



TREND BISNIS

(L a n j u t a n)

2019

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THE BUSINESS ENVIRONMENT

The **business environment** consists of the surrounding factors that either help or hinder the development of businesses. Figure 1.3 shows the five elements in the business environment:

1. The economic and legal environment.
2. The technological environment.
3. The competitive environment.
4. The social environment.
5. The global business environment.



FIGURE 1.3 TODAY'S
DYNAMIC BUSINESS
ENVIRONMENT





Starting a business is more difficult in some countries than in others. In India, for example, it takes a time-consuming and bureaucratic process to obtain government permission. Nonetheless, new businesses can become a major source of wealth and employment. This sari shop is one small example. What do you think would be the effect of a little more freedom to create business opportunities in this country of over a billion people?



The Technological Environment

Since prehistoric times, humans have felt the need to create tools that make work easier. Few technological changes have had a more comprehensive and lasting impact on businesses, however, than the emergence of information technology (IT): computers, networks, smartphones, and the Internet. Read the nearby Reaching Beyond Our Borders box to learn more about how technology makes it possible for freelance employees to find good, lucrative work even though they don't even need to live in the same country as their employers.

Smartphones and other mobile devices, as well as social media like Facebook and Twitter, have completely changed the way people communicate with one another. Advertisers and other businesspeople have created ways of using these tools to reach their suppliers and customers. Even politicians have harnessed the power of the Internet to advance their causes. IT is such a major force in business today that we discuss its impact on businesses throughout the entire text.



How Technology Benefits Workers and You

How Technology Benefits Workers and You One of the advantages of working for others is that the company often provides the tools and technology to make your job more productive. **Technology** means everything from phones and copiers to computers, mobile devices, medical imaging machines, and the various software programs and apps that make business processes more effective, efficient, and productive. *Effectiveness* means producing the desired result. *Efficiency* means producing goods and services using the least amount of resources.

Productivity is the amount of output you generate given the amount of input, such as the number of hours you work. The more you can produce in any given period, the more money you are worth to companies. The problem with productivity today is that workers are so productive that fewer are needed, and that is contributing to the high unemployment rate we are now experiencing.²⁴



The Growth of E-Commerce

The Growth of E-Commerce E-commerce is the buying and selling of goods online. There are two major types of e-commerce transactions: business-to-consumer (B2C) and business-to-business (B2B). As important as the Internet has been to retailers like Amazon in the consumer market, it has become even more important in the B2B market, where businesses sell goods and services to one another, such as IBM selling consulting services to a local bank. Websites have become the new stores.

Traditional businesses must deal with the competition from B2B and B2C firms, and vice versa. Many new parents would just as soon buy used items posted on Craigslist than shop in a baby-goods store. Starting a business on eBay has never been easier. E-commerce has become so important that we will discuss it throughout the text.



The Competitive Environment

Competition among businesses has never been greater. Some have found a competitive edge by focusing on *quality*. The goal for many companies is zero defects—no mistakes in making the product. However, even achieving a rate of zero defects isn't enough to stay competitive in world markets. Companies now have to offer both high-quality products and good value—that is, outstanding service at competitive prices.



The Global Environment

adapting to change

Gourmet Airport Eateries Take Flight

Although the poor quality of airline food has been an easy punch line for decades, often the food served inside the airport itself isn't much better. That's because airport restaurants are especially difficult to operate on account of a number of security regulations. For example, open-flame grills aren't allowed, and kitchen knives must be tethered to a counter. On top of that, cooking spaces are typically tiny and the time-crunched clientele demands speedy service.

But airport diners are more than just cranky people in a hurry: they also tend to be more affluent than average consumers. As a result, more gourmet restaurants are setting up shop in airports in order to cash in on vacationing diners. For instance,



chief executive of Boston Legal Sea Foods Roger Berkowitz opened a location at Logan International Airport once he learned people were willing to spend more while traveling.

After stocking the bar with pricey wines, he edited the menu down to a few simple favorites like crab cakes and tuna burgers. He also tweaked his recipes so that all fish fillets would be griddled rather than grilled. Not only does the restaurant earn a lot of money for Berkowitz, but the airport also gets to show off a bit of local flavor to passing travelers. However, Berkowitz has one piece of advice about operating an airport eatery that many air carriers won't appreciate: "You want to be near airlines with more delays and cancellations."

Sources: Scott McCartney, "The Best Airport Food in the U.S. and Beyond," *The Wall Street Journal*, January 15, 2014; and Will Yakowicz, "Comfort Food: The Best U.S. Airport Restaurants," *Inc.*, January 16, 2014.



WHY TRADE WITH OTHER NATIONS?

No nation, not even a technologically advanced one, can produce all the products its people want and need. Even if a country did become self-sufficient, other nations would seek to trade with it to meet the needs of their own people. Some nations, like Venezuela and Russia, have an abundance of natural resources but limited technological know-how. Other countries, such as Japan and Switzerland, have sophisticated technology but few natural resources. Global trade enables a nation to produce what it is most capable of producing and buy what it needs from others in a mutually beneficial exchange relationship. This happens through the process called free trade.⁸

Free trade is the movement of goods and services among nations without political or economic barriers. It has become a hotly debated concept.⁹ In fact, many in the United States take the position “fair trade, not free trade.”¹⁰ Figure 3.2 offers some of the pros and cons of free trade.



THE PROS AND CONS OF FREE TRADE

PROS



- The global market contains over 7 billion potential customers for goods and services.
- Productivity grows when countries produce goods and services in which they have a comparative advantage.
- Global competition and less-costly imports keep prices down, so inflation does not curtail economic growth.
- Free trade inspires innovation for new products and keeps firms competitively challenged.
- Uninterrupted flow of capital gives countries access to foreign investments, which help keep interest rates low.

CONS



- Domestic workers (particularly in manufacturing-based jobs) can lose their jobs due to increased imports or production shifts to low-wage global markets.
- Workers may be forced to accept pay cuts from employers, who can threaten to move their jobs to lower-cost global markets.
- Moving operations overseas because of intense competitive pressure often means the loss of service jobs and growing numbers of white-collar jobs.
- Domestic companies can lose their comparative advantage when competitors build advanced production operations in low-wage countries.



Importing Goods and Services

Students attending colleges and universities abroad often notice that some products widely available in their countries are unavailable or more expensive elsewhere. By working with producers in their native country, finding some start-up financing, and putting in long hours of hard work, many have become major importers while still in school.

Howard Schultz, CEO of Starbucks, found his opportunity while traveling in Milan, Italy. Schultz was enthralled with the ambience, the aroma, and especially the sense of community in the Italian neighborhood coffee and espresso bars that stretched across the country. He felt such gathering places would be great in the United States. Schultz bought the original Starbucks coffee shop in Seattle and transformed it according to his vision.¹⁵ Because the Italian coffee bars caught his attention, U.S. coffee lovers now know what a grande latte is.



Exporting Goods and Services

Who would think U.S. firms could sell beer in Germany, home of so many good beers? Well, some of Munich's most famous beer halls now have American outposts where you can buy U.S. beers like Samuel Adams Boston Lager.¹⁶ If this surprises you, imagine selling sand in the Middle East. Meridan Group exports a special kind of sand used in swimming pool filters that sells well there.



**FIGURE 3.3 THE
LARGEST EXPORTING
NATIONS IN THE WORLD
AND THE LARGEST U.S.
TRADE PARTNERS**





FIGURE 3.4 STRATEGIES FOR REACHING GLOBAL MARKETS





reaching beyond our borders

McDonald's: Over 100 Cultures Served

For decades McDonald's has been the undisputed king of global food franchising. With more than 34,000 restaurants in over 118 countries, Mickey D's serves more than 69 million customers every day.

So how did McDonald's become such a global powerhouse? It certainly didn't get there through hamburgers alone. Since it first began expanding overseas, McDonald's has been careful to include regional tastes on its menus along with the usual Big Mac and French fries. For instance, in Thailand patrons can order the Samurai Burger, a pork-patty sandwich marinated in teriyaki sauce and topped with mayonnaise and a pickle. If fish is more your taste, try the Ebi Filet-o shrimp sandwich from Japan.

McDonald's is also careful to adapt its menus to local customs and culture. In Israel, all meat served in the chain's restaurants is 100 percent kosher beef. The company also closes many of its restaurants on the Sabbath and religious holidays. McDonald's pays respect



to religious sentiments in India as well by not including any beef or pork on its menu. For more examples, go to www.mcdonalds.com and explore the various McDonald's international franchises websites. Notice how the company blends the culture of each country into the restaurant's image.

McDonald's main global market concern as of late has been Asia. So far McDonald's strategy seems to be working. In Shanghai the company's Hamburger University attracts top-level college graduates to be trained for management positions. Only about eight out of every 1,000 applicants makes it into the

program, an acceptance rate even lower than Harvard's! McDonald's is reaching out further in Asia and in 2014 opened its first store in Vietnam. The Vietnamese location in Ho Chi Minh City is the country's very first drive-thru restaurant. Bringing McDonald's to Vietnam is a dream come true for Henry Nguyen, founder of Good Day Hospitality, who has been wanting to introduce the brand to Vietnam for

over a decade. Nguyen brought in 20 top McDonald's employees from Australia to help aid in the opening while also sending prospective Vietnamese employees to Queensland to learn the ropes in a real-life restaurant setting. In the end, one can only hope that McDonald's remains dedicated to quality as it continues adapting and expanding into the global market.

Sources: Erin Smith, "Some McSkills to Share," *The Warwick Daily News*, February 4, 2014; Kate Taylor, "New Year, New Expansion: McDonald's to Open First Restaurant in Vietnam," *Entrepreneur*, December 23, 2013; Vivian Giang, "McDonald's Hamburger University: Step inside the Most Exclusive School in the World," *Business Insider*, April 7, 2012; and McDonald's, www.mcdonalds.com, accessed February 2014.



THANK YOU!

Do You Have Any Questions?

