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Assignment 1

How to open a branch successfully
From a British company in an Eastern European country

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Executive summary

This report will examine the procedure for establishing a business branch in a European nation. The opening of a franchise in Bulgaria by the 200-year-old business Matthew Clark will be covered. Also, it will outline the possibilities, benefits, drawbacks, dangers, and obstacles. To learn more about the country (Bulgaria) and the culture which prevails there, Pestle analysis will be applied. The project strategies will be reviewed, and then the implications of the potential launch of a franchise business in Bulgaria will be assessed.

Introduction

To get a better understanding of Bulgaria as a nation, the peculiarities and characteristics, and the culture will be examined. Southeast European country Bulgaria has four distinct seasons and a temperate continental climate. The population, which is currently 6.5 million, has dropped because of low birth rates and an increase in emigration.

The plan is for a British corporation to establish operations in Bulgaria and profit from the development of a franchise. A franchise is a kind of license, that enables a franchisee to use the franchisor's brand name to sell goods, and services by having access to the franchisors secret business techniques, procedures, and trademarks. The franchisee typically pays the franchisor an initial start-up cost and yearly licensing fees in return for obtaining a franchise.

Matthew Clark established the company as a wine and spirits broker for wines and spirits in the City of London in 1810. Charles Clark, the inspector general of imported liquor and distilleries at the Port of London, was the father of Matthew Clark, the founder of the company. The firm was run by six generations both before and after it was incorporated as a limited company in 1920.

Main body

Globalization

Rising concern about a country's capacity to compete in international markets is brought on by growing globalization. Although it is often used and studied, the definition of competitiveness in economics is not clear-cut. Many theories implicitly mention competition, but it neither has a theoretical foundation that would allow analysis nor a formal conceptual formulation. In their research, many writers refrain from providing clear definitions of competition, leaving it up to the readers' interpretation.

Bulgaria started a process of converting to a market economy over time and quickly integrating into the global economy as a result of entering the European Union. Business practices are changing and evolving because of the numerous changes and resource transfers that have occurred from one sector to another. In order to result of joining the European Union, Bulgaria began a process of gradually transitioning to a market economy and fast integrating into the global economy. Due to the multiple changes and resource transfers that have taken place from one sector to another, business processes are evolving and changing. It may be stated that:

- People in positions of power have significant privileges, and power is frequently obvious and ostentatiously expressed when taking into account the mentality of the Bulgarian people and the prevalent social customs.
- A significant portion of power is upheld through social networks and ties to the family.
- The tax system contributes to a significant income gap between people at the top and bottom of the welfare pyramid.

Country

Laws, infrastructure, and opportunities

With the separation of powers between the legislative, executive, and judicial branches, Bulgaria became a parliamentary republic in 1991. The parliament has 240 members and a president. Although there is no recognized culture, Orthodox Christianity is designated as the traditional religion in the country's constitution.

The Trans-European motorway, which connects Budapest, Hungary, with Athens, Greece, through Sofia, and with Istanbul, Turkey, via eastern Bulgaria, is among the several highway projects now under development in Bulgaria. The primary funding sources for expanding the road network are international investors and the governmental budget.

Energy, mining, oil production, gas, engineering, tourism, construction, healthcare, and food production are the leading industries in the country. After joining the EU, Bulgaria should use the euro as legal currency, but this has not yet happened; as a result, Bulgaria has no alternative but to continuously expand the flexibility of the domestic market and seek future foreign investment.

If Matthew Clark as a franchise in Bulgaria wants to prosper and establish itself and develop successfully, it will have to be very well informed about the situation, the environment, and the opportunities in the country. The institutions and how they work, their requirements for proper documents, permits, etc. There are procedures for moving a branch of an organization from the United Kingdom to Bulgaria. In this situation, an EU Intra-Company Transfer (EUIT) permission application must be submitted. The following prerequisites must be satisfied for a business transfer to be authorized:

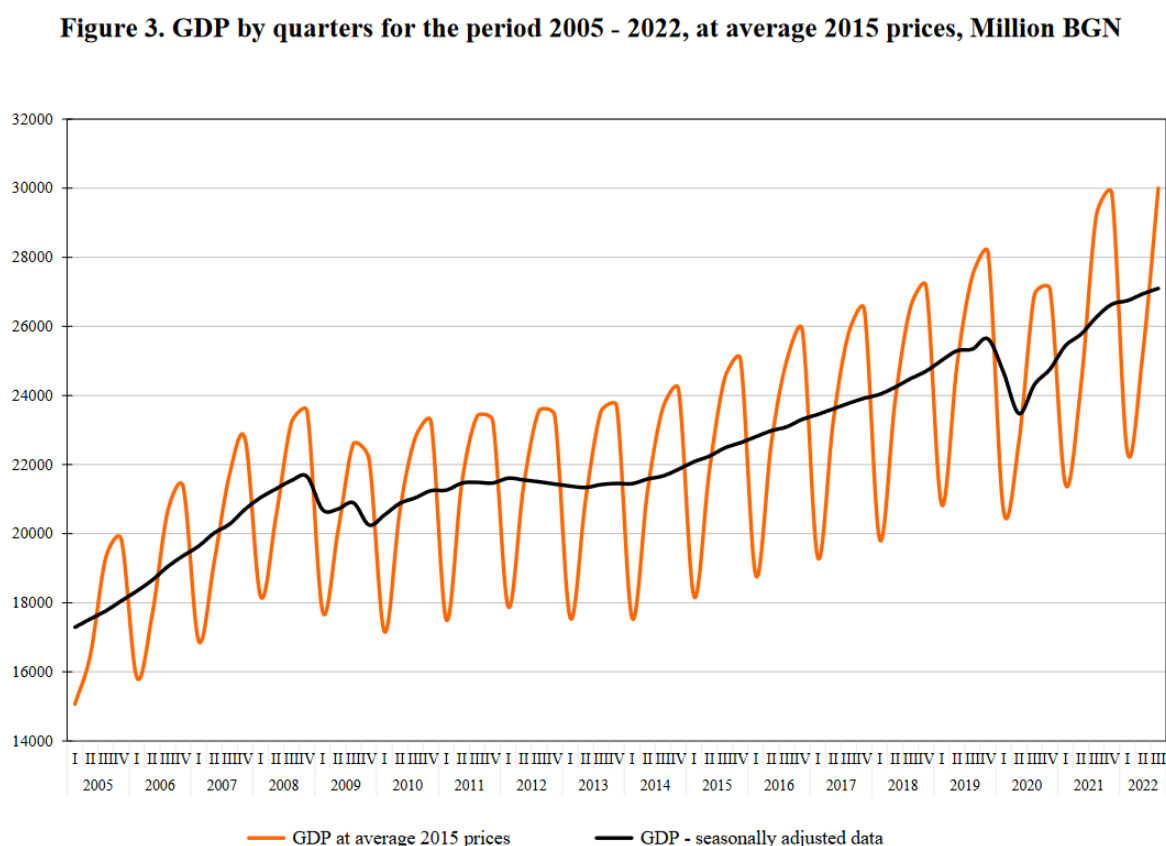
- To be a specialist, manager, or a trainee
- Have relevant professional experience and qualifications
- Have worked for the company for at least 12 months
- Meet minimum salary requirement
- Keep current UK employment contract
- Staying on the UK payroll

An EU ICT permit usually takes up to 12 months to be approved or can be extended beyond three years.

Despite the fact that Bulgaria's GDP and incomes indicate a significantly lower level (3.2% per annual), than Western European nations, Bulgaria nevertheless offers a bright future for "growth" and catching up to EU standards. Greece, Romania, Turkey, and Serbia are the primary commercial partners for this region thanks to its strategic position and four nearby nations. Metalworking, machine building, chemicals, apparel and textiles, furniture, wine manufacturing, tobacco, and the food processing industry have been ranked among Bulgaria's most competitive sectors in recent years. Each of them contributes significantly to overall national exports, and in recent years, their combined proportion of exports to Bulgaria has been about seventy percent.

Final consumption, which is measured in nominal terms as 33 668.2 million BGN, has the highest role (75.6%) in the structure of GDP according to the spending method. Gross capital creation is 9 780.9 million BGN and accounts for 22.0% of GDP in the third quarter of 2022. Exports exceed imports, thus the external balance is positive.

Figure 3. GDP by quarters for the period 2005 - 2022, at average 2015 prices, Million BGN



(Republic of Bulgaria National Statistic Institute,2022)

Bulgaria is well-suited for foreign investment because of its industrially agricultural and open market economy, moderately developed private sector, and a number of strategically important nations. This is due to the country's comparatively low labor and production costs.

Pestle Analysis of Bulgaria

A highly common technique for evaluating strategic risks is Pestle analysis, which also establishes the changes and effects of the macro environment and the position of the competitive market. Political, economic, social, environmental, legal, and technical aspects are among the six considered factors.

Political factors

A favorable business environment, which comprises governmental governance, the caliber of institutions, infrastructure, economic liberalization, and finance and business strategy, is noted to be a key factor influencing the competitiveness of businesses in Bulgaria.

- Reduced political instability due to the formation of a new government in 2021.
- Moreover, higher investments are anticipated to have a productive influence on the investor so the British company can have confidence in the future of potential profit.

Economic factors

The BNB predicts that inflation would increase in the first half of 2022 and then drop to 7.5% by the end of this year, performing a crucial role in the economy in the years ahead.

- Major cities and rural areas, where poverty is still present, have vastly different income levels.
- Bulgaria is appealing and suited for building a Matthew Clarke franchise because of its location, affordable costs, and its market of European consumers.

Social factors

Ethyl alcohol sales increased by 6.49% in 2018. Customers from Bulgaria celebrate the majority of holidays, thus the market will grow even more because there is a constant demand.

- The nation's liberation and ongoing demand will help the business succeed in sales.

- Bulgaria's second-quarter consumer spending increased from the first quarter's 18296.84 BGN million to 18946.93 BGN million.

Environmental factors

The consumer market needs products, making Bulgaria a desirable location for an export manufacturing base.

Market institutions and enhanced corporate cultures lead to more profitable trade relationships.

- Due to its advantageous position and its accessibility to four other nations, it is quite easy for customers and even foreign providers to import and supply goods.
- an environment that is promising for the formation of a franchise that offers customer service in the local market

Legal factors

- Bulgaria was one of the first countries in post-Soviet Europe to adopt the freedom to exchange and request information, creating a law in 2000.
- The success of the law is mostly a result of its implementation.
- The amount of reported information requests per person in Bulgaria is among the highest in the world.

Technological factors

- From a technological point of view, the country is developed and there is a rise in the technology sector and technical skills.
- The number of IT, accounting, software programming, and offices has grown significantly in the last few years.

Opportunities, and threats/challenges

Without a doubt, Bulgaria has benefits in terms of commerce. The location is undoubtedly highly adaptable and enables collaboration with a variety of suppliers and businesses to provide Matthew Clark with the essential items so they may reach a larger audience. Bulgaria was also impacted by the collision with COVID, which surely had an impact on numerous enterprises. According to national and international financial institutions, the Bulgarian economy and market are anticipated to completely recover in 2022–2023. The IMF (The International Monetary Fund) is optimistic and projects a 4.5% increase in 2022 while also bringing forecasts for future projects to strengthen the economy's expansion.

In Bulgaria, like in many other nations, there is a significant amount of corruption, which is partially a result of powerful people who defend their constituents, creating a protracted and never-ending loop. The fact that the country's average pay is among the lowest in Europe and that people occasionally take advantage of the system further contributes to corruption.

Due to low wages per worker and a lack of competition, Bulgaria is a nation that can draw foreign direct investment. In 2020, more than 691 384 alcoholic beverages, 327 378 wines, 578027 beers, and 802 308 soft drinks were sold there. On the other side, the market has extraordinary difficulties including economic and political instability, a poor legal system, resource and funding theft by officials, a high level of bureaucracy and corruption, and a small nation that does not encourage big investments.

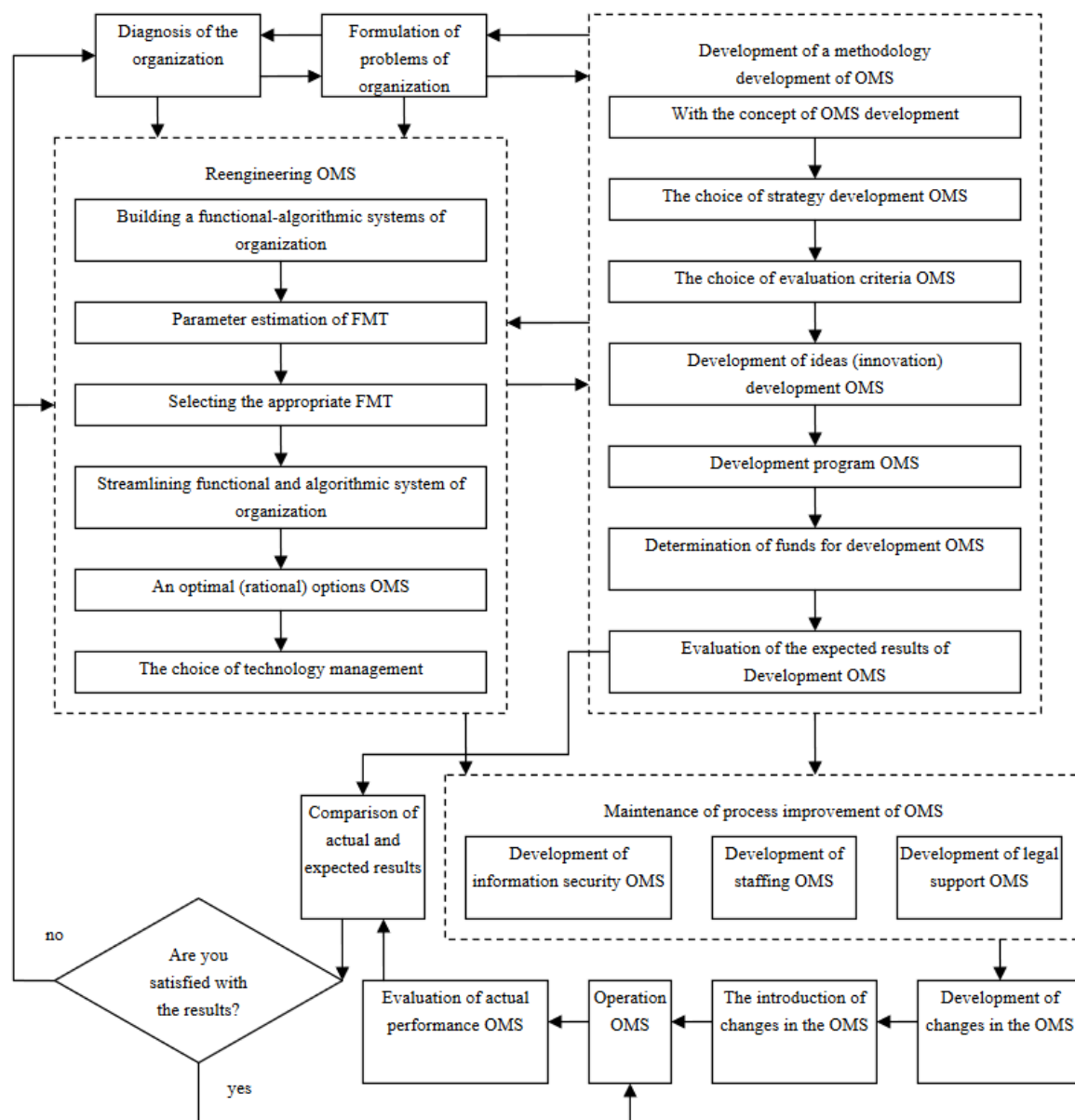
Suitable strategy for developing the business

Trading in warehouse items and inventories will significantly lower the likelihood of production-related issues as the business won't be producing anything in this scenario; instead, it will be forming a relationship with suppliers of spirits and alcoholic beverages. In light of the company's ability to thrive and strengthen its position in the market in comparison to rivals, the idea of competitiveness is thus clearly defined at the micro level. To supply cutting-edge technology, and jobs, and to enhance public welfare, every country is interested in fostering the circumstances that will draw foreign direct investment (FDI).

Installation of the Public Warehouse System and the use of warehouse data as collateral or security in goods exchange trading provide both opportunities and concerns for all system chain participants. For the organization to continue running, it is simpler to obtain bank credits from the warehouses with the help of the warehouse receipt, which serves as collateral. It is important to utilize warehouse records for export-oriented products since doing so enables the holder of the receipt to get loans from foreign lenders at a lower actual interest rate. The holder of the warehouse receipt might insulate himself from the currency risk by using the export items as collateral for loans taken abroad.

The administration of various organizations entails a variety of structural components and approaches like OMS (Organisational Management system), including task management, execution, strategy, technical activities, and use of certain software and systems. For the company to grow, it must adhere to the standards, overcome obstacles, and take advantage of market trends. "In everyday language, business is any enterprise that strives to earn a profit (Valentin, 2014, p.2)." OMS also consists of tools and clauses that the firm may use to increase its competitiveness and expand its product line. When faced with disagreements or impediments, the flexibility of thought is necessary. The key requirement for the growth of OMS is the company's improved revenue and profits, which must exceed the expenses of innovative activities and their advantages.

Figure 1. Model of development OMS, based on reengineering



(Gerasimov and Gerasimov,2015, p. 83)

The development of new products, the implementation of measures to improve the quality of goods and services, the efficiency of management and innovation activities, the assurance of the completeness and rationalization of the functional structure, the assurance of the optimum number of employees, the improvement of informational, hardware and software support of technological developments, and staff development are the main focuses of the OMS development program.

PMS (process management system) is an additional evolving component of organizational management. It specifies the paths an organization takes, and the condition and capabilities of the operating system it uses. It is a method of defining management goals that encounter challenges in the process to develop PMS based on reengineering. Any issues should be resolved, and the business should see better outcomes.

Conclusion

By the end of this report, we can say that starting a business branch in a European nation has its advantages and perks, but it also has certain risks. Matthew Clark must get familiar with local rules and regulations in order to grow as a company and establish itself on a European level, among other things. Since Bulgaria borders 4 other countries, it is even possible to export goods, if the right strategies and suppliers are found, which automatically means more profit. Forecasts for the development of the market are optimistic and it would be a suitable environment for business development. In addition, it can be said that the development of such a business depends on the correct selection of a team and its management, constant monitoring of the work process, and its improvement.

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