

“International business strategies”

Lecture 1

Business environment: evaluation tools and impact assessment

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Objectives

- Discuss the meaning of international business
- Explain the importance of understanding international business
- Identify and describe objectives and advantages of international business activities
- Describe the major elements of business environment and their types



What is **INTERNATIONAL BUSINESS?**

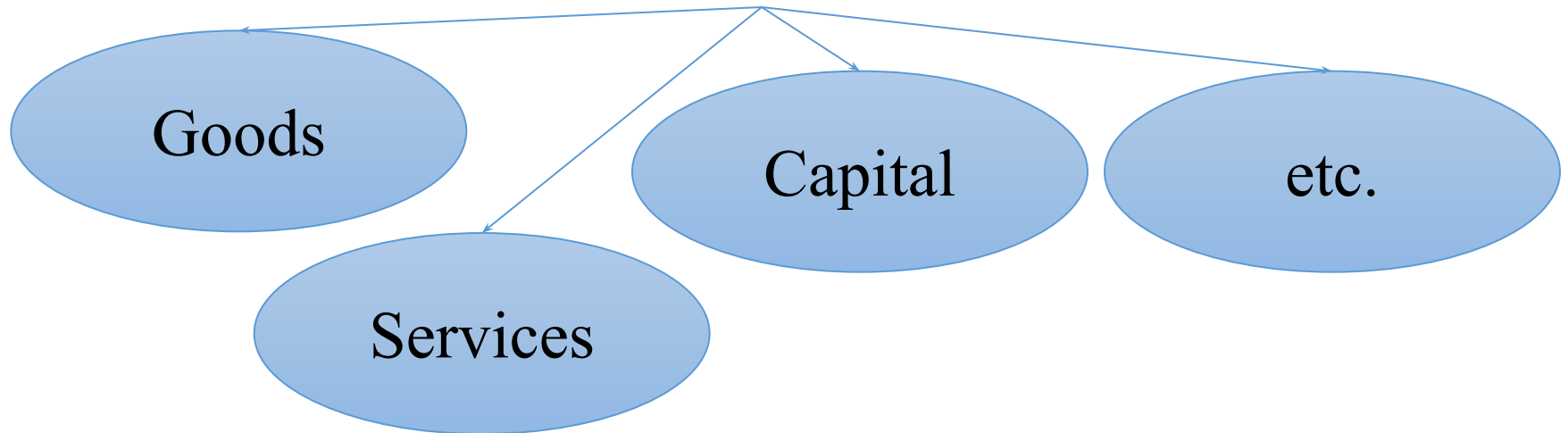




International business

*means carrying on business activities beyond national boundaries
or
business transactions between parties from more than one country*

These activities normally include transactions of
economic resources





Objectives of International Business

“Objectives are those ends which the organization seeks to achieve through its existence and operations” (*William F. Glueck*)

ECONOMIC	<ul style="list-style-type: none">• Profit Earning• Creation of customers• Regular innovations• Best possible use of resources
SOCIAL	<ul style="list-style-type: none">• Production and Supply of Quality Goods and Services• Adoption of Fair Trade Practices• Contribution to the General Welfare of the Society
HUMAN	<ul style="list-style-type: none">• Economic Well-being of the Employees• Social and Psychological Satisfaction of Employees• Development of Human Resources• Well-being of Socially and Economically Backward People
NATIONAL	<ul style="list-style-type: none">• Creation of Employment• Promotion of Social Justice• Production According to National Priority• Contribute to the Revenue of the Country• Self-sufficiency and Export Promotion
GLOBAL	<ul style="list-style-type: none">• Raise General Standard of Living• Reduce Disparities among Nations• Make Available Globally Competitive Goods and Services



Advantages of International Business

Increased
Welfare

Wider Market

Reduced Effects
of Business
Cycles

Reduced Risks

Large Scale
Economies

Opportunity for
Domestic
Business



Why is **international** business **different**
from **domestic** one?



Differences across borders

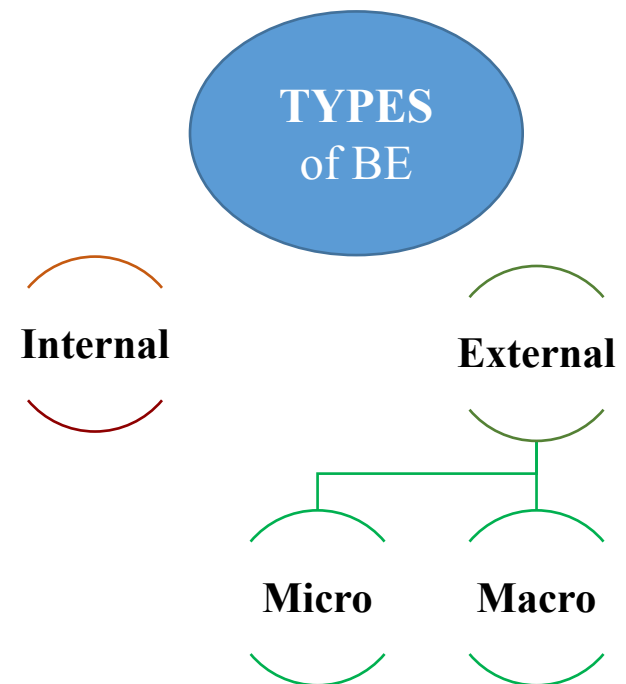
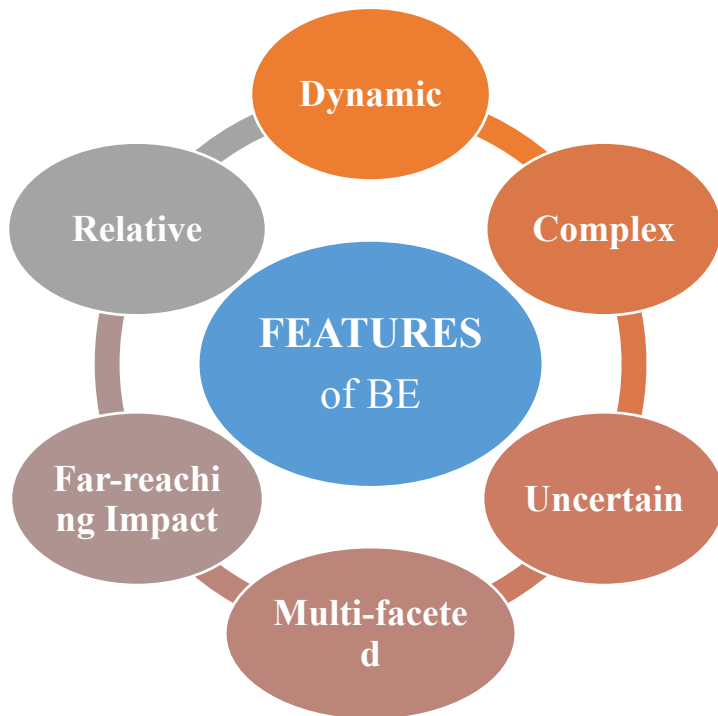


Varying environment in host countries, often
unfamiliar to the company



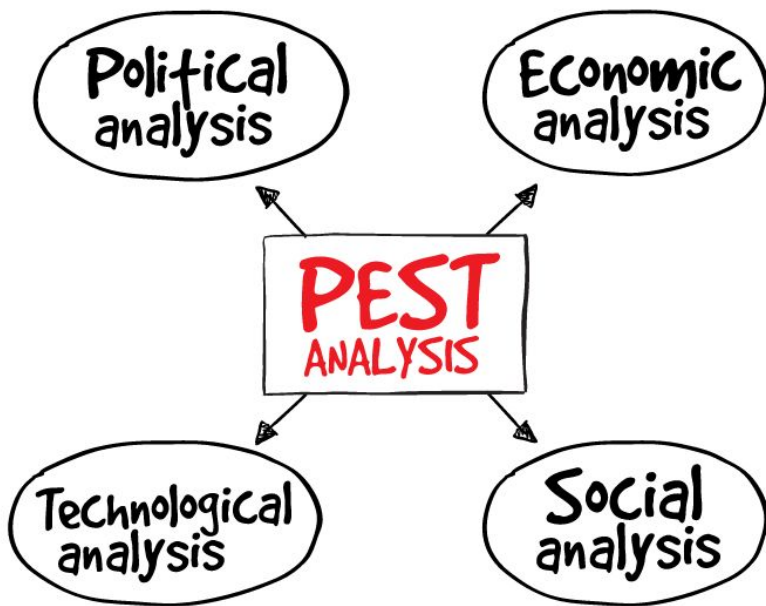
Business environment

is a collection of all individuals, entities and other factors, which may or may not be under the control of the organization, but can affect its performance, profitability, growth and even survival





Analyzing Tools (1)



+ **L**egal factors = **SLEPT**

+ **E**nvironmental factors = **PESTEL**
or **PESTLE**

+ **I**ndustry analysis = **PESTELI**

+ **E**ducation factors = **STEEPLE**

+ **D**emographic factors = **STEEPLED**



Political Environment: Issues to Consider

- How **stable** is the political environment?
- Will government policy **influence laws** that regulate or tax business?
- What is the government's position on **marketing ethics**?
- What is the government's **policy on the economy**?
- Does the government have a **view on culture and religion**?
- Is the government involved in **trading agreements** such as EU, NAFTA, ASEAN, or others?



Sociocultural Environment: Issues to Consider

- What is the dominant **religion**?
- What are **attitudes to foreign** products and services?
- What are the **roles of men and women** within society?
- How **long** are the population **living**? Are the older generations **wealthy**?
- Do the population have a strong/weak opinion on **green issues**?



Technological Environment: Issues to Consider

- Does technology allow products and services to be made **cheaper** and **of a better quality**?
- Do the technologies offer consumers and businesses **more innovative** products and services such as Internet banking, new generation mobile phones, etc?
- How is **distribution** changed by new technologies?
- Does technology offer companies **a new way to communicate** with consumers?



Business Environment: Types

POLITICAL Environment

Forms

of Political System

- *Democracy*
 - - Parliamentary
 - - Presidential
- *Totalitarianism*
 - - Secular
 - - Theocratic

LEGAL Environment

Legal System

- Common Law
- Civil Law
- Religious Law

Legal Norms

- International
- Domestic



Business Environment: Types

ECONOMIC Environment

Forms of Economic System

- Market
- Planned
- Mixed

Economic Indicators

- Level of Income
- Inflation
- GDP, GDP per capita
- Availability of Resources
- Infrastructure

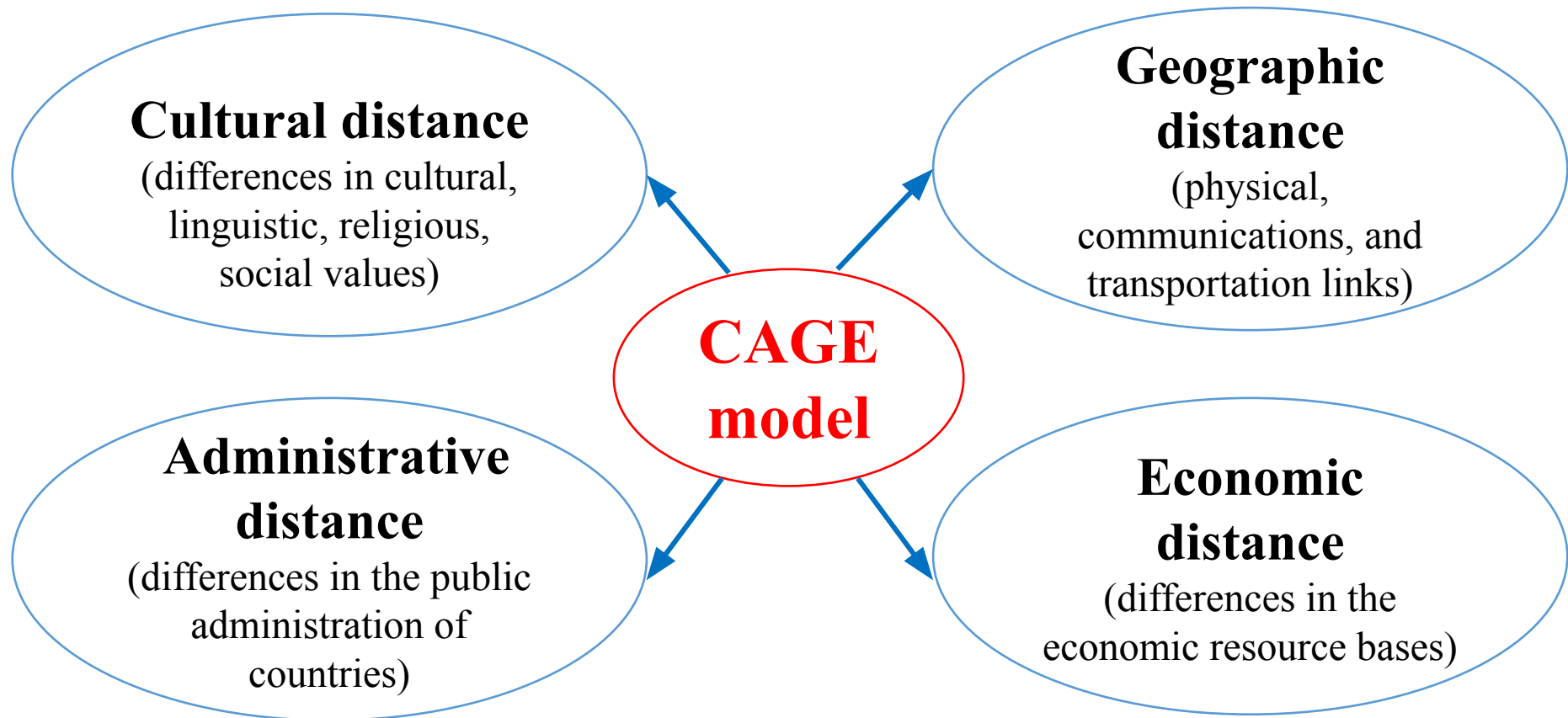
CULTURAL Environment

Elements of Culture

- Language
- Customs
- Education
- Religion
- Attitudes and Values
- Social Institutions



Analyzing Tools (2)





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Campbell Soup Company leaved the Russian market four years after its entry: Why?





Where to get the data?

Analyzing Tools (3)

- [Global Competitiveness Index](#)
- [Index of Economic Freedom](#)
- [IFC Doing Business](#)
- [Transparency International Corruption Perceptions Index](#)
- [World Investment Report](#)

- [Business Environment Risk Intelligence \(BERI\)](#)
- [Political Risk Services \(PRS\) & International Country Risk Guide \(ICRG\)](#)
- [The Economist Intelligence Unit \(EIU\)](#)
- [FDI Confidence Index](#)

- [Key figures on Europe](#)



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- Ratings
- Rankings
- Analytics
- Database
- About

RATINGS

- Regulators requirements
- Creditwatch list

All Ratings

Credit Ratings

- Banks
- Financial Companies
- Non-financial Companies
- Holding Companies
- Project Companies
- Factor companies
- Leasing companies
- Provinces (municipalities)
- Insurance companies (universal)
- Insurance companies (life insurance)
- Depositories
- Non-state Pension Funds
- Microfinancial Institution
- Guarantee funds
- Structured financial products
- Debt instruments

Non-credit Ratings

- Asset Management Companies
- Medical Insurers
- Corporate governance
- Quality of risk management systems

Investment Appeal Rating

- Russian Regions

Export or download ratings

RESEARCHES

- Leasing Market Results for 9M 2018: Consolidation
- Non-Financial Companies' Debt Market: Booming
- Artificial Intelligence in the Banking Sector
- Future of the Insurance Market: Reversing the Trend
- Overview of Trust Management and Pooled Investments in 3Q 2018
- Mortgage Lending in 1H 2018: A High Ebb
- Life Insurance in Russia: Walking down a Tightrope
- Insurance Market in the First Half of 2018: Consolidation
- Russian Factoring Market in H1 2018: Challenges
- Russia's Micro-Finance Organisations as at 30 June 2018
- Review of Q2 2018 TM and Pooled Investments: Managers Will Retain Pension Reserves
- Banking Market Review for 1H 2018: Risks by Retail



Investment Climate in 2017

Rating of investment appeal of Russian regions

Investment attractiveness in the rating is measured by two parameters:

Potential shows which share a region has on the Russian market

- Labour
- Innovation
- Consumer
- Infrastructure
- Production
- Nature and resources
- Financial
- Tourist
- Institutional

Risk demonstrates problems for investors

- Social
- Economic
- Financial
- Criminal
- Ecological
- Management

Rating is based on the data from:

- Russian Statistics Committee*
- Central Bank of Russia*
- Ministry of Communications*
- Ministry of Finance*
- Ministry of Natural Resources*
- Ministry of Internal Affairs*



Investment Climate in 2017

Rating of investment appeal of Russian regions

The 2017 Rating shows **a decrease in the integral investment risk** and all its components for the first time in a long period. The most acute phase of the crisis is over and in terms of 2016 it is reflected in a decrease in the integral investment risk by 3.1% as compared to 2015. The financial risk shows the greatest decrease (-4.8%) and the management risk shows the lowest decrease (-1.2%).

- Since a transparent set of levers to influence economic growth was blurred during the crisis, the regional authorities are required to *complicate the management tools*.
- Due to the agglomeration effect, the first major correction of the situation was felt by the *largest economic centers* of the country.
- The rating shows that many regions will experience *a change in the economic paradigm*.
- The current rating reflects a gradual *cessation* of the life-giving impact *of the "oil needle" injection*.
- The *impact of the agro-industrial complex* after the noticeable effect caused by the devaluation has *weakened*.
- At the end of the crisis, the stimulating impact on regional economies of *federal programs* has significantly *decreased*.
- Prerequisites for the growth of regional economies were created due to *the recovery of regional budgets* by the state.



Distribution of Russian Regions In Terms of Investment Climate Rating in 2018 (2017)

4 (4) Russian regions
7 (6) Russian regions
9 (11) Russian regions
-
1 (1) Russian region
6 (7) Russian regions
30 (29) Russian regions
13 (12) Russian regions
-
-
1 (3) Russian regions
11 (9) Russian regions
3 (2) Russian regions



Maximum potential – minimum risk (1A)
Middle potential – minimum risk (2A)
Reduced potential – minimum risk (3A1)
Insignificant potential – minimum risk (3A2)
High potential – moderate risk (1B)
Middle potential – moderate risk (2B)
Reduced potential – moderate risk (3B1)
Insignificant potential – moderate risk (3B2)
Maximum potential – high risk (1C)
Middle potential – high risk (2C)
Reduced potential – high risk (3C1)
Insignificant potential – high risk (3C2)
Low potential - extreme risk (3D)

Moscow province
Moscow
Saint Petersburg
Krasnodar region

Ingush Republic
Tyva Republic
Dagestan Republic

To be continued...