

THE GLOBAL BUSINESS ENVIRONMENT

Environmental Analysis of an Industry - Assessment 1

DR Kenny Tang

**Svetlana Valentinova Grozeva -
1908892**

Table of Content

INTRODUCTION – page 3

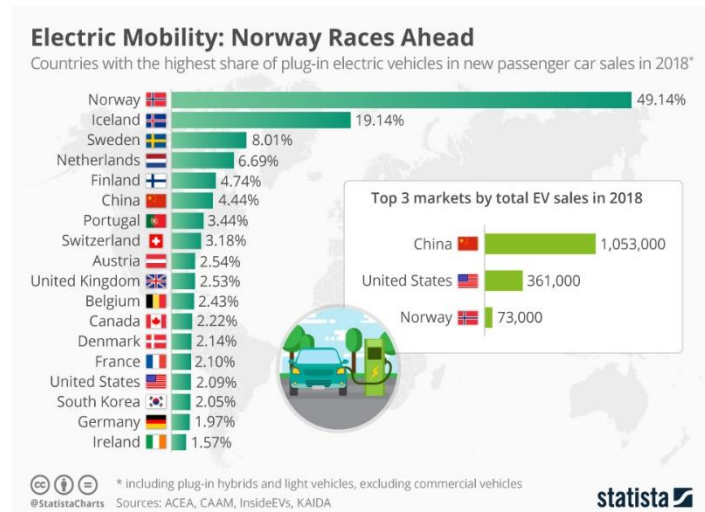
The business environment of the car manufacturing industry – page 3

Critical assessment of the business and other changes - page 7

Conclusion – page 7

INTRODUCTION

The evaluation of the environmental aspects in the trade is essential to maintain the effectiveness in the trade and the firm's overall growth. The external, as well as internal aspects of the workplace, determine the growth and survival of any trade and the factors of the environment thus impact on the functions and functions of the trade. The current project is based on the several aspects of Volvo Cars the firm has a well-renowned position in the luxury and executive automobile sector thorough out the world. In this report, the main emphasis will be taken upon the systems that can be modified as per the need of the workplace and its environment, thus in order to evaluate these factors firm is going to assess the external as well as internal environment aspects of the firm.



Electric Mobility (Statista,2019)

The business environment of the car manufacturing industry

The macro factors are comprised of all the environmental facts that affects the business either directly or indirectly as per this context it becomes essential to understand and evaluate the proper element of the external environment. As this will be done by using the PESTLE model. The following analysis is below described:

Political Factors: Since 1920 the political stability is constant within the nation; the single power rule is established since that year the two major parties took the extensive ruling within the United Kingdom. These helps the businesses to plan for there long term as the political conditions are unchanged and it is not needed to revise them each time before implementing any new course of work. The electronic car segment of Volvo Cars can take an extensive growth in this factor of increment as stability invites the new and innovative approach to be fooled in the market along with that the import factors such as the product value its rising and organizations tax payment would be the same and there will be no new adjustments made.

- The severe limitations of governmental and its rules and regulations to attain the

high acceptance from authorities as well as remarking the position in the public is also ensured by the company and there is no need to put specialisation as the organisation is well experienced of all the facts and norms of government.

Economic Factors: The economic factor involves the entire financial element and the earning and income are also undertaken in this factor of the environment. The economic condition of the United Kingdom is more developed and the effective rate of its population's income has enhanced in recent years. This will help the organisation to promote its production of the electronic vehicles in the market and introduce them with better and high profit incurring prices. The main motive of any business is to earn profits thus in the high scoring economy environment of the United Kingdom is more beneficial for Volvo Cars to perform its business (Newman, C., and et. al., 2020).

- It helps the company to use high-quality material in the production and use the most effective tools for marketing and promotion as the cost is no big barrier in the business market.
- The growth of the organisational motives in the market of country can be ensured as the social living standards for the public are high and most of the consumers are quality product buyers who choose quality over price.
- The profit and sales of the Electronic car will be enhanced in the domestic market of the United Kingdom.

Social Factors: The social factors are comprised of the lifestyle of the majority in a nation, the main taste, preferences, beliefs, and culture that the individuals and groups follow in the country. The higher standard of society depicts the high development of the country. The wide and techno-friendly population of the United Kingdom has the potential to make the product more diverse and it certainly creates a market gap if effective customization of the product thus with this the Electronic Cars of Volvo can be customized as per the need and demand of a particular segment of the market and it can minimize the gap to attain the maximum goals and objective of the company in terms of productivity growth and higher profitability. There are low chances for the company to face the power of substitutes as the public is more aware and out the certain product differentiation.

Technological Factors: the technological factor is mainly based on all those elements which are related to any new advancement in the technology under the peripheral boundaries of the nation. The emerging technological development in the United Kingdom brings more opportunity for the business-like Volvo Cars as the main emphasis of the company is on its electronic vehicle segment. There are many new technologies adopted in the respective automobile sector. The car company is more dependent on the high use of technologies in the electronic cars.

- Volvo certainly automated all the functional stages in the production with a view to reduce human resource engagement and effectively save time at an extensive level. Done and in an efficient and effective manner.

- The negative part associated with this aspect is the increment in the overall cost of functions that takes place because of the execution of any of the tech systems, techniques, or procedures.

- The newer technologies help the organisation to implement the innovative approach within its working environment.

Environmental Factors: Environmental factors are comprised of all the natural elects that take place in the country. Along with that the climatic condition of the United Kingdom is not is that good condition... thus such adverse conditions of the environment demand spore eco-friendly process and products from the business in the industry to minimize the carbon footprints and develop the great and healthy conditions of the environment.

- The company is launching its electronic vehicle that will emit less than zero carbon and help in enriching the climate sources. Along with that, electronic cars will also save the perishable sources of oil and other energy founs.

- The method is acknowledged that such a measure involves huge costs invested by the firm to execute sustainable practices within the boundaries of the workplace.

- Enabling overall cost for the entity, thereby increasing the financial burden for Volvo Cars.

Legal Factors: Overall environmental factor and their management within Volvo Cars ensure compliances with all the essential rules and legislations

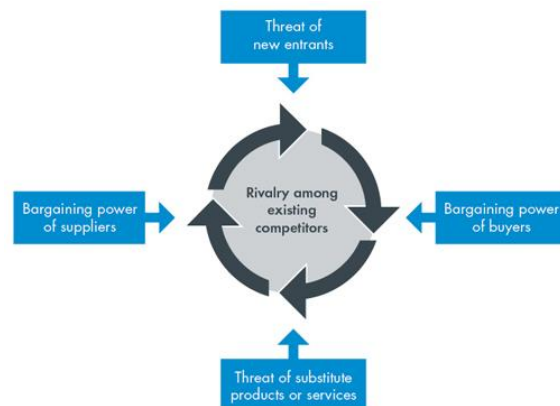
- Essential laws and regulations are carried forward in the automotive sector so that the goodwill of the firm at a global scale does not get hampered.

- An example of non-obedience with any of the legislation would prove to be not beneficial and creates an adverse impact for the respective workplace.

- Certainly, that harms the goodwill as well as market positioning of the respective firm.

Porter's Five Forces

The porters five force indicates that the total variable that has helped a business to survive in the market and all five forces have distinctive responsibilities and role in the environment of business.



Porter's Five Forces (Google Images, 2020)

Threat of New Entrants

Economics has a scale that is very difficult to be achieved within an industry under which Volvo operates. So, it becomes easier because it is going to generate a cost advantage. This has made the production a bit expensive. That is why this can be a weaker force. Also, the differentiation of products is very strong in the industry because the firm sells differentiated products. The requirement of capital in an industry is very high, therefore difficulty is there for the new marketers willing to set-up its business. Also, high expenditure is required to be incurred. Capital expenditure has also increased due to Research and Development costs. All such factors become a threat to new marketers in an industry.

Bargaining Power of Supplier

Product provided by these suppliers is and standardize, less differentiated, and has low switch costs. Such things make it very easy for buyers like Volvo in switching their suppliers. This makes bargaining power a weaker force. The supplier is contending with products within the company. It can be said that there is various other substitutes towards the product that is being provided by the supplier's power to bargain becomes strong in an industry. The suppliers are contending with products in an industry. This is meant that the supplier does not provide a creditable threat for forwarding of the industry under which Volvo operates. This makes the bargaining power of suppliers a much weaker force in an industry.

Bargaining Power of Buyer

Product differentiation within an industry is very high, which makes the buyer not able to find any kind of alternative firms producing its product. This has been very difficult to make switch possible for bargaining of power of buyer and has made it weaker. The income of buyers in the industry has decreased. Quality of product is very important from the buyer's view and this buyer does frequent purchases. The buyers in industries are very less sensitive. This makes the bargaining power of the buyer's weaker force in an industry.

Threats of Substitute Product or Services

There are very few types of substitutes available within a product in which products are being produced in the industry under which Volvo operates. Very few substitutes are available and produced over lower profit-earning industries. No selling is there over higher profit in industry Volvo is operating.

Heavy and high quality is very much expensive. As comparing with firms producing within the industry under which Volvo operates has settled lower price. Other substitutes have adequate quality. Such buyers are less and are likely to switch over to substitute products. This means that the product is weak within the industry.

Competitive Rivalry

The number of competitors within an industry under which Volvo operates is very few. Also, most of these are very well established also. It means that firms in the same industry make it a weak section for the company. The extensive reach and good relationship with the customers of Volvo are unattainable by any of its competitors. Thus as the company is introducing the E vehicle in the automotive industry is quite a big and effective strategy if the organisation as it will help in going the core position among the competition and to maximize the product's reach in the domestic as well as overseas market.

As per the details and gathered analysis of Volvo's evaluation of five forces, the management and marketing team will be able to analyse how different factors under each of the five forces affect the profitability of the industry. A hard power means lowers on the profitability, and a lesser strong force means greater profitability (Slapping and Shanmugam, 2020). Based on this a judgment of the industry's profitability can be made and used in strategic planning.

Critical assessment of the business and other changes

The current introducing of the electronic fuelling and enhance system the cars are effectively standing a bit upfront in the performances as well as in the overall market capturing through its customer-friendly and striking approaches in the world (Al-Surmise, Cao and Duane, 2020). The power of its buyers is comparatively less as the customers are significantly derived towards the quality and innovation that the firm made in their product and least considered the price factor that allows the firm to significantly make the changes that the firm can make its position on the top.

CONCLUSION

As per the information, it can be said that the management of the external environment is an essential part of each trade workplace. It forms the base on which the strategies, as well as decisions of the firm, are undertaken. The structure of an industry, even though it is stable, can change over time. Thus, the outcomes of this evaluation are taken out and put in the workplace and its framework to undertake all the possible solutions to the barriers arises in the organizational functions.

REFERENCES

Books and Journals

- Galindo-Martín, M.A. and Méndez-Picazo, M.T., 2020. Value Creation, Innovation, and Entrepreneurship: Feedback Effects. In *Analyzing the Relationship Between Innovation, Value Creation, and Entrepreneurship* (pp. 1-20). IGI Global.
- Newman, C., Rand, J., Tarp, F. and Trifkovic, N., 2020. Corporate social responsibility in a competitive trade environment. *The Journal of Development Studies*, pp.1-18.
- Tóth, Z., Nieroda, M.E. and Koles, B., 2020. Becoming a more attractive supplier by managing references—The case of small and medium-sized organisations in a digitally enhanced trade environment. *Industrial Marketing Management*, 84, pp.312-327.
- Cugova, A. and Cug, J., 2020. Motivation for the use of creative accounting techniques in the conditions of the globalized trade environment. In *SHS Web of Conferences* (Vol. 74, p. 01004). EDP Sciences.
- Banica, L., Polychronidou, P., Stefan, C. and Hagi, A., 2020. Empowering IT Functions through Artificial Intelligence—A New Trade Perspective. *KnE Social Sciences*, pp.412-425.
- Hori, S., 2020. Development and the Environment: Society, Trade, and Social Consensus. In *International Development and the Environment* (pp. 3-15). Springer, Singapore.
- Al-Surmi, A., Cao, G. and Duan, Y., 2020. The impact of aligning trade, IT, and marketing strategies on firm performance. *Industrial Marketing Management*, 84, pp.39-49.
- Sellappan, P. and Shanmugam, K., 2020. Delineating entrepreneurial orientation efficacy on retailer's trade performance. *Management Decision*.

Online sources

Statista (2019) *Electric Mobility: Norway Races Ahead* Available at: <https://www.statista.com/chart/17344/electric-vehicle-share/> (Accessed by:18May2020)