

Chapter 4 The Global Environment

Review Questions

The review questions can be used as a basis for seminar discussion.

1. Explain why operating in the international business environment is much more complex than in the firm's domestic business environment.

One would expect students to identify what is meant by the external environment and to show that the external environment is complex, confusing, dynamic, and that change is accelerating and turbulent.

The **international** business environment adds to that complexity in that firms are dealing with new sets of factors in the form of different political regimes, laws and regulations, tax systems, competition policies, and cultures and so on. It is also argued that an increasingly globalized world in which economies are more closely interconnected means that economies are more subject to instability (e.g. the financial crisis of 2007/8). This makes demand more difficult to predict, to competition becoming more disorderly, to shorter times to make decisions, to shorter product life cycles and to increased pressure to innovate.

2. What implications does your answer to question 1 have for planning a firm's strategy?

The purpose of this question is for students to appreciate that analyzing the external environment is part of the strategic decision making process. They should be able to define strategy and explain the strategic process—see Fig.4.2 on p. 123.

They should be able to explain the importance of monitoring the external environment, for the reasons given in the answer to question 1, and to have some way of identifying the main drivers of change for an organization and assessing their impact.

Such a process is suggested on pp. 125–8.

Scenario planning and the difficulties of prediction might also be introduced into the discussion.

3. Using the various reports mentioned in the chapter, summarize what you think are the most important issues affecting business in the next 20 years and their consequences for business.

This is quite a large task for any individual student so might be best tackled as a number of group tasks. i.e. each of the reports is assigned to a different group and they report back to the bigger group.

The list of issues is likely to include inter alia;

Rebalancing of power/rise of the developing world

Urbanisation

Ageing populations

Disruptive technologies

Individual empowerment/info.

Revolution

Pressure on resources

Food and water pressures

Hyper competition

Market states

Climate change

Growth of a global middle class

Pressure on productivity in developed countries

The consequences for business of these issues can then be discussed and this could be developed into a discussion of how scenarios might be used and if the students think they are a valuable tool in business decision making.