

The opportunities and threats in usual times business essay



In order to make correct strategic formulation and strategic implement, the external environment and internal environment should be considered. The five forces model which was put forward by Michael Porter has a global and significant effect on the companies' strategic formulation (MBAlib, 2008). The five force model is used to analyze the competitive strategies and it could analyze the competitive environment effectively which includes risky of entry by potential competitors, industry rivalry, bargaining power of buyers, bargaining power of suppliers and threats of substitutes (Hill and Jones, 2009).

The external environment

The competition can not be only regarded as competition among competitors, it is also a system which involves five forces. In usual times, as the economy grows, the competitive environment may become more complicated. The industry with considerable profitability will bring investment to this industry. When the economy grows, the investment will increase. Then the risky of entry by potential competitors will increases. The new entrants will compete with the existing competitors for raw materials and market shares. This could lead to the profitability of this industry fall or even threats the survival of some existing companies. Thus the competition in this industry becomes fiercer. When the economy grows, the science and technology develops fast. Thus the products are updated or invented rapidly. The threats of substitutes are severe. Besides, the level of consumption of consumers is enhanced because of the growth of economy. The consumers can afford to more products. However, as the competitors of the industry increase, the bargaining power of buyers increases. Although there may be

more suppliers, the demand for raw material also increases. Therefore, it is possible that the bargaining power of suppliers increases.

Even if in usual times when economies are growing, the competitive environment is still very severe. Sony's experience will prove the ferocity of the competitors. In 1975, Sony seemed to have an unbeatable leading place due to their advanced Betamax product, which is considered to be superior to their competitors' VCR product. Sony had a competitive advantage over their competitors. However, Sony was defeated. The two relatively minor competitors of this industry, JVC and Matsushita, get allied. The Betamax share of the global market was captured and destroyed by the alliance. At last, Sony had to stop the production of Betamax in the late 1980s (Pech and Slade, 2005). In usual times, companies take advantage of every opportunity to get developed. Companies even attack competitors in order to success.

The internal environment

In usual time, there are more opportunities for companies to develop. The general external environment is relative simple for companies. The company may become insensitive to the change of the external environment or even complacent about its present situation. This mindset is a great threat for the strategic goals of the company (Pech and Durden, 2004). The complacency could cause the managers of the company are unwilling to hear the unpleasant news. The managers are isolated from objective information and make wrong decision. The failure of Xerox has given a good lesson (Pech and Durden, 2004). Besides, the complacency can make the company underestimate the opponents and overestimate its own capability. The

Vietnam War could be a good example. The USA was trapped in the war for <https://assignbuster.com/the-opportunities-and-threats-in-usual-times-business-essay-essay-samples/>

their underestimating the capability of Vietnam troops (Pech and Durden, 2003). Besides, the company may be unable to adapt. The company is unwilling to be proactive. The innovation is ignored. It prefers to be a follower rather than a leader. All of these may shorten an organization's life span (Pech and Durden, 2004).

The balanced scorecard is a tool for the implement of strategy. The balanced scorecard was proposed by Robert Kaplan in Harvard Business School and David Norton in Nolan Norton Institute in 1990. It takes shared vision and strategy of the organization as core (MBAlib, 2008). It adopts integrated and balanced philosophy to transform the shared vision and strategy of the organization to concrete goals of subordinate departments in financial, customer, internal processes and innovation and learning perspectives (Kaplan and Norton, 2004). The condition of goal implement in financial, customer, internal processes and innovation and learning perspectives is measured. Then in terms of the feedback, the strategies of the company are adjusted and the established vision and goal are modified to make sure the strategies could be implemented successfully. The long-term survival and development of the company could be realized that the company could be successful.

In usual times, when economies are growing, the companies get more opportunities to develop. However, it does not mean the company can get success easily. Only when the company gets more competitive advantages and gain above-average returns, it could be successful. When economies are growing, the competition becomes severer. This situation is like sailing against the current. The boat will either go ahead or keep falling. Thus the <https://assignbuster.com/the-opportunities-and-threats-in-usual-times-business-essay-essay-samples/>

company needs to spare no effort to strive for competitive advantages to get success, or the company would lag behind.

The opportunities and threats in difficult times

In difficult times, some companies are faced with the decrease of profitability or even bankruptcy. However, some companies might meet good opportunities and become very successful. In difficult times, the risky of entry by potential competitors decreases. In difficult times, the economic depression causes the decrease of investment. There will be fewer entrants. Besides, the threatening external environment may bring about severe challenges to this industry. Some competitors may go bankrupt. Thus the competitions are relatively eased. As the companies of this industry decrease, the bargaining power of buyers is lowered. As investment decreases, the updating speed of substitutes could also be lowered. Thus although the general external environment is difficult, the industry environment could be relatively advantageous to some companies. The company could achieve success by taking advantages of the situation.

The emergence of the USA is a typical example. During the World War One and the World War Two, the USA took advantages of the situations to make arms trade. As many countries were involved in the war, the competition in arms industry was not keen. Meanwhile, the arms industry has high entry barrier. Thus the bargaining power of the buyers was weak. Meanwhile, as the supplier of arms, the bargaining power of the USA was strong. Therefore, the USA obtained tremendous profits from the arms industry in the difficult times.

The global financial crisis

Nowadays, the main difficult times are caused by global financial crisis. As a matter of factors, if the word “ crisis” is translated into Chinese, it maintains two Chinese characters. One character means threats and another means opportunities. Some companies may seize the opportunities in the global financial crisis and become successful. As the competitors of the industry may be bankrupt, the industry shrinks. The market share of some companies may be boosted. Besides, the fund chains of many companies rupture and the assets of many companies depreciate. This provided good chances for some companies to achieve merger and acquisition. To some companies, the financial crisis may have good effect on promoting their external competitive power.

As the information is unpredictable, the pace of change increases in business. As the more companies are attacked by the turbulence of the external environments, the companies are more likely to change. This is often a reactive nature. The global financial crisis can facilitate some companies to change, modify their strategies and promote their internal environments. The global financial crisis causes the manpower flow. Some companies attract more outstanding employees. Besides, some companies can get more support and assistance from government.

The internal environment

Besides the influence of external environment, the internal environments of the company also very important. The global financial crisis can give rise to the emergence of new industry and new products. If the transformation of the industry is realized timely to adopt new technologies and new methods, <https://assignbuster.com/the-opportunities-and-threats-in-usual-times-business-essay-essay-samples/>

the company can meet the demands of new industrial adjustment.

Therefore, creating demands and exploring market is very important. The company should establish an information system. The company should scan the external environment, gather the urgent data and obtain clear, prompt, unbiased and thorough information (Pech and Durden, 2004). Moreover, the information should be analyzed rapidly and widely and the managers and employees could find the threats and opportunities that it announces. Based on the information, the strategies of the company are formed or adjusted. Meanwhile, an intelligent response by employees is demanded (Pech and Slade, 2004).

In difficult times, some companies can take advantage of the situation to be successful. The important reason of their success is their ability to scan and process information to make rapid response. The company can analyze the information to understand the threats and opportunities. Therefore, they make appropriate strategies to seize opportunities to get competitive advantages. Thus, the recognition of opportunities plays an important role in the success of the companies. Bill Day, the winner of the 2000 Ernst and Young Entrepreneur of the Year Award in New Zealand and the owner of Seaworks, set a good example to prove the importance of opportunities recognition (Pech and Cameron, 2006).

The global financial crisis gives rise to the demand for differential goods and service. In the global financial crisis, some companies can take advantage to facilitate the transformation. The company should optimize the resources, promote capabilities, get core competency and develop differentiation.

According to financial, customer, internal processes and innovation and <https://assignbuster.com/the-opportunities-and-threats-in-usual-times-business-essay-essay-samples/>

learning in the balanced scorecard, the company adjusts and modifies the strategies to get success.

Conclusion

In order to make successful strategy, both the external and internal environment need to be considered. In usual times, the general environment is good for the development of companies. Although economies are growing, the competitions become fierce. Meanwhile, the internal environment also plays a role on the success of the company. Thus, in order to get success, good general environment is not enough. The company also needs to spare no effort to get competitive advantages. In the difficult time, there are still opportunities. Although the general external environments are not good, some companies with outstanding information system can also be sensitive to opportunities and get opportunities to get success. Besides, the external environments, the company can also take advantage of this situation to facilitate transformation and promote the strength and core competency of the company to get success.