Chapter 4
Companies’ Operation Environments in a Global Economy

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ABSTRACT

During the current period, the world economy is characterised by a process of globalisation, which implies that the national economy is part of the global economy, which it influences, but the latter also determines a certain trend of developing a national economy. In this context, industrial companies are part of the globalised economy, which determines a certain complexity in the development of any industrial company. This chapter is a systemic approach of the industrial company under the conditions of a globalised economic market. It deals with aspects relating to competitions and competitors, elements of companies’ external environments, companies’ internal environments and components, companies’ ambiguous operating environments, etc. The end of the chapter analyses the decision-making process in industrial companies under the conditions given for them, namely in an ambiguous development environment.

COMPETITION AND COMPETITORS, ELEMENTS OF COMPANIES’ EXTERNAL ENVIRONMENT

Approaching the environment and interdependencies between them and the company is an issue of maximum importance, the development of which the strategic management has a decisive role. The evolution of the modern company is currently marked by the amplification of the interdependencies with the environment where it operates. The expression of this evolution is the “emphasis of the company’s open character, designed as a system, reflected both on the “inputs” – production and information factors – and on the “outputs” – material goods, information and services”.

Formulating a strategy requires the analysis of the elements that can currently influence it or
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in the future could affect the implementation of the strategy. The initial position of the company is defined by the configuration of a set of organisational factors conceptually delimited into two categories: the factors of the external environment, respectively the factors of the internal environment.

The environmental conditions which the companies face nowadays are different from those of past decades. Many companies compete nowadays in other conditions than in the past, and namely: globalisation, economic changes occurring in many areas of the world (for example in Eastern Europe), the technical evolution, explosion of informatics, rapid socio-cultural changes, new territorial, regional and governmental policies.

The external environment has two components: the general external environment and the specific (industrial) external environment. The latter is given by the type of industry where the company operates.

The general external environment consists of the company’s general elements that can influence a certain type of industry and/or a certain company. Companies cannot directly control and influence these elements.

The elements of the external general environment are: the demographic factor: the population dimensions, structure by ages, geographic distribution, ethnic structure; the economic factor: the inflation rate, the interest rate, the budgetary deficit or surplus, population’s and businesses’ rate to save, the gross domestic product; the political-legal factor: competition laws, laws on taxes and duties, concepts and philosophies that may cause disruptions in society, laws on improving the labour force, educational policies; the socio-cultural factor: the share of female labour force of total labour force, the diversity of the labour force, concepts about life quality, care for the environment, changes in professional preferences, changes in the preferences regarding the characteristics of products and services; the technological factor: innovations in the field of processes (new technologies), applications of science, private and government funded expenses for research-development, progresses in telecommunications, etc; the natural factor: environmental quality, crisis of raw materials, environmental protection.

The specific (industrial) external environment is given by a set of factors influencing the company, the latter being located within a certain type of industry. These factors are: the danger of new inputs, the suppliers, the buyers, the substitution products and rivalry between competitors. The more a company is able to influence the industrial environment, the greater is the probability to make profits above the average.

The components of the general external environment have a different impact on the types of industry and on the companies therein. The analysts must identify, monitor, predict and assess those elements of each segment (component) that are most important to their companies. The results of the analysis must compulsorily include the changes, the trends, opportunities and dangers of the organisational environment.

The demographic factor refers to the size of the population, the structure by ages, geographic distribution and ethnic structure. It is recommended that the analysis of this segment would be done according to the company’s involvement globally or nationally and aims at: the size of a country’s population is mainly determined by the birth and mortality rates; The population’s structure by age. In many developed countries, the average age of the population is increasing in recent decades, due to lower birth rates and the increase of life expectancy; the ethnic structure of the population. Under the conditions of globalisation, the territorial distribution must be analysed by provinces, urban, rural, etc.

The economic factor refers to the fact that in an economy, the power of purchase depends on: “current incomes, prices, size of economies, debts and credit opportunities to purchase”.

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