

UNDERSTANDING INTERNAL AND EXTERNAL ENVIRONMENT FOR A FLEXIBLE PRODUCTION APPROACH

Cătălin Cristian BABALĂC

The Bucharest University of Economic Studies, Bucharest, Romania
babalac.catalin@gmail.com

Abstract

The present paper analysis briefly the main techniques used to understand both the internal and external environment that affect the road on which each company takes according to its proper strategy. Having a good image on the whole ecosystem offers to decision makers enough information to adapt company flexible products and services according to client demands.

Keywords: Flexibility, Internal environment, External environment.

1. INTRODUCTION

Society has changed along the time, individuals having now more freedom to express themselves through different channels. The information is public and in most of the cases transparent when speaking about governmental decisions. Although all this amount of factors is transparent it becomes essential to be aware of their existence and to have the ability of understanding the real meaning.

At the moment, any facilitation is welcomed in the business environment hardly tried by the consequences of the crisis, the role of decisions, strategies, policies and programs is essential in increasing the chance of survival and success of the organizations (Vlăsceanu, 2014, pp.35-36).

To be successful or simply to survive the changing economic environment, companies need to know how to organize their work and how to set priorities that can be monitored, measured and completed in a timely manner (Cioană, 2011, p. 74).

The virtual organizations are rapidly developing, and the information and communication technologies that are being used nowadays, the products and services that are being offered, are likely to guarantee the performances and the competitive advantage on the market (Croitoru and Stănescu, 2013, p. 36). Nowadays, in an era more and more globalized there is a tendency for creating virtual teams that are

characterized by the geographical dispersion of members and are bound to communicate via modern electronic instruments (Mocanu, 2014, p. 52).

2. TECHNIQUES USED TO ASSESS THE EXTERNAL ENVIRONMENT

2.1. *Pestle analysis*

Pestle is a framework that helps organizations to assess the broad environment they leave in. Figure 1 presents this model.

- a. Political – includes different regulations
- b. Economical – interest rates, money supply, inflation, money supply, unemployment, different country indicators on the income of population
- c. Social – the behavior in different situations of the masses, demographics, social mobility, preferences in lifestyle
- d. Technological – new devices or gadgets, inventions
- e. Legal – legislation about trade, employment law, discrimination law
- f. Environmental – attention to subjects such as climate change, waste of resources, energy consumption



FIGURE 1 – PESTE EXTERNAL FACTORS

2.2. *Porter analysis*

Another tool developed in 1980 by Michael Porter wears his name and determines the competitive intensity on a certain market. This is a simple framework that helps you both to determine how competitive the organization is in the actual context and also to analyze how the picture will look like in a future position the company wants to shift.

The model consists in five forces that are presented below in Figure 2.

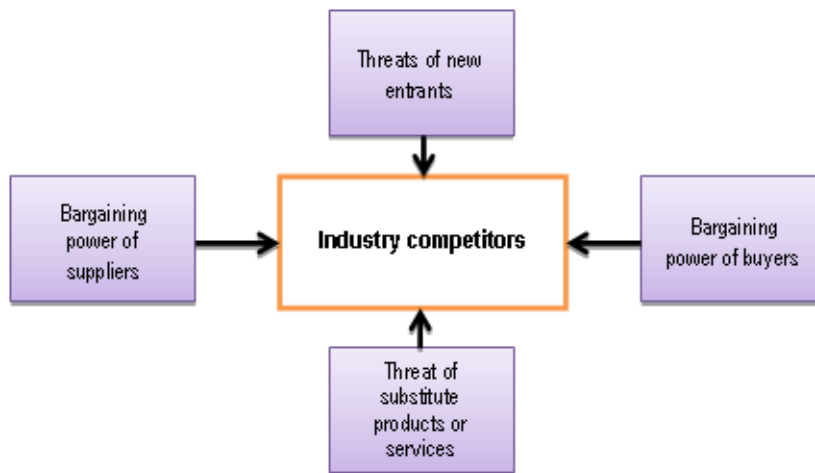


FIGURE 2 – PORTER'S MODEL

Threats of new entrants - each company conducts an assessment before entering an existing market making reference to aspects such as how much resources are requested in terms of costs and money. If the existing companies that already activate in the domain are protected for the key technologies they have, competitors will not easily duplicate the products or services. This means that is not enough to satisfy the customer with only a good price and adequate qualities that can be easily reproduced.

Bargaining power of buyers – it is true that client satisfaction has to be somewhere in the strategy of each organization but has to be carefully managed to be transform from an opportunity to a threat. When there are few but powerful buyers they can impose conditions to the producer. Also is the cost to change the actual provider is key. It becomes already a tradition to have low costs when changing telecommunication operators in Europe. This means that the cost of change is low and much more attention has to give to forecast future behaviors of churn and take proactive actions of retention.

Bargaining power of suppliers – This are the inputs needed by the organization for the production system that will delivered at the end the desired outputs. If the number of suppliers is little and no possibilities to easily change between them, it means that they already have a significant control on the business. Being flexible means also the capability to have more options and change between providers when the conditions are no more profitable for the new context in the company strategy.

Threat of substitute products or services – Evaluates the ability of the existing customers to find other ways of doing their personal business either if it is by choosing another provider or by finding internal solutions. Each company has to differentiate clearly between the competitors with key characteristics that makes the client think twice before taking a decisions. This mean being able to

interrogate and find all the time insights about the preferences of the clients and discover the key touch points where improvements have to be made.

Before going to the internal analysis, each organization has to clearly understand the current mission, objectives, strategy and tactics, briefly named MOST. The **mission** defines what an organizations intends to do, the **objectives** are the goals against which the performance is measured, the **strategy** defines the approach to be taken to fulfill the mission and the **tactics** are the detailed means at the operational level.

3. TECHNIQUES USED TO ASSESS THE INTERNAL ENVIRONMENT

Below are presented two of the most used tools:

3.1. Boston Box

Boston Consulting Group developed in 1970 a matrix with the scope to help organizations analyze their business units. This tool have a wide range being able to be used from brand marketing to strategic management. In Figure 3 are presented the 4 quadrants of the model.

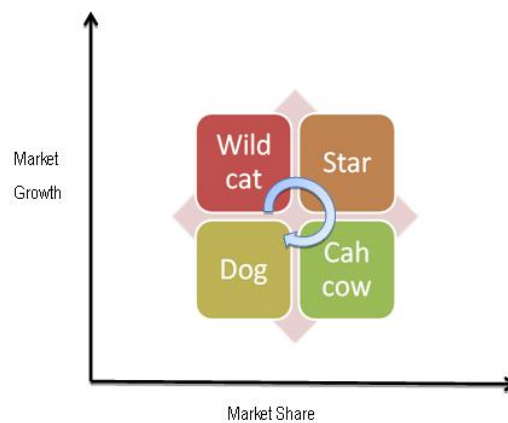


FIGURE 3 – BOSTON BOX

When a successful product is launched, starts first as a Wild cat until the end of the lifecycle ending as a Dog if there are no upgrades on the way. As a wild cat the product has not a stable behavior being registered ups and downs all the time. This are considers products that are not profitable for the moment but they have a perspective in the future, this is why companies still invest. The second level is when a product gets in the Star category meaning that they reached the level of mature products. This are also products that bring into the market new ideas and generate new behaviors. Cash cow products are the most profitable in the portfolio of the company, considered also as market leaders.

Understanding in each of the four category is integrated each product gives a priority rank on which of them is necessary more attention and where the flexibility towards the client has to be improved.

3.2. SWOT Analysis

SWOT analysis is often used to both analyze the internal and external environment. Having a good image on the strengths and weaknesses gives to an organization the necessary picture to conduct improvements and to discover how a flexible approach can be generated based on the factors that are considered as more powerful. For example an weakness can be a low answer rate to customer complaints. This means that for their own business the service provided does not cover the needs. A strong point could be in this case, a team that has the necessary knowledge and has professional certificates to offer the appropriate advice. The low answer rate is due to shifts not adapted to the client time schedule. In order to offer the client the flexibility wanted several shifts have to be put in place keeping in the same time the a flexible program to the internal employees. This is an example of two ways flexibility both internal and external.

Figure 4 show the SWOT matrix with the internal environment with strengths/weaknesses and the external environment with opportunities/threats.

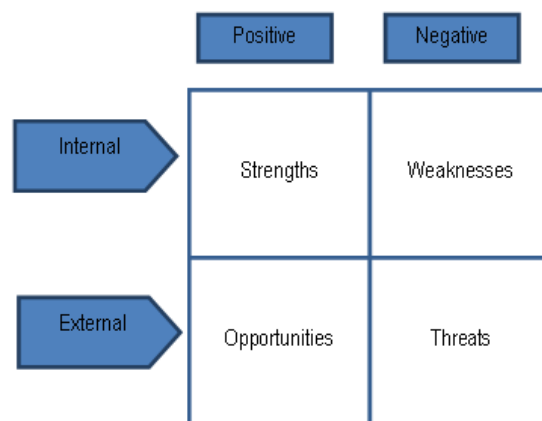


FIGURE 4 – SWOT ANALYSIS

4. CONCLUSIONS

In conclusion understanding the whole picture of the environment both external and internal offers more information on the areas where a flexible approach can be implemented. No actions can be taken at strategic level if the market is not fully uncovered and divided in threats and opportunities.

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