

# The global business environment analysis



**ASSIGN  
BUSTER**

Doing business today is radically different than it was just 20 years ago. For that matter, its different today than it was just a few short years ago. Increased global competition, the advent of electronic business over the internet, economics crises, and the like all are requiring organizations to rethink how they do business. That's because to be effective in this rapidly moving and ever-changing environment, organization needs do things better, faster, have higher quality, and meet the increasing demands of their customers. One such organization, Amazon. com, founded by Jeff Bezos is a good example of how an organization can successfully compete in a global marketplace. In 1994, Bezos was a successful computer programmer on Wall Street. His entrepreneurial, skill however, kept him focus on the expansive growth occurring on the internet. So he decided to quit his job and began looking for business opportunities on the internet. Bezos drew up a list of 20 products that he figured could be sold online which included music, magazines, software and books. In 1995, Jeff sold his first book through his website “ Amazon. com”. But, now a visitor can browse through the database of 2. 5 million books to find something of interest. The most fascinating thing about amazon. com is that it is truly a virtual company with no physical storefront and a relatively small inventory. Now, it does not only sell books, but also CD's and computer product offering customers to sell their property through auction. As a result, Amazon. com has become one of the leaders in Web-based commerce. Part of the rapidly changing environment that managers face is the globalization of business. Management is no longer constrained by national borders. BMW, a German-owned firm, builds cars in South Carolina. Similarly, McDonald's sells hamburgers in china. Toyota makes cars in Kentucky etc are few examples on the infinite list. Day by day,

<https://assignbuster.com/the-global-business-environment-analysis/>

the world is changing to a “ Global Village”. To be effective in this boundary less world, managers need to adapt to cultures, systems, and techniques that are different from their own. The manager should come up with a unique combination of competitive business mechanism supported with talented knowledge worker in order to sustain the business in a long run.

Robbins, S. P. and DeCenzo, D. A.(2001)

### **3. 2 The competitive strategy**

One of the leading researches into strategy formulation is Michael Porter of Harvard’s Graduate School of Business. His competitive strategies framework demonstrates that manager can choose among three generic competitive strategies. According to Porter, no firm can successfully perform at an above-average profitability level by trying to be all things to people. Rather, Porter proposed that management must select a competitive strategy that will give its unit a distinct advantage by capitalizing the strength of the organization and the industry it is in. These strategies are Cost leadership, Differentiation and Focus

Cost leadership is a strategy an organization follows when it wants to be the lowest-cost producer in its industry. Wal-Mart, Canadian Tire and Southwest Airlines are firms that have used this strategy.

Similarly, the firm that seeks to be unique in its industry that is widely valued by buyer is following a differentiation strategy. It emphasizes high quality, extraordinary service, innovative design, technological capability, or an usually positive brand image. The attribute chosen must be different from those offered by rivals and significant enough to justify a price premium that

exceeds the cost of differentiating. There is no shortage of firms that have found at least one attribute that allows them to differentiate themselves from competitors. Intel technology, Mary Kay Cosmetics etc has used differentiation strategy.

350px-PorterGenericStrategies. png

Fig: Michael Porter's competitive strategies framework: src: [http://en.wikipedia.org/wiki/Porter\\_generic\\_strategies](http://en.wikipedia.org/wiki/Porter_generic_strategies)

Finally, the Focus strategy aims at a cost advantage(cost focus) or differentiation advantage(differentiation focus)in a narrow segment i. e. the management will select a segment or a group of segments in an industry(such as product variety, type of end buyer, distribution channel or geographical location of buyers) and tailor the strategy to serve them to the exclusion of others. Stouffer's used a cost focused strategy in its Lean cuisine line to reach calorie-conscious consumers seeking both high quality products and convenience.

#### **4. 1 Formulation of the competitive strategy**

As in the case given, As General Electric's former chairman Jack Welch said in many different ways, the only sustainable competitive advantage is to innovate and change faster than the toughest competitors. Long term success with any one of Porter's competitive strategies requires that the advantage be sustainable. That is, it must withstand both the actions of competitors and the evolutionary changes in the industry within a dynamic environment. Technology changes, so do customer's product preferences. And competitors frequently try to imitate an organization's success. In the <https://assignbuster.com/the-global-business-environment-analysis/>

case of touch screen cellular phone, LG is following the product design of Apple's I-phone to compete in the market. So, a manager needs to create barriers that make imitation by competitor difficult to reduce the competitive opportunities. The use of patents, copyrights or trademarks may assist in this effort. For example, to protect its "environmentally friendly computer chip process" the Radiance Service company has secured patents in 37 countries. Similarly, Kendall-Jackson has trademarked its packaging of its Turning Leaf chardonnay wine and has used the trademark in an effort to keep E & J Gallo Winery from selling its chardonnay in similar packaging. Organizations can also tie up with suppliers with exclusive contracts that limit their ability to supply materials to rivals. Or they can encourage and lobby for government policies that impose import tariffs that are designed to limit foreign competition.

5. 1 Innovate or Die: One of thing management cannot do is to become complacent. Resting on pass success may be the beginning of serious trouble for the organization. Sustaining a competitive advantage requires constant action by the management in order to stay one step ahead of the competition. So former chairman of GE, Mr. Welch has emphasized that if the outside is changing faster than you are, the end is in sight." Innovate or die!" These harsh words are increasingly becoming the rallying cry of today's manager. In the dynamic world of global competition, organizations must create new products and services and adopt the-state-of-art technology if they are able to compete successfully. So it becomes the one of the major function of the manager as a team leader to choose a right structure and work environment. When managers develop and change the organization's

structure, they are engaging in Organization design. This process involves making decisions about how specialized job should be allocated, the rules regarding employees' behaviors and what level the decisions are to be made. So, one of the key elements in organizational structure is Work specialization.

5. 2 Work specialization: Work specialization has been around for centuries in industrialized countries. In fact, back in 1700's when economist Adam Smith published *Wealth of Nations*; he advocated that jobs should be divided into smaller parts. In Work Specialization, a job is broken down into a number of steps, and each step is completed by a separate individual. In essence, individuals specialize in doing part of an activity rather than the entire activity. Installing only the motherboards and hard-disk drives in a computer assembly line is an example of work specialization. Work specialization makes the efficient use of the diversity of skills that the workers hold. In most of the organizations, some task requires highly developed skills; others can be performed by those having less skill. This is where concept of Talent Management comes in to play.

5. 3 Talent Management: On the basis of substantive research undertaken Talent Management is of strategic importance and can differentiate an organization when it becomes a core competence – and when its talent significantly improves strategy execution and operational excellence. For example, imagine your company has the right talent in pivotal roles at the right time. What difference will these people make to revenues, innovation and organization effectiveness compared with having to operate without them? What is the cost of the lost opportunities – and the downtime and

replacement costs- of losing critical talent? What are the consequences of having to make do with the wrong kind of leaders and managers in the top two executive layers – or of not having successors groomed and ready to replace them? In the business context, talent may be defined as ‘ capability applied to create value that is recognized and rewarded by primary stakeholders – owners, managers, and customers.’ Talented people must know how their jobs fit within the value chain and not only perform the routine tasks well but also excel at the high-leverage components of their jobs.

The benefits winnow down to winning or losing. In long races, the best talent with the fastest vehicle wins. The vehicle is the corporation. Being fastest means changing faster than the toughest competitors. XYZ analysis, defined in the book, *The Talent Era*, indicates that 60 to 70% of contributions come from 5 to 10% of the employees, the talents. The TMS( Talent Management System) will create enormous excitement. Non-talents will aspire to become talents. They will seek guidance about how they can improve to be worthy of becoming a candidate for moving to the talent track, hi-po track, or dual ladder track. Other advantages gained by TMS are:

Hidden talents will become visible. The silent ones will feel safe in coming forward.

External talents will be knocking on your door to get in.

If you are first or second in creating a significant talent pool among practitioners and managers, then your organization will develop a reputation

of being the absolutely best place in the world to work. Then you can further increase your talent pool.

Image-Talent-Management-large. jpg

The talent Powered Organization, Cheese P., Thomas, R. J. (2006)

## **6. 1 The Era of Talent**

The growing effect of the information economy, globalization and changing demographics are coinciding to create a new era in business- the era of talent. Your ability to attract, manage and retain talent will determine whether you succeed. Today , talent is the fundamental resource in business. This concept has shifted power to skilled employees. In an information and service economy, the upstream source of all value is talented people. As the world moves in this direction, talent will become as valuable on a global basis as it is in developed economies. With this power shift, talented people will be able to demand challenging work, a positive working environment, and empathic leadership. With this talent, you can satisfy customers and shareholders and create terrific results. Already, some stock analyst, investors, and pension fund managers are beginning to realize companies that manage people are stronger investments. In the near future, market makers will look first to the quality of a company's talent and talent management as the keys to their investment strategies. The knowledge and skills of your workforce and your abilities to enable them to contribute to the height of their talents will be how your company gets its investment grade. This means everyone of your skilled employees owns a big piece of your future success, including your personal wealth. You need to value each

<https://assignbuster.com/the-global-business-environment-analysis/>



person like a scarce resource and maximize your return on them by aligning them, and measuring their performance in line strategic style. This will so how you will get the most from their talent, and they will get the most from you. (Gubman, Edward L. 1998)

Every business need top talent at every link because the business will be only strong if it has a pool of vital link must feel valued. To the extent that talents feel like victims, performance a company suffers proportionately. Providing these resources helps your employee achieve their best individual potential, and it helps your business respond to challenges, enter new markets and move ahead of the competition. A company with a talented and successful workforce can develop a public reputation for being a great workplace to work, which fosters loyalty among current employees. Talented candidates will also be more interested in working for a company that values its employees and gives them opportunities for continued success.

## **6. 2 Conclusion**

Whatever its business or activity, your organization's survival depends on the ability to define discover, develop and deploy talent of every kind. This is the new competitive paradigm, and the challenge is different from anything your organization has faced before. It demands a new mindset-inspired by new leadership, informed by new strategy, supported by new capabilities. We are entering a new Age of Talent, and we must move beyond the oft-quoted platitudes of people are important assets' to meaning it and doing something about it.

But first we need to stress the importance of visible leadership on talent issues. Senior management must genuinely view talent as being strategic, and they must routinely and consistently understand and communicate the importance of talent to the organization. This is the first crucial element in establishing talent multiplication as the fuel for a talent-powered organization, by putting in a place a talent mindset throughout the organization.

## **7. 1 References:**

Robbins, S. P. and DeCenzo, D. A.(2001) Fundamentals of Management, pp-46, 95-97, 155.

Turban , E., McLean, E., Wetherbe, J(2002) Information Technology for Management, pp-96-98

Chaudhary, S(2005) Towards the future organization, pp-3-6

Cheese P., Thomas, R. J.(2006) The talent Powered Organization, pp-144-148

Katzenbach, J.(1998) Teams at the top. USA: Harvard Business School Press.

Berger, Lance A., Dorothy R. (2003), Talent Management Handbook. p295

Owen H. et al (2004)The leadership manual. 1st edition. Great Britain : Pearson Education Ltd

Dessler, G., (2005) Human Resource Management, 10th Edition, Pearson Education, New Jersey, p193 – p265

Dowling, P. J., Welch, D. E. And Schuler, R. S. (1999) International Human Resource Management – Managing People in a Multinational Context, 3rd Edition, South-Western College, Mason, p69 – p109

[http://en.wikipedia.org/wiki/Talent\\_management](http://en.wikipedia.org/wiki/Talent_management). [Accessed on 2nd February 2010]

[http://en.wikipedia.org/wiki/Porter\\_generic\\_strategies](http://en.wikipedia.org/wiki/Porter_generic_strategies) [Accessed on 8th February 2010]

<http://www.hrworld.com/features/talent-management> [Accessed on 12th February 2010]

Recruitment Minefield (18thOctober2006) – <http://business.timesonline.co.uk/tol/business/entrepreneur/article604935.ece> [Accessed on 12th February 2010]