitive edge is a well-functioning worldwide production and supply chain.

Conclusion

The organizational factors that impact in ensuring a company's success. In comparison to the competitors, a company won't be able to succeed without validating both macro environmental elements. The general factors related with the economic environment are clearly defined in this study and used the examples of the automobile manufacturing sector so that the issue of corporate environment may be understood effectively.

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