

Course title: Global Business Environment

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Global Business Environment

1 Introduction

Global business environment refers to the environment present in diverse sovereign states along with the exogenous elements of the enterprises that have a huge influence on the decision making, resources, and capabilities of an organisation (Gaspar et al., 2016). This global business environment can be categorised into the internal and external environment. The internal environment includes the members, events, culture and the elements present within the enterprise that has the capability to impact the company's decisions, specifically the behaviour of its human resource. Similarly, the external environmental factor refers to the political, economic, social, tax, culture, technological and legal environments (Bedianashvili 2016). In order for the companies to function effectively, the organisations that are carrying out their operations in the international market must be able to comprehend external and the social environment of the country they are functioning.

Presently there are numerous multinational enterprises that are operating in the international market that has acquainted themselves with the culture and language of the state in which they are functioning. This assignment aims to demonstrate the major factors that shape the global business environment. In addition to this, this assignment will focus on analysing the PESTEL factors for Audi e-Tron. Moreover, it will also apply the porter five forces on this organisation. Since most of organisations have no power over the external factors; therefore, there progress and growth is highly dependent on the way they adapt the external environmental factors.

2 Discussion

2.1 Audi E-Tron and the Global Electric Car Industry

Global industry imitates the selling, and the production capacities of all the businesses present all over the global world. According to Hamilton and Webster (2018), “Global business environment can be defined as the numerous business environment issues including economic, political, socio-ecological, environmental issues etc. that affects the industries throughout the world”. The present business environment is continuously changing, and in order for the organisations to grow in the market, they need to cope and keep up with this promptly changing environment (Menken et al., 2018). It has been observed that there are numerous elements that are responsible for the alteration in the business environment including the global warming, technological advancements, growing urban population and the demographical changes (Toma and Tohanean 2019).

Audi AG is one of the top automobile and leading manufacturers of premium cars that was founded in Germany in the year 1909 (Gaspar et al., 2016). This organisation design produces, engineers, distributes and markets topmost and luxurious vehicles all over the world. Audi is a member of Volkswagen Group, i.e. VG is the parent company (Wein et al., 2019). This enterprise has its roots at Bavaria, Ingolstadt and Germany. The branded vehicles of Audi are produced in nine production facilities globally. This group is well known for its luxury and high-quality cars. This company started off in Germany with the aim of introducing innovative, positive and suitable experiences in the car industry (Wein et al., 2019). Their electric car Audi e-Tron is the only SUV that is assembled with the motive of exhilarating performance with all-wheel drive in order to cope up with their global business challenges. The electric car industry is rapidly growing in the manufacturing market, and e-Tron is the first electric car introduced by

the Volkswagen group. Audi has always managed to build a distinctive reputation and leading as well as a strong position in the global vehicle market. This company largely invests in innovation and research to keep up with the changing market trends.

2.2 PESTEL ANALYSIS

PESTEL analysis is considered as one of the well-known techniques used by many industries and the marketing sector for evaluating their external business environment from the outlook of a specific industry (Doerr et al., 2019). PESTLE analysis significantly involves the evaluation of all the external elements that crucially impacts a particular organisation or industry. PESTEL stands for political, economic, social, technological, environmental and legal factors that have a direct or an indirect impact on the industries and organisations.

Functioning in numerous countries, Audi has to comprehend and understand the impact of the external environment and forces on its operation and activities. PESTEL analysis offers a preliminary idea for environmental analysis while a more detailed picture of an organisation's competitive environment can be acquired through Porter's five forces model. This framework is an outstanding tool to explain and identifying the key factors influencing the growth and performance of the company.

2.2.1 Political

Political factors have a significant impact on the world of business. All over the world, governmental authorities are playing an active role in global business operations. Other than the trade relationships among the nations, the political environment of the industry also influences the way many brands operates in a particular market (Martins and Fonseca 2018). Being a global brand, it has been selling its electric cars, and other quality products in various states as

Volkswagen's supply chain is located in numerous countries and corners of the world. The political environment in every country impacts the supply chain and sale of Audi e-Tron. Since Audi is a German brand, the sales of their electric vehicles did not get affected due to the tension among America and the Chinese government (Martins and Fonseca 2018). Audi e-Tron sales have remained politically stable in the well-developed countries which have directly influenced the sales and earnings of their brand.

2.2.2 Economic

Another external factor that plays a crucial role in global business is economical as it directly affects the organisations sales. If the country's economy is stable, the brand will be able to perform well. The global economic activities have somehow come on track post-recession. This has essentially helped in the overall sales and profitability of vehicles (Monsellato 2016). The decline in economic activities can have a vital impact on the sales of the Audi e-Tron. Since this organisation has competitors like Tesla and BMW that are considered as more luxurious brands, will result in investing more on the promotion and R&D of Audi e-Tron due to higher competition. All in all, the economic elements are not only restricted to supply and demand. It is essentially important for Audi to analyse the economic condition of the imperative markets they are operating their strategies and businesses. This evaluation will help them in efficiently addressing the fluctuations in the economy and currency that affects their profits.

2.2.3 Social

Social factors play a dominant role in the global business environment as these socio-cultural factors directly affect the sales and profit of the organisation worldwide operations. Audi needs to analyse these factors in order to increase the sales of its electric vehicles in potential markets. Since people are more inclined towards sustainable and environmentally friendly as

well as fuel-efficient models, there is a higher chance of acceptance and greater sales of this model. In addition to this, comprehending the culture and the society will help this company in understanding the mindset and taste of people in the region they are operating (Monsellato 2016). This will aid in shaping their product according to clients preferences. The accomplishment of Audi e-Tron in their native markets also proves the importance of socio-cultural factors in the world of business.

2.2.4 Technological

Technology is ever-changing. It is getting important for most of the companies in the global world to invest in innovation and inculcate technology within their products to grow their brands. Digital technology is also playing an imperative role in the growth of the automobile industry (Martins and Fonseca, 2018). Other than customer engagement and marketing, it is also helping the Audi e-Tron model to govern their sales and supply chains as well as improve their after-sales services better. With the emergence of IoT and AI, there has been a rapid change in the automobile industry (Bhatia 2016). Audi, its other competitor brands are heavily investing in producing environmentally friendly and electric cars. A race is going on among the rival companies to get ahead in the automobile industry. Technology is playing a vital role by setting higher standards in the automobile and manufacturing sector for bringing improvement in the supply chain and sales of electric cars.

2.2.5 Environmental

People are getting more and more concerned about the environment. These factors are given chief importance, especially in the automobile industry as legal authorities all over the globe are designed stringent rules related to the carbon emission and fuel efficiency of vehicles. The automobile industry is having a direct impact on the ecosystem and nature. This is the key

reason automobile industries are financing towards electric cars and hybrid vehicles in the industry. The regulatory bodies have introduced laws for environmental effects of sustainability and automobiles; violating these rules can be proven costly (Toma and Tohanean 2019). Audi and Volkswagen group has to face issues related to violating these rules a few years back. As a result, this company started investing in electric cars and focus on fuel economy and sustainability. Their electric car model Audi e-Tron is increasing in demand which is not only beneficial for the Audi group but also improving its brand image.

2.2.6 Legal

Legal elements and law are given utmost significance in the global business context. For the automobile and manufacturing industries, implying the legal laws is important as it is a crucial part of their annual revenues. Audi has always strived to make premium quality products and be mindful towards implying the legal laws and bear fines. Volkswagen group have been charged on violating legal regulating and had to pay a huge amount (Toma and Tohanean 2019). On the other hand, Audi has worked toward maintaining its brand image by introducing products that contribute to sustainability and fuel efficiency. Nevertheless, the penalties disturb the entire group and not just one or two brands in this case. Volkswagen and Audi should be cautious in the upcoming years in order to avoid such substantial penalties.

2.3 Porters Five Forces Analysis of Audi e-tron

Audi group is one of the most popular automobile brands in the global market that has maintained its international presence through its premium quality electric cars and customer experience. Porter's five forces is a strategic management framework that is used for evaluating

the global market where this company operates (Bhatia 2016). There are five key strength and forces that are impacting this industry.

2.3.1 Bargaining Power of Suppliers

The bargaining power of suppliers of Audi e-Tron is relatively found to be low due to various reasons. Being a bigger brand, the minor size of suppliers businesses, and their deficiency in the ability towards forwarding integration result in limiting the bargaining power of suppliers (Bhatia 2016). There are very few contractors that possess a large bargaining power, and the Audi brand does not depend on a single supplier for their resources. Numerous smaller enterprises are dependent on larger companies like Audi for their income which restricts the bargaining power of the suppliers.

2.3.2 Bargaining Power of Buyers

Considering the bargaining power of the buyers for Audi e-Tron, which has continued to propagate due to the consumer's growing interest in fuel-efficient and environmentally-friendly vehicles. There are various factors that are driving the bargaining power of the customers including a growing emphasis on customer experience, greater competition along with rules and legal laws that are favouring the clients (Gaspar et al., 2016). This allows Audi e-Tron to concentrate on enhancing their client's experience.

2.3.3 Threats of Substitutes

Audi has the threat of substitute merchandises and Tesla Company and other brands have also introduced electric cars in the global market. This poses a huge threat to Audi group resulting in working more on the marketing of their electric vehicles.

2.3.4 Threats of New Entrants

New entrants in the electric car industry does not pose any threat to Audi because their exit and entry barriers are quite high. Another significant factor is that a greater level of competition in the global market that lowers the chances of the new entry to prosper in the electric car industry.

2.3.5 Competitive Rivalry

The strength of the competitive rivalry in the automobile industry is significantly high. There are numerous brands that have introduced the electric car in the market and our leading the industry. Some of the competitive rivals of Audi are Tesla, BMW, Mercedes-Benz and Porsche (Bhatia 2016). Almost every company is aggressively investing in R&D and effective marketing to propagate their market share and customer base.

3 Conclusion

This assignment gives insights into the global business environment and the external factors that influence the progress and development of the organisation. For the corporations to function effectively, the organisations must carry out their operations in the international market must be able to comprehend the external environment of the country they are functioning. PESTEL factors for Audi e-Tron has been analysed in this assignment. Moreover, it has also implemented the porter five forces on Audi e-Tron for analysing the strength that impacts this company.

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