

Analysis effects for
the different
population structures.
while



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Analysis of external environment

External environment has a great impact on the operation of any business.

This is due to the fact that no business can operate in isolation or can survive without the environment (Michael, 1979). The resources that a business uses in its production also come from the external environment. What needs to be noted is that the external environment is non controllable by the organizations managers. Any business must therefore scan the external environment carefully in order to ensure its survival in the long run (Aguilar, 1967).

The management of great lakes therefore has the important role of critically examining the uncontrollable environment and develops appropriate strategies that will make the business prosper. The external environments consist of the social, technological, economic, environmental and political environment. Great Lakes Corporation has to examine each of the components of the external environment and anticipate the effects it can

have on the business. To begin with, the demographic environment deals with the population and the population's characteristics. Moreover products that great lakes produce have varying effects on the population. For instance, the lead gasoline that is produced by great link subsidiary octet had different effects for the different population structures. While it resulted into brain problem to the children, the leaded gasoline also caused respiratory problems to the elderly and the general degradation of the air.

The management therefore has to look into ways of mitigating the effect of its products on the different population groups. The second factor to be considered in the scanning of the external environment is the technological factors. The current business environment is characterized by fast changing technology and if a business fails to adopt the changes in technology, then it has to realize the threat to its going concern concept (Kotler, 2006). The product, leaded gasoline that is being produced by Great Lakes may be rendered useless if the cars that use the products are faced off with the adoption of modern cars. This is already exhibited by the reduced market of the company's products in countries with new products and production methods. Again, it has reduced the international perspective of the business.

Failure to develop the current technology will further reduce the company's income. Another component of the external environment is the economic environment. This environment determines the returns the business will have on its operations. It includes the inflation rates, the economic growth rates and the cost of funds. All forms of business, small or big, international or local are affected by the economic environment (Kozami, 2002). Great

Lakes Corporation will have to evaluate the economic environment for the <https://assignbuster.com/analysis-effects-for-the-different-population-structures-while/>

purpose of expanding its activities in other region and terminate its operations in markets that have declining sales and increased level of risk.

The decision makers of great lakes therefore have to make decisions that will reduce the business activities in developed countries that have changed the products and curtailed the demand for the company's products. In the case study, the economic legislations that were instated e. g.

the reduction of the excise tax on ethanol may reduce the costs of substitute products of the Great Lakes Corporation which may as a result reduce the turnover of the company. In addition the geographical coverage will be a factor to consider in the operations of a business. The company must realize that the wide geographical market in which it operates will determine the operations cost and the strategies in the different region. Wide environment means diverse culture and beliefs that may have an impact on the market of the company's products.

Great Lakes Company has to realize the different needs to their targeted market especially the countries at different level of development (Aguilar, 1967). The wide geographical operational area as well means that Great Lakes marketing strategies and promotional message have to take note of all their stakeholders. Distribution channel of the corporation will be affected by large environment coverage. The business may be forced to open branches in the different regions to ensure efficiency and effectiveness which will reduce shortages that may arise from longer supply periods. Finally the political environment must be assessed. Politics determines the rules and regulations that will be formulated to guide the conduct of business. If the

laid down regulations are not adhered to, the business may find itself with multiple suit cases that may affect the going concern of the business. Great lakes will be affected by the political environment majorly on the environmental regulations.

From the case study, it is evident that regulations are being formulated to ban the production of lead gasoline due to the adverse environmental impact. This has already been made possible in the developed nations like the US. However the developing nations still rely on the use of lead gasoline.

Great Lakes management must ensure that they move to take steps that will cushion the business from losses should the same regulations be adopted by the developing nations. Moreover, Great lakes must also realize that the business has a corporate responsibility to the community in which it operates. This implies that the organization should not wait for regulations that prohibit the use of lead gasoline by the developing and under developed countries. Rather, it should move ahead and mitigate the cost of not being environment compliant. It is therefore irrational for the Corporation to go against its own policies on employees and community safety standards for the sake of maximizing returns.

The business needs to move ahead and make the necessary and desired changes without necessarily waiting for set rules. It's ironical for the company to inform the users of its chemicals the dangers they face and do no more. A trade off must be made on the level of return and the effect of the company's operation on the community (Porter, 1998).

Five forces model analysis

The five forces model developed by Porter can be used to analyze a market with respect to the chances of survival of an individual firm. The model by Porter explains the five forces that influence the performance in an industry. These forces include the threat of new entrants, bargaining power of suppliers, buyer's power, threat of substitutes and the rivalry between competitors (Porter, 1998). The level with which a firm's management scans the environment in respect to these factors will influence its long term survival. The management of Great Lakes Chemical Corporation is justified in their aim to scan the industry and increase their market share and control by reducing the competitors' penetration.

Each of these factors is analyzed below. An analysis of the threat of new entrant is minimal in this market. This can be attributed to the fact that the industry is viewed by investors as being highly risky given the legislation that are being promulgated. Further, the industry may attract few entrants because of the poisonous effects of the leaded additive products getting known to many users (Porter, 1998).

The level of awareness influence the customers purchase option and selection criteria. The likelihood of the adverse effects of lead gasoline being known by the targeted market will thus reduce the possibilities of new entrants. Secondly, buyer's power is important in the scanning of competition level in an industry. Buyers are the users of a product and ignorance of the buyers need preference changes is mandatory for a business success. The level of increased awareness of information, buying volume, sensitivity to prices and the availability of substitutes determines <https://assignbuster.com/analysis-effects-for-the-different-population-structures-while/>

the power of customers (Michael, 1979). In this respect, great lakes has a challenge of ensuring that their products remain in demand considering that the substitutes that are environmental friendly are being introduced. In fact this has led to the reduced operations and demand in the developing countries.

The adoption and passing of regulation that ban the use of lead in the developing countries must then be anticipated and precautionary measures taken to ensure operations. Similarly, buyers are likely to increase their power with the increase in substitutes and differentiated products hence reducing their purchase level and increasing their bargaining power. The third concept in the porter's model is the power of suppliers. Supplies are the entities that are charged with the duty of supplying the company with the factors of production. The power of suppliers is enhanced with factors like the number, the demand for their supplies and the possibilities of the firms in the industry switching to other production areas (Porter, 1998).

The idea of reduction of number of firms in the lead industry and the size of great lakes will reduce the power of suppliers. If suppliers have a high bargaining power then they may demand heavy payments for their supplies which will result into the shrinking of the profits. In this area, Great Lakes enjoy the low suppliers' power which therefore makes it possible to operate in a cost efficient manner. Moreover, the fact that the business is operated and has many suppliers is advantageous to the company.

The company as well enjoy the availability of close substitutes that can enable it have a significant influence on the suppliers. Further the threats of

substitute's product must also be looked into. Substitutes are products that serve the same purpose but are of different qualities. The threat of substitutes depends on the availability of close products that can replace the corporation products (Michael, 1979). In the chemical industry, there are very many substitutes that are likely to cause threat to the company's products. The strength that the company still relies on is the fact that the developing countries still lack the capacity of using other non leaded products. The many different types of products that are being produced by the company will assist in the diversification of the risk of dependence on one or few products. Great lakes subsidiaries will also enable it smooth its returns.

It can thus be concluded the company does not suffers so much ion the threat of substitutes. The final concept in the forces model is the rivalry threat. Rivalry threat is affected by the factors as the barrier to exit, growth prospects in the industry, brand identity brand switching cost among others. An industry that exhibit high rivalry is considered volatile and risky. The chemical industry faces a bigger challenge given that more advanced products are being produced and the market for Great Lakes largest product, leaded gasoline, is shrinking. The prospect of growth is almost zero as most legislation is aimed at banning the use of leaded additive products.

Therefore it is necessary for the company managers to incorporate new products and ensure they maintain their competitive advantage in the market characterized by increasing number of competitors. From the above analysis can be said that the industry is not attractive. An industry is

attractive when it has a high profit prospects, manageable level of
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competition, favorable legislation and market growth ability (Kotler, 2006). The industry is also unattractive given that the level of competition is likely to increase heavily and reduce the turnover. Investors who have the objective of maximizing the shareholders wealth will therefore avoid the lead additive industry.

Great Lakes competitors

Great Lakes Corporation was generally considered to have few competitors. This may not reflect the true picture and cannot be a premise used to justify the business continued ability and strength. The current environment is drastically changing and these must be taken into account as there are likely to be invisible and immediate competitors (Kozami, 2002).

The immediate competitors of great lakes are the chemical industries that produce substitutes in the developed countries. The market expansion of these companies into the market dominated by great lakes would mean a reduction of the company's turnover. The management of Great lakes has to ensure that they increase the loyalty of their customers and make the switch cost high. This would bar the company's target market from switching into the competitors area.

The immediate competitors' may also be other companies which are also located in other territories of the developing nations providing similar products. Impending competitors of great lakes are the new firms that are likely to enter into the market and produce substitute products. We can therefore assert that the business might not experience many impending competitors in the lead additive sector. It however faces the competition of

other firms which are aiming at entering the industry. Great Lakes will however stand a better position than those of competitors because the company enjoys economies of scale production. This will thus reduce the overhead cost and make the company to be a low cost producer.

Cost is one of the strategies that a business adopts in seeking for competitive advantage. Another reason as to why Great Lakes Corporation will enjoy market lead is the large market share mainly in the developing countries. Large market enables the company to either segment or standardize their production as a strategic way of gaining competitive advantage (Kotler, 2006). If this is well exploited, Great Lakes will manage to survive in the market. The major competitive disadvantage that Great Lakes Corporation is likely to face is in the legislative sector. The fact that the company produces leaded gasoline in its octet subsidiary that accounts for about 50% of the company's earnings is a great threat to the future returns. The environmental campaigns on the need to ban the lead products due to their nature of causing pollution might likely lead to the termination of some of the operations of the company's plants. This might result into reduction of the turnover and result into huge losses.

The management of Great Lakes Chemical Corporation must thus have other plans of adopting new products that are ethically desired and that are within the legal framework. If not well incorporated, the competitors will gain a competitive edge and ensure the failure of Great Lakes.

Capabilities of great lakes

A look at the operation of the company reveal the potential it has that can be ventured into. The first option that the company can pursue is to start the process of switching to the production of unleaded additives. This is highly possible given the financial resources and the good performance of the company in the precious period. The financial capability can also be deduced from the fact that the company is an international organization and therefore makes high turnover (Aguilar, 1967). Great Lakes Corporation is as well capable of diversifying its operations to cover for the risk that may arise from the legal and other environmental changes. Diversification reduces the risk of loss and increases the return a business derives from its operation.

It increases the customer base of the business. The large variety of chemicals produced by great lakes will enable it derive its income from different markets. In addition, the diverse use of the company's products as fire suppressors, household cleaners and water treatment products will enable great lakes Corporation to shift its resources should the octet subsidiary faces operational challenges.

Another option that is available to Great Lakes is to form alliances with other firms if it has to quit from the lead additive products. An alliance enables the parties to share the risks and resources including the quality management and to increase their operation size (Kozami, 2002). If the company is able to identify capable strategic partners, it will increase its ability to penetrate in the market and reduce the losses likely to be experienced in the event of shuts down of the lead production subsidiaries. It will also be feasible for the firm to reduce the costs required in shifting into new operations and make it <https://assignbuster.com/analysis-effects-for-the-different-population-structures-while/>

produce more advanced products. Finally, the management of Great Lakes Corporation can decide to dispose off the risky proportion of its business and use the proceeds in new attractive areas.

What needs to be considered here is that the acquirer firms may decide to buy the plants at a low cost. A cost return trade off must thus be made for the company to make the required decision (Porter, 1998).

Conclusion

In conclusion, it is important for any business that aims at furthering its operation and increasing its market share to continuously scan its environment. Through environment scanning, a business will be in a position to identify its competitor and develop strategies that ensure better performance (Porter, 1998). An organization that fails to conduct proper scanning of the environment will be make unpopular decisions and lose its grip in the industry. Scanning therefore requires a management with conceptual skills rather than technical skills.

The environmental, technical, legal, economic and demographics scanning is therefore called for. The corporation must also adopt the internal scanning techniques that will enable it scan its internal environment and realize its potential. This will reveal factors like the quality of management, financial capability and motivation of the employees.

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