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Table of Content

1.0 Introduction:.....	3
2.0 Factors affecting the global automobile industry and analysis of changing global business scenario:	3
3.0 Various business models with the context of global environmental analysis:.....	5
4.0 Reason for any organization to engage in the global market:	8
5.0 Conclusion:	10
Reference List:	11

1.0 Introduction:

The assignment aims at evaluating the environment analysis of the automobile business. The assignment uses the example of Volvo to explain the key points of the assignment. The assignment discusses the factors that play a key role in shaping the global automobile industry and also discusses the changing scenario of international business. Along with this, the assignment has discussed the PESTLE analysis and Porters Five Force analysis of Volvo as well.

2.0 Factors affecting the global automobile industry and analysis of changing global business scenario:

It is important to understand the fact that global business is dependent upon several factors. These factors independently affect the performance of every industry and its ability to gain a hefty amount of profit from the market. This statement is applicable even for a large and renowned company such as Volvo. One of the biggest factors that are affecting Volvo is the varying prices of raw materials mainly steel in the international market. For now, a sharp drop in the prices of raw steel has allowed the company to spend less capital on accumulating the valuable resource. Along with this, its global supply chain is capable enough to shift the momentum towards the favors of the company giving them better control during the bargaining stages. Today, due to the trends among the customers to opt for an electric vehicle is also impacting Volvo and other big names in the automobile industry. As per (Lu et al. 2018, p. 12) in the field has stated that there is an eminent race between many large corporations to grab this market. Unfortunately for Volvo, companies such as Tesla are miles ahead in the competition. To make the matter worse, the higher administration of Volvo has stated that the company is struggling to cope up with this sudden change. The unstable global economy is also a major factor that is impacting the global automobile industry. While Europe is going through a financial crunch coupled up with high inflation rates, it is becoming very difficult for Volvo to sustain its current position in the market. The Asia market especially in India, where the repo rate is steadily declining, Volvo is also having a hard time to attract a large customer base. To make the matter far worse, the global automobile company is also facing a bigger competition in such a market. Finally, the gap in political agencies in different geographical locations is also a matter of big concern for the automobile industry. These gap in

policies is causing a huge disrupt in the ability to gain expected profits from the market. Along with this, as the stability of a region is mostly dependent on the government policies, any faulty decisions can cause the regional industries to go through huge financial issues, and disrupts their progress (Choi 2018, p. 660).

It is needless to state that, the global automobile industry is going through a rapid change. Since last two decades, this change has become more prominent. Although these changes in the global business scenario cannot be defined in a straight forward manner, some factors acting as a trigger to these changes those surfaces frequently can be discussed. First and foremost, change in technical aspects is one of the biggest factors that are affecting the global business scenario. With the availability of modern technical marvels and changes in the perspective of global customers, it has virtually reshaped the automobile industry. It is important to note that, technology in the current date is impacting every aspect of modern life; hence, it should be of no surprise that it would impact the automobile industry as well. One of the biggest examples of this expansion of technology is the rapid popularity of automated and electric vehicles. Another important factor that is shaping the global business context is the environment itself. This is due to the fact, with a rapid decline in the global environment due to human activity many of the large organizations are now forced to adopt new strategies that allow them to gain profit yet maintaining stable environment conditions (Mazur et al. 2018, p. 676).

3.0 Various business models with the context of global environmental analysis:

3.1 Porters Five Force Analysis for Volvo:

- **The threat of new entry:** Setting up a new automobile company requires a huge amount of initial investment. As a result, it can be boldly stated that the threat of a newcomer in the industry is quite low. Along with this, the overall operational cost to manufacture a new vehicle and invest in the promotional events also costs a huge capital. All of these factors make this force quite weak for Volvo (Akakpo et al. 2019, p. 66)
- **Supplier's bargaining power:** Rise of a better automobile is growing with the proportion of the global population. To meet this huge demand large automobile organization uses several suppliers rather than relying on a single one. This makes the competition among the suppliers very high. As a result, this force is also weak for Volvo. It is important to note that the suppliers of the automobile industry are somewhat lesser differentiated. This results in lower switching cost. This factor further weakness this force.
- **Bargaining strength of customer:** As the difference between two high-end vehicles is rather minimal in the respective industry, it makes this force quite weak for Volvo. For example, currently, the supplier of the better electronic vehicle is very low in the market. Not much automobile company has neither the ability nor the expertise to manufacture such vehicles. Hence, it allows the company to enjoy a better position while negotiating the price of their products.
- **The threat of substitute:** As stated earlier in the assignment, there are not many substitutes of the electronic vehicle in the market at the moment. Only a handful of automobile manufacturer has the technology and knowledge to manufacture such vehicles. Along with this, the reputation of Volvo for delivering quality cars at lower prices is fairly unmatched in the market. These factors make this force quite weak for the company.
- **Level of competition:** The global automobile industry faces some of the highest levels of competition at the current date. Volvo has to compete with other heavy names of the industry, making their task of earning high profit very difficult. This makes this force very strong in the case of Volvo. Along with this, organizations such as Tesla that is miles

ahead in the competition to produce premium quality electronic vehicles, it is difficult for Volvo to gain a large share of the market.

3.2 PESTLE Analysis of Volvo:

- **Political:** The US government has adopted various policies that have forced its regional automobile industries to consider the wellbeing of the surrounding environment. Today, the US government is introducing several schemes that are safeguarding their regional automobile industries from being exploited form foreign policies. As per the NAFTA trade agreements, automobile companies such as Volvo are given a great amount of liberty to do business in countries such as Mexico and Canada (Chodakowska 2019, p. 22).
- **Social:** The United States is a developed nation. It has maintained a fair amount of control over its population. Managing this social-cultural aspect is a big challenge for Volvo. Most of the vehicle owners of the country opt for a vehicle that is family-friendly and takes a small investment to maintain it. The demand for a more fuel-efficient car in the US is growing at an astronomical rate. Manufacturing a car that is known for its performance and fuel-efficient at the same time is challenging for Volvo.
- **Economy:** It is a known fact that the stability of the national economy can directly impact its regional industries. As the United States is struggling to recover from the recession it is also positively impacting the performance of Volvo. However, the owners of the company need to put extra effort to cope up with their losses during the poor economic conditions of the country. With the availability of a skilled workforce of the country, it is expected that the company would be successful in its objectives (Sharma 2019, p. 14)
- **Technology:** It is needless to state that the automobile industry thrives on existing technology. However, as the technology is changing very rapidly in the country to match its international demand, Volvo seems to be struggling with this change. One such example of this change is the growing demand for the electronic vehicle in the country.
- **Legal:** The law enforcement of the country is quite effective to make the business environment in the country very safe for its regional industries. However, several legal steps have been enforced on automobile companies such as Volvo to safeguard the interest of its workers and the surrounding environment (Brannestam 2018, p. 08).

- **Environment:** Volvo is adopting various technologies known as green technology to reduce the emission of carbon from its vehicles. Along with this, the higher authorities of the company are also equipping various technologies in their vehicles to make it more fuel-efficient.

4.0 Reason for any organization to engage in the global market:

The reasons that drive any organization to venture in the global market despite its imminent threats are virtually endless. However, the benefits of engaging in the global market dwarf this fear. Today, due to the advancement of technology the global business community is much closer. First and foremost, the most obvious reason to venture in international trading is the sheer amount of profit. Local business can never by any means generate this large amount of profit. It is important to understand the fact that, at present days, it is nearly impossible to ignore the callings of globalization. Hence, even small and medium scale enterprises are showing keen interest to engage in global trading. The local business can never find the amount of customer that is found in global trading. It is needless to state that, with an increased number of customers, any organization can enhance its chance to earn higher revenue margin. By placing a strategic decision that too at proper timing can virtually change the fate of any business. Although, (Vogel 2018, p. 18) states that the capital required engaging in global business is much higher, however, with the availability of technologies such as cloud computing, such amount of such financial investments had dropped down significantly. In addition to this, it is only by venturing in the global markets; a business can truly understand the importance of innovation. Any company can hire better sets of employees that has far better skills that might be not available in the local market. It is due to this reason, countries such as US and UK are investing heavily in Asian countries such as India and China where it is possible to get more skilled labour that too at much lower investment (Tidd 2018, p. 42).

As per (Bryson et al. 2018, p. 34) the quality of any business depends largely on their availability of resources. Some of the resources that might cost very high due to the taxes involved to import them can cause a severe burden on local companies. However, some of these resources are easier to get a grasp on when the business decided to go international. Furthermore, it is much easier to tie up with a better partner while going to the international market. Such a partnership has proven to be very useful to survive the competition and earn a better profit from the market. Along with this, such partnership provides a wonderful chance of exchanging of ideas and resources that allows both the parties to gain more expertise in the market. Judging the current business scenario, one of the best ways to enhance the productivity levels of any business is by making it international. Productivity can only be increased once an organization accounts larger options to complete a single objective.

4.1 Evaluating macro and microeconomic factors, major features of the global economy and its impact on Volvo:

- **Political:** The US government has received different strategies that have constrained its local vehicle ventures to think about prosperity of encompassing condition. Today, the US government is presenting various plans that are shielding their provincial car ventures from being abused structure international strategies. According to the NAFTA exchange understandings, automobile organizations, for example, Volvo is given a lot of freedom to work together in nations, Mexico and Canada.
- **Economy:** It is the well-established actuality that the strength of the national economy can legitimately affect its territorial enterprises. As the United States is attempting to recoup from the retreat it is additionally positively affecting the exhibition of Volvo. Be that as it may, the proprietors of the organization need to put additional exertion to adapt up to their misfortunes during the poor financial states of the nation. With the accessibility of gifted workforce of the nation, it is normal that the organization would be effective in its goals
- **Social:** The United States is a strong and developed country. It has kept up a decent measure of power over its populace. Dealing with this social angle is a major test for Volvo. The majority of the vehicle proprietors of the nation pick a vehicle that is family well-disposed and takes a little venture to look after it. The interest for a eco-friendlier vehicle in the US is developing at a cosmic rate. Assembling a vehicle that is known for its presentation and eco-friendly simultaneously is trying for Volvo (Jobbe 2019, p. 28).
- **Technology:** It is unnecessary to express that car industry flourishes with existing innovation. Be that as it may, as the innovation is changing in all respects quickly in the nation to coordinate its worldwide interest, Volvo is by all accounts battling with this change. One such case of this change is developing an interest in an electronic vehicle in the nation.
- **Legal:** The law requirement of the nation is very powerful to make the business condition in the nation ok for its local ventures. In any case, various legitimate advances have been upheld on car organizations, for example, Volvo to shield the enthusiasm of its laborers and encompassing condition.
- **Environmental:** Volvo is receiving different advancements referred to as green innovation to diminish the outflow of carbon from its vehicles. Alongside this, the higher experts of

the organization are likewise preparing different advances in their vehicles to make it eco-friendlier (Sroufe 2019, p. 38).

Although, the features of the current global economy can be quite long, however, the most striking feature right now is the wealth landscape that is becoming dynamic. As per some of the economic experts, the landscape of wealth is slowly tilting towards the Asian countries such as China and India. As a result, companies such as Volvo should make a strategic decision to capture these markets. However, these wealth landscapes can suffer great setbacks due to unexpected events such as political tension between these Asian giants.

5.0 Conclusion:

In the end, it needs to be stated that, it is much easier to discuss the rapid changes in the global business that is affecting many automobile companies rather than truly understanding it. The higher management should not rely on the outcomes of the various theories that have been discussed in the assignment, as these outcomes are not static. It is needs to emphasis on innovative approaches to counter their business problems.

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