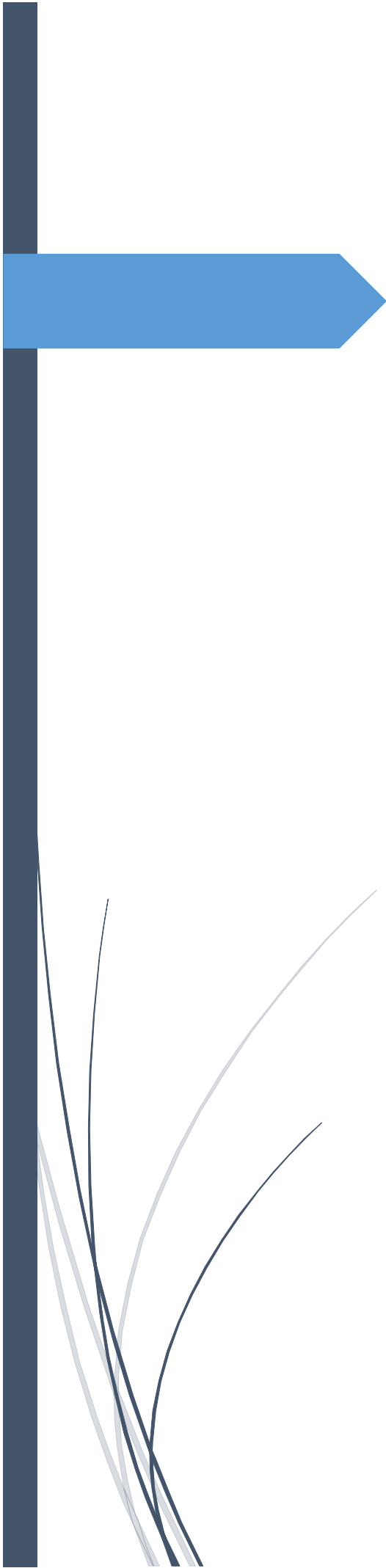




Electric cars in Europe: gearing up for a new phase?

The Global Business
Environment

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Part A

The company which I will be applying in my report will be BMW. This is a multinational company that originates from Germany and produces luxury vehicles for the public (Roberts, 2016). It was established in 1916 and like every other automobile producer in the industry; it will be influenced by the same external factors.

What are the major factors shaping the business environment of the car manufacturing industry?

There are some external factors which shape the car business industry some of which are political and economic. There is a variety of ways in which those two factors in particular influence the manufacturing industry and some of them can be very negative. Miller (2017) points out some particular examples which act as effectors to the manufacturing industry.

The first factor is the accelerating pace of disruptive innovation. This, in other words, refers to the evolutionary development of cars which bend or create new regulations in the manufacturing environment as well as expectations on what every standard car should offer. The automakers now have to focus more on combining forces with competitors and suppliers and look at the product life cycles in more depth.

The second factor which is technological is the digitalization in regard to the value chain. There is an increased application of robots and other types of manufacturing machinery which assist the production processes within the automotive industry. “Digital transformation will affect the entire automotive value chain, including design, production, distribution and retail, reshaping the traditional automotive business model. New models will consider data, connectivity and cybersecurity,” (Zigurat, 2019). The requirements of the new vehicles produced by companies are influenced by the advancements in technology and the fact that people desire to see the application of fancier digital sourcing into the new cars. Furthermore, one of these

emerging opportunities is directly related to the increased production of electric cars which are being increasingly demanded.

The third factor is the struggle of relationships in the digital market. There is a constant struggle or battle between the personal vehicles which are produced and mobility. The increased focus on developing mobility in the automotive sector may harm the relationship between clients and a business like BMW given that the company's visibility decreases. ‘ ‘ In the outcome economy context, purchasing decisions made for each ride are influenced by factors including availability, comfort, ease of use, reliability ratings and pricing...’ (Miller, 2017). This differentiates from the decisions that take place in the automobile industry and its processes. BMW and such companies have to begin to find innovative solutions to the ways in which they create a balance between mobility and personalized vehicle production.

The fourth trend is the secure resources for business continuity. Patent litigation risks increase for the automotive company BMW as the advancements in technology are taking place at a more rapid pace. The supplies are also influenced by those evolving risks. They are due to the increasing partnership tendencies of companies which are seen as a result of the digitalization in the industry. There is another element which is impacted as well and may diminish in the future – traditional understanding for operative management. This is as a result of not only the emerging technology but also the demographic changes which are taking place. ‘ ‘ An aging workforce and early retirement schemes are a drain on the industry's traditional engineering and process knowledge in many mature markets’ (Miller, 2017). The changing lifestyles and methodology of work or labor also mean that the traditional organizational methods are less applicable to the automotive industry and it is required to create new ways of operation to ensure that a business like BMW survives.

The fifth influencer is related to the unpredictable nature of diverse sources. This includes factors such as social tensions and attacks on society like terrorism and conflicts between states and countries. Those cases create economic instability in the country and even across

depending on size and import/export tendencies which consequently affect business organizations there as well. The economic instability may harm BMW's operations, one example being increased unemployment and therefore lower capacity of production and distribution. Moreover, the volatility in the countries has begun to affect major markets in the ecosystem of automotive production. It is present in the prices of raw materials and necessities for production and distribution of vehicles and in a negative fashion; it can also harm the business' operation.

A prominent effector over the economy which has resulted in a lot of struggle for organizations in the United Kingdom is Brexit. The car industries which operate around the UK like BMW are threatened by this, both economic and political, factor and there is little that BWM can do in order to combat the negative influence of Brexit.

The final trend is unprecedented scrutiny and it can be particularly dangerous for the automotive businesses which operate traditionally. The advocacy groups demand a much stricte regulations in the industry and their power has increased with the development of social media platforms where they can make statements. This is the reason as to why traditional vehicle producers are at risk – they will find it more difficult to detect information in the digitally penetrated spaces where the advocacy groups can harm the company.

How has the industry changed in the last few years?

There are some significant changes which have taken place for the producers of vehicles over the past few years. With the changing lifestyles and advancements which are taking place in society, naturally business organisations including the ones like BMW will evolve or change their approaches. According to Kirkland (2019) the automotive industry has changed massively due to the technological changes in society. Technology has been an increasingly applicable factor to people's lives and businesses which aim to make workflow as smooth and quick as possible. The production of electric cars is what has sparked with the influence of technology and its

opportunities. There are different types of fuels, electric equipment and many more.

What are the organizational and other changes that may take place in the future and the reason for such changes?

Traditional organizational methods are almost no longer applicable to companies due to the new factors like technology. There are alternatives for changing the organizational structure more. One of those alternatives will be to establish a separate sector in BMW for the production of electric cars or the mere development of better suited methods for production. The higher demands for more digitalized approaches will also mean that the company will have to abide by the new requirements and modernize its business equipment and working environment.

Why is there a drive towards the production of electric cars and how does that link to the current changes that have taken place?

The reason as to why electric cars are becoming more and more of an attractive idea is because of the concept of sustainability. Electric cars are environmentally friendly and they are more efficient. There are no carbon emissions from them and they rely on hydrogen batteries and recharging. In some cases, the cars are powered by solar panels using energy from the sun and this gives people the sense that they are becoming more ethically and morally involved in saving the planet from global warming.

How do firms position themselves to gain a competitive advantage given the current changes in the industry?

The firms which already are mastering better innovative methods of electric car production are at a competitive advantage over others. There is an increased interest in Tesla. Thus, BMW has realized that this is a strong and developing opponent that it has to face by providing a better production of cars in comparison to Tesla. Firms have to position themselves higher on the scale of environmentally friendly processes and not only in the car production but in the general

processes involved as well. Unless they do this, they are at risk of losing their customer base because they will fail to cater for the changing tendencies in consumer tastes or interests.

Part B

What are the new and emerging business opportunities that the production and marketing of electric cars may present to entrepreneurs and business executives?

There are emerging new models in the business world which will impact the automotive industry as well. There are better and more opportunities with the development of these models because they are powered by the changes in technology, in a general sense. The fact that BMW is a multinational company is a significant characteristic because such companies are impacted the most by the emergence of those models. ‘’ Western multinationals expect to find 70% of their future growth there—40% of it in China and India alone. But if the opportunity is huge, so are the obstacles to seizing it. On its 2010 Ease of Doing Business Index, the World Bank ranked China 89th, Brazil 129th, and India 133rd out of 183 countries’’ (Eyring, Johnson and Nair, 2011). The opportunity for growth is not exactly a new concept for companies like BMW but further growth especially driven by the diversification of products (being the production of electric vehicles) is definitely new. As stated, this is not an easy business objective to accomplish but the production and distribution are made to be easier when these are an implication and good use of machinery.

Autonomous driving is a key opportunity. According to Design Council (2019), this key opportunity is inevitable to occur in the future as the progression of technology will not leave automotive businesses with another choice. Not only this but the increased demand for more sustainable operations in companies, especially vehicle producers, will pressure BMW and others to go towards this full extend.

When it comes to the luxury markets, it is foreseen and stated that this market will be developing in the future which is good news for BMW. Luxury will be more valued as time goes on and the freedom which customers will definitely have then as well can result in stable sales and profit.

The issues like Brexit will diminish at some point on the future but as it is uncertain what will exactly happen and what the consequences will be, it is hard to determine the future. There are two possible scenarios for BMW which operates within the UK, one is neutral and one is detrimental to the performance of the company. The opportunistic alternative is associated with the possibility that Brexit will not exit the European Union or it will but with a deal which protects the international citizens and organizations. In this regard, BMW will be able to have protection over the business and can continue the sales of its cars on UK grounds which results in higher annual sales. However, there are consequences of Brexit even with a more stable deal and it is about the currency which is still left more instable. This can be a threat as well as an opportunity.

The second alternative is detrimental because it might push BMW to remove the business which operates in the United Kingdom. If Brexit occurs without any good or stable deal and exits the European Union, many citizens will have to leave and the political changes will be massive. The lower population makes the economy even more instable and there are high risks associated with this fact. There is less employment which assists the good state of the economy and if the government also fails to develop proper protection over business organizations, BMW might be forced to relocate its industry. There are numerous companies which relocated their businesses elsewhere or on the very least relocate the headquarters due to Brexit. One of these instances is Ernst and Young. The dilemma related to Brexit can be a direct opportunity only to the automotive businesses which have offices in the United Kingdom like Jaguar but it can make other smaller businesses to consider opening offices in the UK if in the future the economy gets better.

What other businesses are currently linked to the global automotive industry that may not be profitable in the long run to invest?

Electric cars are fueling the future in the automotive industry and more and more people are taking interest into those types of vehicles. Traditional organizations and their ordinary approach to car manufacturing will eventually begin to disappear in the public's eye. Such companies are like Toyota, Ford, General Motors, Honda, Volkswagen, Nissan Motors and Volvo. They are threatened significantly by businesses like Tesla which has earned the reputation of best seller of electric cars for 2018 and has pretty significant annual revenues alongside this (Zanoni, 2019). ‘ ‘ Automotive investors will be looking at investing into businesses which analyse and evaluate the future state of demand from the target market and customers. Unless this is present, they will be likely to withdrawn from the automotive companies and invest elsewhere where they believe there will be a higher profit.

The consumer demands are changing and unless the traditional companies adapt to them and begin the production of electric cars, they will not be running in the future as well as they do now. The significance of electric car production is associated with the innovative sustainable methods and ideology which makes people believe that they are taking steps to preserving the good state of the world. Global leaders encourage their citizens to think about the wider picture of the world and what the best ways are to ensure that future generations are left with a positive and thriving environment. Concepts like globalization are also effectors which will intensify in the future.

When it comes to the performance of future vehicles, autonomous capabilities are more and more expected in the long term. This also is an urging factor for Toyota, Ford and the rest of the automotive companies to change and develop new car functions. Their failure to

do so will result in further declining interest from their customers even if they are loyal to the brands. As well as that, digitalization will be pressuring the companies to make their cars connected more to the internet and other cloud computing features as part of the technological global progression. “Vehicles will be connected to traffic management infrastructure and with other cars. Vehicles will also be connected to passengers and pedestrians. Perhaps vehicles will send warnings to pedestrians’ phones when they are too close” (Zanoni, 2019). The safety associated with the possible opportunities of the vehicles is a feature which no customer will say no to even if it is more expensive than normal cars.

Conclusion:

In conclusion, the automotive industry as a whole celebrates a lot of success and customers purchase all types of cars, even traditionally manufactured ones. However, the future seems to move strongly towards a much higher production of electric cars. This demand is motivated by factors like the idea of sustainability and reducing carbon emissions in the air. People are more likely to make purchases which are costly but considering that this is morally correct to do. If traditional companies do not find ways to begin manufacturing in accordance to the changing customer demand, they might find themselves unprofitable in the future.

Design Council (2019). The future of the auto industry: Three experts place their bets - Part I. *Design Council* [online]. Available from: <https://www.designcouncil.org.uk/news-opinion/future-auto-industry-three-experts-place-their-bets-part-i> [Accessed: 03/08/2019].

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