



Universidad
Tecmilenio®



International Business Management

Business environments

Week 9



Mindfulness with gratitude

Before you begin, do the following mental activity that will help you to improve your concentration.

<https://youtu.be/qSfjmeM65As>



In this ninth week, you will explore business environments around the world. In addition, you will understand how the industrial clusters and technology works, their political and security challenges and the factor that involves them social and economical.

To begin with, reflect on the following questions and context, how can we determine the business environment in each of these regions and countries? Well, by now, you should be able to analyze their politics, the applicable legal frameworks, their economies, and other relevant sociocultural factors. This is the least an international business manager should be able to do.







































Explanation

Every year, the Economist's Intelligence Unit publishes a world ranking based on the friendliness of a country's business environment, which is measured through ten categories, including market potential, tax and labor market policies, infrastructure, skilled workforce, and the overall political environment. In the last annual ranking available, in fact, 26 out of the top 30 countries are from Europe, Asia and the Middle East. This global snapshot tells a lot about a great potential for Mexican businesses.



Explanation

BER rankings

	Score 2009-13 ^a	Global ranking 2009-13	Score 2014-18 ^b	Global ranking 2014-18
 Slovakia	6.94	30	7.20	31
 Mexico	6.83	32	6.91	32
 Slovenia	6.62	36	6.84	33
 Thailand	6.43	38	6.78	34
 Bahrain	6.80	33	6.76	35
 Cyprus	6.65	34	6.73	36
 Hungary	6.63	35	6.63	37
 Portugal	6.61	37	6.62	38
 Latvia	6.17	44	6.59	39
 Costa Rica	6.26	43	6.59	40
 Saudi Arabia	6.14	45	6.58	41
 Lithuania	6.33	40	6.58	42
 Brazil	6.33	41	6.57	43
 Turkey	6.05	48	6.55	44
 Kuwait	6.35	39	6.55	45
 Bulgaria	6.05	47	6.48	46
 Romania	5.80	55	6.47	47
 Italy	6.28	42	6.44	48
 Peru	6.09	46	6.40	49
 China	6.00	49	6.39	50
 Colombia	5.93	50	6.35	51
 Croatia	5.86	54	6.33	52
 Philippines	5.88	51	6.28	53
 South Africa	5.87	52	6.23	54
 Jordan	5.60	57	6.13	55
 Indonesia	5.52	58	6.09	56
 India	5.42	61	6.08	57
 El Salvador	5.73	56	5.90	58
 Vietnam	5.44	60	5.87	59
 Russia	5.46	59	5.83	60
 Sri Lanka	5.31	65	5.82	61
 Greece	5.86	53	5.69	62
 Dominican Republic	5.33	64	5.68	63
 Kazakhstan	5.05	69	5.67	64
 Serbia	5.19	66	5.55	65
 Morocco	5.05	70	5.49	66

^{a, b} = Out of 10

Going Global. (2014). Business Environment Rankings & Index. Retrieved from https://www.iberglobal.com/files/business_climate_eiu.pdf

Please take a good look at the report. What else can you notice? Well, we have the so-called four Asian tigers from the Pacific rim: Hong Kong, South Korea, Singapore and Taiwan (all of them seeing an incredible increase in international trade lately). Singapore even ranks number one in both periods of reference! Why? Because stable politics and a favorable policy environment (financial health plus a steady inflow of foreign investment) that spins competition by following international best practices is the single common factor among top graders. You just simply cannot beat that.



Eastern Europe, on its part, has improved its investment climate by pairing it to a low-cost qualified workforce. Its proximity to the big EU market is useful, but necessary reform changes are still on the agenda. Western Europe is rather taking advantage of lacking opportunities in the East where low-cost qualified workers are migrating to the West, underscoring in consequence the problematic social conditions in the West, where the economic crisis has deepened inequalities.



As a result, interesting new forms of international trade have emerged under such circumstances, like the fairtrade movement, in which consumers are interested in buying products produced in developing countries under better conditions with real sustainability in mind. Mexico participates already in many of these initiatives. A good relationship with local authorities remains a top priority to assure a favorable business environment, not only in terms of law enforcement, but by lowering regulations to the point that may not hurt commercial activities. This is not a soft issue, though, since huge amounts of money are invested in lobbying every year by cluster developers, as means to best represent their interests and stakes in the policy-making process.



Reflect on what you have learned and answer the following activity:

1. What variables would you consider rating the ease of doing business in a country?
2. Research and brainstorm a list of variables you think relevant.
3. What variables are listed there that you did not think of before?



International Business Management

Industrial clusters
and technology

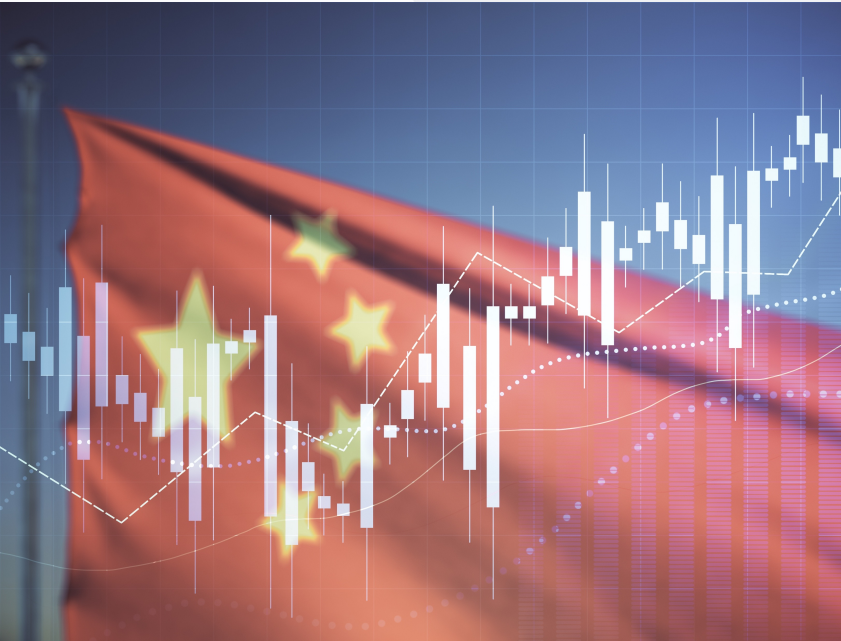
Week 9



Governments and companies invest in research and development (R&D) to either foster innovation or to improve current processes or products. This activity usually requires huge amounts of resources, and the returns are not always immediate. As a result, governments started to promote the creation of industrial clusters, where many companies and enterprises break ground together and share the costs of infrastructure associated with R&D.



Explanation



The economic success that China and Southeast Asian countries have had in the last decades is a good argument in favor of those policies. Before that, Europe and the United States also pursued industrial concentration as the foundation for their economic development, but despite their initial success, today they both lag Asia in world R&D investment.



In general, history has shown us that industries are linked to political decisions in a world where jobs and investments to create them are vital for national and local governments. The outcome? Larger-than-life corporations, whose annual budgets easily surpass the GDP of many developing countries, tend to influence policy-making in every country they have operations (also known as lobbying and agenda-setting through interest groups).

In Asia, governments have deliberately supported certain industries to specialize and create competitive advantages, while Europe has centered in innovation. Thus, industrial clusters and technology development are usually linked to the industrial policy of the country we are interested in. To look for some opportunities, it is useful to look at that policy before making any movement. Nevertheless, while we need to have a good relationship with the hosting government, it is also fundamental to do so with the community.



Explanation

The European Union has supported the Key Enabling Technologies (KETs) as a basis for innovation making them a key element of their industrial policy. KETs are a group of six technologies: micro and nanoelectronics, nanotechnology, industrial biotechnology, advanced materials, photonics, and advanced manufacturing technologies. They have applications in multiple industries and help tackle societal challenges. Countries and regions that fully exploit KETs will be at the forefront of creating advanced and sustainable economies.



Reflect on what you have learned and answer the following activity:

1. Make a list of products or services that you have acquired from a European or Asian company.
2. How did you acquire them? Did a local company make them available to you?
3. What kind of agreements and collaboration needed to take place for you to have access to them?



International Business Management

Political and security
challenges

Week 9



Explanation

There is another reality happening on the other side of the continent, mainly China. There, political repression is an everyday issue, but still not affecting economic growth at all. Countries in Southeast Asia also have their political setbacks and uncertain social agenda, such as a deeper democracy in Hong Kong and the territorial disputes with China along the Southeast Asian Sea. Moreover, as rich this region is in natural resources, its importance as a hub for international commerce is gaining traction (and attention).



And, yes, there is also North Korea and its totalitarian regime. Contrary to the economic success boasted by the other Korea, a Cold War mindset still lingers in the northern part of the peninsula, a self-imposed isolation and a military state that neglects any practice of international business whatsoever. In a nutshell, they don't even have enough food to feed the population (the imports stay in Pyongyang.)

The undeniable link between politics and economics in China and Russia is bringing stress in Asia's relationship with the West. Loyalties and traditions are being shattered every other day.



There is another concern regarding security, the black market. After the USA, China holds the second position in the world black market value ranking. Piracy is a main concern for branded products in China despite authorities' efforts it is widespread as a cultural issue, where community gains out pace individual gains. Most counterfeit goods sold throughout the world come from China, companies manufacturing goods there must be careful not to lose control of their supply chain.



All in all, this kind of political game is about accessing promising markets and valuable resources. As with any other region, it is important for a business to be able to analyze the political situation and the prevailing security threats in any given country, in order to operate in the safest possible environment (or at least being ready for whatever situation comes up when conditions suddenly change). As a final reflection, in this lesson you learned that the Eurasian countries altogether represent the biggest consolidated market in the world, but also present many of the greatest security risks. So yes, businesses also flourish in harsh conditions because there are basic needs to cover, but how would you do it?



Activity

Reflect on what you have learned and answer the following activity:

Draw a political picture of the region where current and possible alliances can impact security related events to know how to shape a successful business strategy that anticipates events.



International Business Management

Social and economic
factors

Week 9



If there is one single social feature shared by Europe, Asia and the Middle East it is their great diversity of cultures and social dynamics. A diversity that has been managed very differently across continents.

In Europe, for instance, the attempt to create the European Union obliged the member states to relinquish some of their ethnic and social character in exchange for a common economic goal, that would ultimately bring along a higher level of political stability.

We have seen how a continuum of violent conflict expands to the social fabric with widespread unrest and overall insecurity.



Globalization makes it crucial for business professionals to know how to deal effectively with different cultures and ethnicities. You may not work for an international company, but you can still have some sort of contact with them. Understanding your own culture is the first step in order to understand others. Remember Hofstede's five dimensions model to classify cultures? Well, you should. However, now we will try a different approach named GLOBE, based on leadership skills and the competencies you need to nourish.



The migration phenomena has always existed, inwards and outwards. In this region, it is useful to look at new trends in order to find out possible market opportunities. Western Europe in general has always been a recipient of immigrants (but not always), same thing for Japan and other countries with a more stable economic growth.

People migrate because they want a better life for themselves and their family members (we Mexicans get it). But if we also look closely at the emigration trends from a continent perspective, it is easy to notice that Asia is a net exporter of migrants, mainly to Europe and North America. Nevertheless, when people migrate, they bring along their cultural backgrounds (values, attitudes, and consumer habits).



Explanation

Demographics offer a new angle to this situation, the European Union and Japan have an aging population that needs these new young immigrants coming from all points of Asia, Africa, Middle East, and Eastern Europe. Therefore, it is not surprising to learn that Islam is currently the fastest growing religion in Europe. That is why we must pay careful attention to cultural issues when doing business in Europe or Asia.



Reflect on what you have learned and answer the following activity:

Discuss and comment with your classmates.

- What is your own family's migration history?
- In the place where you currently live, has there been an influx of immigrants?
- How has their presence affected the products and services available to you?



In short, here we saw that the political environment does impact the economy and the whole society, regarding immigration. So, when trying to do business in Europe or Asia, we must be ready and willing to deal with a wide variety of cultures and subcultures contained therein. Both regions host ancient civilizations with a strong character, so it takes time and effort to get familiar with their business etiquette.

In fact, most of the current emerging markets are in Asia, where business opportunities soar despite the wide-ranging cultural diversity. Europe, on the other side, is dealing with constant terrorism threats and massive immigration that will likely have a powerful cultural impact on business.

