

Changes in the remote environment of us business



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Briefly describe two important changes in the remote environment of U. S. business in each of the following areas:

a. Economic

Economic factors concern the nature and direction of the economy in which a firm operates. Because consumption patterns are affected by the relative affluence of various market segments, each firm must consider economic trends in the segments that affect its industry. On both the national and international level, managers must consider the general availability of credit, inflation rates, and trends in the growth of the gross national product are other economic factors they should monitor (Pearce & Robinson 2009).

b. Social

One of the most profound social changes in recent years has been the entry of large numbers of women into the labor market. This has not only affected the hiring and compensation policies and the resource capabilities of their employees; it has also created or greatly expanded the demand for a wide range of products and services necessitated by the absence from the home. The second profound social change has been the accelerating interest of consumers and employees in quality of life issues. Evidence of this change is seen in recent contract negotiation. In addition to the traditional demand for increase salaries, workers demand such benefits as sabbatical, flexible hours or four day workweeks, lump sum vacation plans, and opportunities for advanced training (Pearce & Robinson 2009).

c. Political

The direction and stability of political factors are a major consideration when evaluating the remote environment. Consider piracy. Microsoft's performance in the Chinese market is greatly affected by the lack of legal enforcement of piracy and also by the policies of the Chinese government. Likewise the government's actions in support of its competitor, Linux, have limited Microsoft's ability to penetrate the Chinese market. Political activity also has a significant impact on two government functions that influence the remote environment of firms, the supplier function and the customer function (Pearce & Robinson 2009).

d. Technological

To avoid obsolescence and promote innovation, a firm must be aware of the technological changes that might influence its industry. A technological breakthrough can have a sudden and dramatic affect on a firm's environment. Technological change like the World Wide Web, and technological forecasting, may spawn sophisticated new markets and product products; and if not well used, it can significantly shorten the anticipated life of a firm (Pearce & Robinson 2009).

e. Ecological

The most prominent factor in the remote environment is often the reciprocal relationship between business and the ecology. A threat to our life supporting ecology caused principally by human activities in an industrial society is always a major cause for concern. A huge change has been the fact that the global climate has been in constant change. And it is now evident hat human activity is accelerating the change tremendously. Another

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area of great importance is the loss of habitat and biodiversity. Ecologists agree that the extinction of flora and fauna is occurring at a rapid rate, and if this pace continues, could constitute a global extinction (Pearce & Robinson 2009).

2.

Many firms neglect industry analysis. When does it hurt them? When does it not?

Industry analysis enables a firm to understand the forces that determine competition in an industry and set the stage for identifying the firm's competitors and how they position themselves in the market place. It also gives the firm a chance to understand where to position its product, how to create a competitive advantage and in what industry the product will eventually compete. When a firm pays attention to its own industry analysis more than its competitive analysis, trouble could lie ahead. Not paying attention to all your competitors and focusing more energy in our product could lead to failure. It is evident that the same amount of time is put into scrutinizing both, your product and the competitions (Pearce & Robinson 2009).

3.

How does environmental analysis at the domestic level differ from global analysis?

Strategic managers are frequently frustrated in their attempts to anticipate the environment's changing influence. When dealing with a global market, managers must analyze a wider range of competitors and focus on a broader

market. Different external elements affect different strategies at different times with varying strengths. The only certainty is that the effect on the remote and operating environments will be uncertain until a strategy is implemented. This leads many managers, particularly in less powerful firms to minimize long term planning, which requires a commitment of resources. Instead they favor allowing managers to adapt to new pressures from the environment (Pearce & Robinson 2009).

4.

Which industries operate almost devoid of global competition? Which inherent immunities do they enjoy?

A multidomestic industry is one in which competition is essentially segmented from country to country. Thus, even if global corporations are in the industry, competition in one country is independent of competitors in other countries. Examples of such industries include retailing, insurance, and consumer finance. On the other hand, a global industry is one in which competition crosses national borders. In fact, it occurs on a worldwide basis. In a global industry, a firm's strategic moves in one country can be significantly affected by its competitive position in another country. The very rapidly expanding list of global industries includes commercial aircraft, automobiles, mainframe computers, and electronic consumer equipment. Even though multidomestic operates almost devoid of global competition, they still have to meet the taste and preference of the local customers and deal with the lack of economies of scale (Pearce & Robinson 2009).

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Case Study Exercises

Read the following Case study and answer the following questions (page 124-126 in the text):

“ Siemens’ Culture Clash”

Case Summary

This case discusses Klaus Kleinfeld, who stands at the helm of the \$114 billion Siemens, the German behemoth. Kleinfeld is the chief executive of the slow growing company and wants to emulate erstwhile General Electric CEO, Jack Welch’s leadership style to effect a turnaround.

Prior to taking over the top job at Siemens, Kleinfeld spent three years heading the company’s U. S. arm. He is heavily influenced by U. S. management practices and wants to institute them at Siemens. He spent \$8.6 billion in 2006 acquiring companies in the medical diagnostics and wind power industries. While his moves have helped increase the moribund stock price by 26 percent during his two-year tenure, he is criticized both within the company and by the German media for his globalization moves and perceived use of heartless U. S.-style management methods. That’s the culture clash that the title talks about.

In his two-year tenure, Kleinfeld has certainly shaken things up at Siemens. He has spun off underperforming businesses, including the Logistics & Assembly Systems Division which was closed within weeks, simplified the organizational structure, and pushed the company’s 475, 000 employees to make faster decisions and focus on both technology and customers.

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Amidst all of Kleinfeld's controversial restructuring moves, the company is being probed by German prosecutors for alleged bribes to win business. Although Kleinfeld is not the target of the probe, his time and attention is now spread in too many areas. The challenge facing Kleinfeld is to bridge the yawning cultural gap within his organization and at the same time, position it for competitive success in the midst of a changing external environment.

1. What are the different types of responsibility that Kleinfeld shoulders in his job as CEO? Do you consider them to be strategic responsibilities?

Kleinfeld's responsibilities include are to expand sales and profits in order to be able to compete with its competitors. He must globalize a Siemens company who takes pride in being patriotic to German business standards. Having the employees become more in-touch with the customer service side of the firm and focus a little less on the technology side. All of his responsibilities are strategic responsibilities. He is trying to reconstruct and apply new ideals to a company that has been successful in the past but has the chance to become number one in its industry.

2. Do you think that the level of strategic turbulence and restructuring that Kleinfeld faces is common in business? Do you believe that Kleinfeld helps to create this turmoil?

If I became CEO of a company who designs and operates as a leader in its industry but lacks that marketing swagger to put them over the top, I will make exactly the same moves that Kleinfeld is implementing. His vision is clear, to make Siemens number one, and that takes bold and non-traditional

strategies that in most cases will create turmoil. Ha is cutting his losses and taking advantage of their great engineering to create a solid building block.

3. How do you see the U. S. and German business environments as different?

The U. S. business environment is one that focuses more on the customer, and what the consumer needs and wants. The German business environment is more ethnocentric; a pride driven environment who believe creating a perfect machine will sell itself. From my point of view, I can agree with both, and see why they are both so successful. Try going to a Ford dealership, and see how you will be mesmerized not really by the car but the way it is sold. Then try buying a BMW and I bet the words that come out of the salesman mouth every time you compared the car are, it is a German manufactured car, the ultimate engineered driving machine.

Read the following Case study and answer the following questions (page 152 -153 in the text):

“ China Mobile’s Hot Signal”

Case Summary

The case describes the rapid growth of China Mobile Ltd., the world’s biggest cellular carrier. Spun off from China Telecom Corp. in 2000, China Mobile currently has 300 million customers, revenues of \$37. 8 billion, profits of \$8. 3 billion and a staggering market capitalization of \$198 billion. The market capitalization makes China Mobile Ltd. the most valuable cellular carrier on earth.

Seeing growth in large cities such as Beijing, Shanghai and Shenzhen slowing down due to near 100 percent penetration rates, China Mobile shifted its focus to the country's 700 million rural population. There, only 1 in 10 had cell phone service, a vast untapped market for the mobile phone behemoth. The company built the infrastructure necessary to serve China's rural areas and is now reaping the benefits. The company wants to expand globally through acquisitions.

China Mobile faces challenges, though. The principal one is to maintain its torrid growth rate. Another challenge has to do with standards. It currently uses a European standard, but the Chinese government wants the company to adopt a locally developed technology. This changeover could pose a major challenge.

1. How do you believe that the mobile phone industry in China differs from the one in the United States?

I think the mobile phone industry in China, like many other industries in china are very ethnocentric. Not allowing outside influence, and targeting their local market instead of focusing in the global markets. The United Stated mobile industry focuses in every market around the world, and tries to grab a piece of the profit in every global market.

2. Do you think that the investment opportunity in China's mobile phone industry is attractive?

I believe that after all the moves made by China Mobile Ltd., it is worth investing in the Chinese mobile industry. The firm found a local market that

no other Chinese firm dared to conquer. By introducing the mobile phone to the rural parts of China, they have found a market in need of their products. They have also made it easier for farmers and other business man in the rural areas to communicate with vendors and to be in touch with trends on their products. China Mobile has is also turning their sights overseas, by targeting Hong Kong and India.

3. What difficulties do you expect China's mobile phone industry to encounter as it tries to expand?

The fact that the company is based in China, one of the difficulties, or barrier it will have to overcome is the Chinese Government. Two of the leading mobile companies are owned by the Chinese government. China Netcom and China Telecom will always be awarded contracts with many questions from the government.

4. Can you detect any patterns or rules of development from the China mobile phone industry that could be applied to the development of the mobile phone industry in other countries?

The fact that the Chinese decide to go out and reach the rural areas, and provide them with service that up to par with their needs is something that every other company in their countries should do. Even here in the United Stated, there are some rural areas that do not have mobile signals, in many Latin American countries, mobile phone companies focus in the unban areas, with the thought that only the unban market can afford the cost of a mobile phone.

5. Do you agree that “ globalization is the strategy of approaching worldwide markets with standardized products?” Are mobile phones an example?

I believe approaching any foreign market with a standardized product is very risky. The product should be adapted to the need o the market you are about to enter. I have seen many great products fail in foreign markets because of the lack of time put into analyzing what the local market is in need of. I’m not saying the product should change entirely, but adapt to the expectations of the local market.

Strategic Management Plan:

1.

Conduct an External Environmental Scan for your selected company. Identify and Select key trends in the social and task environments which offer threats and opportunities to the organization. Organize the scan by placing the key trends into columns of threats, opportunities, or both.

Opportunities Threats

The need to advertise for small businesses

Bigger advertising agencies targeting the local market

No a presence of small time advertising agency

Not enough initial capital

The need for a new trend in advertising for small business; a chic and fun style that does not require a fortune

Credit denial for startup capital

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Dot Com advertising firms

Growing global advertising firms