

Assignment 1

THE GLOBAL BUSINESS ENVIRONMENT

By Ivanka Kukova

Student No.1919654

Tutor:Dr. Rixon

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INTRODUCTION

With the increased globalisation the international expansion of business captured great attraction. The global business environment refers to the business environment in different countries pertaining to host and parent country operations. Every business now wants to expand its operations internationally, in order to grow and prosper further. The operations in going international need thorough understanding of the internal and external environment. The aim of this report is to highlight the international factors which affect the automotive industry. The reason behind selecting automotive industry is that this industry is changing rapidly and (Arumugam, Kannabiran and Vinodh, 2020) factors influence its growth. In order to develop the understanding of micro and macro factors which affect this industry growth this report is presented. The organisation selected is Tesla Motors, Inc. founded in 2003, headquarter in US. This company is engaged in production and manufacturing of electric vehicles and solar operated automotive parts. The internal and external analysis of the factors is examined in order to see the company's global expansion efficiency.

TASK 1

Analysis of the forces which shaped the car manufacturing industry environment and evolution of automotive industry.

The PESTLE analysis helps in analysing the impact of external environment on the company. The Tesla Motors, Inc. PESTLE analysis will help in analysing the external environment which are impacting it in automotive industry.

Political factor

The political factors play major role in determining the growth and direction of company. The Tesla has the advantage of the political stability across its headquarters and subsidiaries countries. The government forces play important role in shaping political factor. The company deals largely in automotive electric cars, the company is highly in advantage because of its major working. The Tesla can have the advantage of subsidies and incentives provided by the government for enhancing the use of electric cars. The free trade agreements between government and political stability will ensure opportunity for the company in increasing its operation globally (Dower, 2017).

Economic factor

The economic factors include the tax rates, currency rate etc. factors, the Tesla can be benefited by this factor. The governments to promote the use of electric vehicles are decreasing the cost of raw materials, and giving various incentives to set up manufacturing plant of electric vehicles. The Tesla can use this as their opportunity because of the reduced battery materials

cost and the decreased renewable energy cost will be able to make the affordable cars. The company can face the problem of economic instability created by the Coronavirus pandemic. The overall economic environment is being shaken and it is being getting on track simultaneously. Therefore, the company is benefited by the reduced and incentivised cost of materials and the growth of Tesla because of this will overcome the instability in environment.

Social factors

The social factor represents the social trends and cultural influence the customers exert. The Tesla is in good position here already as by serving the battery operated vehicles. The social trend is changing which is favourable towards company, the sense towards the reduced carbon emission lifestyle is increasing and demand for renewable energy is also increasing. The demand of such products is in favour of Tesla growth (Huang and Meng, 2019). The company can attract more public because of its product ranges of electric vehicles. The purchasing power of people has affected very much because of the pandemic and work from policy may affect the demand of Tesla products.

Technological Factors

The technological factor is the result of automation and developments in the technology. The Tesla product innovation with use of technology is highly efficient. Tesla is being remarked of the use of updated technology in automotive industry. The use of automation and artificial intelligence will be highly efficient for the company productions. But the obsolescence of technology is also one factor that can prove great challenge for the company. The use of the automation for surely will prove the opportunity and will ease the company operations.

Environmental Factors

The environmental factors are very favourable for the company. As, the Tesla manufactures highly electric and battery operated vehicles which leads to reduced pollution and carbon emissions. It can contribute by this to climate change issue which is an major concern all over the globe (Hussain, Zafar and Toor, 2020). Therefore, the manufacturing of battery and solar operated automotive components leads to the great contribution by Tesla to environment.

Legal Factors

The legal factors possess an threat for the Tesla largely. As, the legal factors change constantly and does not remain same therefore the company needs to be updated with the changing laws and regulations. The company can take advantage of the trademarks and energy related rules will also favour company. The energy consumption majorly will help to cut down its expenses a take advantage of it for company growth.

The automotive industry changed very rapidly owing to the technological developments in this industry. The industry just innovated with the gases firstly but with limited globalisation high rates of transporting and setting up manufacturing hub lead to high financial losses. After on the World War II the rules were liberalised all over the economy and this created opportunity. The countries such as Germany, Europe, China and UK all countries started to experiment with the electricity and battery operated versions of vehicles. But the market was not developed and didn't supported much of the these developments. Later on, the ease in designs came and economies of operations were created and the ease in designs was understood and the various models started to be experimented (Lee, S.Y. and Klassen, R.D., 2016). The know-how of technology was gained with the globalisation. With the later developments the political stability was framed and the operations with this begin on track. The trade agreements so developed and government relations so eased helped in the production oversees effectively. With this, the evolution of this industry began starting. With such developments in this industry it attracted many giants to take up this as main line for success. The rapid success and growth of the automotive industry lead to the international expansion of this industry.

TASK 2

Analysis and examination of the opportunities and challenges that are present in the company and overview of how company can gain competitive advantage.

The internal and external analysis helps in the analysing the position of the company in relation to industry competitiveness. The internal analysis is done by using the SWOT analysis and the company's position in industry is examined using Porter's five force model.

SWOT analysis

The Swot analysis helps in the internal examination of the resources and capabilities of organisation. With this internal analysis it helps in letting knowing the opportunities and threats lying in the external environment (Liu and Vrontis, 2017). This analysis helps the organisation in gaining the competitive advantage in market against the competitors.

Strength □□The company operational and technical department is its strength in its success which continuously leads to innovation in the products. □□Tesla has the great advantage of brand credibility. □□The company manufactures the automotive part for the other companies which help in strong relations with other companies globally. □□Tesla has strong financial networking	Weakness □□The prices of the cars and automotive part are high as compared to other competitors which may lead to the high switching cost of consumers. □□The company has been the delayed in its manufacturing and production process. The orders are take long time in delivery. □□Tesla breaks down of strategic alliance with its earlier partner lead to reduced capacity of process i.e Mercedes and Daimler.
Opportunities □□The Tesla has great advantage of the global expansion in other countries also with its successful start.	Threats □□The economic patterns are disrupted globally which put may constrain on the company's finances.

□□ Tesla can be benefited greatly of the subsidies and incentives so provided by the governments with aim of increasing the demand of electric vehicles. □□ The company can even take the benefit of the technology updates to make it production process more efficient. □□ The company can even take advantage of the developed logistics and supply chain innovations to achieve synergy in its delivery. □□ The changing social patterns will also be favourable indicating increased demand for the electric vehicles and self-driving cars.	□□ The purchasing power have been greatly affected because of the pandemic and lock downs this may affect the profitability of the company. □□ This industry is being attracted by many new players and existing competitors are turning their journey towards the production of electronic cars which will possess great challenge for company to grow.
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Porter's Five Force Model

The Porter five forces is model which specifies the industry growth drivers. This model analyses the company's external environment in relation with the industry factors (Miller, Lavie and Delios, 2016). This model helps in analysing the profit levers of the industry that will be beneficial for the company future growth and performance. The analysis of the Tesla growth driver in relation to automotive industry area as follows;

- **Threat of new entrants:** This factor is weak in regard to Tesla growth. The entrance in this industry is not that easy it requires huge investment and time to develop the brand presence. The Tesla captures the market greatly and has the strong position in this industry which can't be threatened by the new player's entry.
- **Threat of Substitutes:** The threat of substitutes is not very much impacting on the company performance. The switching cost is high impacting factor of the buyers in this case as the availability of other pool vehicles is also feasible option for the customers. The performance of the other substitutes available in the industry does not affect largely the Tesla performance. As, the performance of these available products does not offer same experience as of Tesla therefore, it is a moderate threat (Sindhu, 2020).
- **Bargaining power of buyers:** The bargaining power of the buyers play significant major role in the Tesla's growth. The competitors in this industry is already producing the same designs that of Tesla's and even at affordable prices the same services and experience is being delivered by the them. The buyers get easily switched with such affordable price and promotions being offered by the existing companies.
- **Bargaining power of Supplier :** This factor depends on the availability of the suppliers in the industry. The Tesla's operation depends completely on the efficiency of distributors. Therefore, this factor exerts moderate impact on the Tesla's performance. The company has it own effective network of value chain. The company owns the great operations in its value chain by cutting down the middlemen to make smooth functioning of operations.
- **Rivalry among existing firms:** The automotive industry is highly competitive in terms of the electronic cars. There are many firms which are giving intense competition to the Tesla. Such as Bentley, Volkswagen, Lords Town Motors etc. companies are delivering same product design with more added features and affordable prices (Subramanian and et. al., 2020). Therefore, the Tesla should maintain its position in electronic car manufacturing by continuous innovations and affordable differentiator services.

With this analysis it can be inferred that the Tesla is in strong position to grow and sustain its position in this industry. The company just needs to constantly innovate and update its structure constantly in terms of the new designs in the product. The delivery time needs to be shortened. The company is in strength to expand its operations more overseas. Tesla can even diversify its product ranges for lower and middle segment to maintain the competitiveness in the marketplace (Tanwar and Prasad, 2016).

CONCLUSION

The international business is fluctuating very much it needs to be constantly reviewed to analyse the position of the organisation in external environment. The constant review of external and internal factors helps in knowing the competitiveness of the overall market in industry. The synergy between the functional departments should be there in order to achieve the organisational objectives efficiently.

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