

Global Business Environment



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Assignment 1

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1. Introduction

Global business environment compares Micro and Macro factors which influence the company in a positive or negative way . To guide Johnson Matthey - Leading chemical company base in London , United Kingdom to invest in Bulgaria as a developing country this essay will use Political , Economical , Sociological , Technological and Environmental analysis or PESTLE to identify and evaluate the opportunities and challenges .In addition Strength , Weakness , Opportunity and Threat analysis will support the recommendation and strategies for the company to succeed . As a key external factors both analysis will be used to impress and attract the firm for investment . Therefore , to gain insight and to understand the positioning on the market , provide critical recommendations , value chain categories will be discussed to contribute identifying competitive advantages and disadvantages and where is opportunities for improvement (Stobierski ,2020) .

1.1 Johnson Matthey's Background - Johnson Background is global manufacturer of special chemicals and precious metals established 1817 from Percival Johnson . In 1838 , 13 years old George Matthey joined as apprentice and both with Johnson were pioneers in the metallurgical science providing materials for experiments the biggest name in the science history . Just few years later they assayer to the Bank of England . From 1900-1969 during the First and Second World War the company managed to increase the volume of profit margin with supplying different company metals for weapons production . During that time the company expanded in Asia and North America and started to supply NASA space programme with electrocatalysts . From 1970 till this day the company makes research , develops and produces products such as emission control catalyst , platinum based anticancer drugs and green energy solution (Johnson Matthey , 2023) .

Johnson Matthey is a global leader in sustainable technologies, with over 200 years of experience specialising in various sectors such as chemicals, electrochemical , catalytic technologies, and precious metals. This analysis examines the investment opportunities of Johnson Matthey in Bulgaria, a developing country located in Southeast Europe.

1.2 Bulgaria developing country

Bulgaria is country located in Southern Europe with significant political and economic change since the fall of communism in 1989 and became member of Europe Union in 2007 . Bulgaria is an appealing location for investment due to its strategic , location , stable political environment , transparent institution framework , low taxes , and inexpensive labor . Bulgaria's economy presents reasonable macroeconomic stability, including a decrease in the inflation rate , which was 1.67% , a 1.43% decline from 2019 (Macrotrends , 2023) . Businesses and investor from United Kingdom are easy accessible Bulgaria . The country offers considerable potential and use English as a business language (Department for Business & Trade , 2023) . Furthermore , a 2019 report by Bulgarian Investment Agency outlines that Bulgaria has qualified , multilingual and flexible workforce .In terms of market entry barriers , the Bulgarian government has implemented regulatory reform strategies aimed at simplifying procedures and reducing administrative obstacles for foreign investors .

2.PESTLE Analysis

2.1Political

Bulgaria has a stable political environment, with a democratically elected government and a constitution that provides basic rights and legal

protections. The country is a member of the European Union (EU) since 2007, which has had a positive impact on political stability and economic growth. The pro-business government focuses on attracting foreign investment and has created favourable business conditions, such as tax incentives and a low corporate tax rate of 10% (Embassy of the Republic of Bulgaria in London , 2022n). However, the country's legal and regulatory environment has been criticised in various areas such as corruption, inadequate enforcement of intellectual property rights, and inefficient judicial system (USTR, 2021).

2.2 Economic

Bulgaria is an emerging economy that has achieved consistent growth over the past decade, averaging 3-4% GDP growth annually (Eurostat, 2021). The country has a highly competitive and low-cost business environment, with well-educated and skilled labor, a simple tax system, and a strategic location connecting Europe, Asia, and Africa markets (Invest Bulgaria Agency, 2021). Johnson Matthey can take advantage of Bulgaria's membership in the EU to access a market of 450 million people, tariff-free, and unrestricted access to consumers across the region. However, the country still faces challenges related to the structural and fiscal reforms required to support sustainable growth, such as addressing the shortcomings of the healthcare and pension systems (Kammer, 2022).

2.3 Social

Bulgaria has a highly educated workforce, with a 98% literacy rate and a high percentage of people that speak English, French, or German (World Bank, 2021). The country has a lower population density than its European neighbours, but its capital, Sofia, is growing as a regional hub for business and innovation. The country's demographic outlook, however, is a significant challenge, as the aging population and emigration of skilled labourers have created labor force constraints and skill mismatches in several sectors

(World Bank, 2021). Johnson Matthey will need to consider these demographic trends when hiring and training employees.

2.4 Technological

Bulgaria has developed a highly skilled, affordable, and internationally recognised information technology (IT) workforce. These highly-skilled professionals have significantly contributed to Bulgaria's position as an IT outsourcing hub in Europe(The Plan Bulgarian Team , 2023). The country's success in the IT sector stems from the development of a robust education system, focus on the STEM education, and growing entrepreneurship ecosystem that fosters innovation. However, the country lags behind other European nations in the implementation of digital technologies and lacks proper investments in research and development, which poses challenges to investing in innovative technologies (European Invest Bank , 2022).

2.5 Legal

Bulgaria's legal framework remains consistent with other EU members, ensuring legal protection for intellectual property rights, and provides foreign investors equal treatment with local investors (US Department of State , 2021). However, the country still requires improvements in legal enforcement, particularly within reducing corruption and improving transparency. Corruption is an ongoing challenge in many sectors, and as such, Johnson Matthey will need to exercise due diligence and adopt stringent compliance measures to mitigate these risks (World Bank, 2021).

2.6 Environmental

Bulgaria is the poorest-quality air country in the EU, with high levels of harmful gas emissions, especially within the transportation sector (European Environmental Agency, 2021). Despite these environmental challenges, the government has implemented policies aimed at environmental conservation, limiting waste, and promoting renewable energy. Johnson Matthey's expertise in developing green technologies could aid in supporting Bulgaria's

roadmap toward carbon neutrality by the year 2050 (European Commission, 2021).

In conclusion, Johnson Matthey may find Bulgaria an attractive investment opportunity due to its stable political environment, favorable business conditions, strategic location, availability of skilled labor, and English proficiency. The country's IT outsourcing industry also provides opportunities for Johnson Matthey to scale its business operations in the region. However, Johnson Matthey will need to consider risks associated with the country's regulatory and judicial environment, corruption, demographic challenges, and environmental concerns.

3. SWOT Analysis

3.1 Strength

Johnson Matthey is globally renowned company in the field of sustainable technologies , with a strong reputation for innovation and excellence . The Bulgarian government has been taking proactive steps to attract foreign investment and has implemented a series of measures to reduce bureaucracy and improve the business climate in the country (Invest Bulgarian Agency , 2021) .

3.2 Weaknesses

The Bulgarian market may be smaller and less developed than some of Johnsons Matthey's other target markets , presenting challenges in terms of market penetration and growth potential . Starting a new operation in Bulgaria may require significant upfront investment in infrastructure , staffing and equipment , which could impact the company's finances in the short term .

3.3 Opportunities

According to Investment Bulgarian Agency (2021) , Bulgaria is strategically located at the crossroads of Europe , Asia , and the Middle East , offering

Johnson Matthey access to new markets and customers in region . The country has a well educated , highly skilled workforce that is available at relatively low cost compared to other EU countries . Bulgaria is committed to reducing its carbon footprint and is actively seeking sustainable solutions in various industries , which presents a significant opportunity for companies like Johnson Matthey to expand their footprint in the country .

3.4 Threats

Political instability or changes in regulations could negatively impact the investment climate in Bulgaria , leading to uncertainty for companies investing in the country . Other international competitors may already have established operation in Bulgaria and could pose a threat to Johnson Matthey's Market share . The global COVID-19 pandemic has caused economic downturns in many parts of the world , including Bulgaria , which make it more challenging for Johnson Matthey to establish a profitable operation in the short term

4.Challenges and Evaluation

4.1 Challenges

One of the major challenges for Johnson Matthey in Bulgaria is the country's relatively small market size compared to some of its other target market . This could be limited growth potential for the company in the country . Bulgaria's legal system and bureaucratic procedures can be complex , which could require a higher level due diligence from Johnson Matthey .

4.2 Evaluation

Despite the challenges , there are several reasons why investing in Bulgaria could be a wise move for Johnson Matthey . First , the country's strategic location offer access to new markets and customers region . Second , Bulgaria has a well educated and low

cost workforce that could provide operational cost saving compared to other EU countries . Finally , the Bulgarian government is taking proactive steps to attract foreign investment , and there has significant improvement in recent years to reduce bureaucracy and improve the business climate in the country , making it easier to do business in Bulgaria .

To mitigate potential challenges , Johnson Matthey will need to conduct thorough due diligence before deciding on investment in the country . This should include analysis of the regulatory environment , investment incentives , potential customers , suppliers , and competitors . In addition , the company should consider partnering with local businesses as they understand the local market better and can help to navigate the bureaucratic hurdles .

5. Strategies and Recommendation

5.1 Strategies

Johnson Matthey should utilise a diversity of strategies to enable sustainable growth in the Bulgarian market . Johnson Matthey can employ the Resource Based View theory , where the company focuses on building competitive advantages by developing unique and valuable resources and capabilities . For example , the company can develop its patented essential materials and processes to manufacture new products that meet Bulgaria's demand in 5G technology development . Nevertheless , Johnson Matthey can use Marketing segmentation to segment the Bulgarian market precisely . For example , by dividing the country into regions with varying levels of economic development , Johnson

Matthey can dynamically focus on specific markets , customer needs and requirements . In addition , the company can employ differentiation strategy by avoiding competition while focusing on developing new markets. To accomplish this , Johnson Matthey can develop innovative products , processes , and services , which are not presently available in the Bulgarian market .

5.2 Recommendation

The company should actively engage with the Bulgarian government to explore collaborations and partnerships to encourage the establishment of a joint research and development department . This would enable Johnson Matthey to invest in research and development , promoting innovation and meet market demands in Bulgaria . The company should invest in technology to boost its manufacturing capabilities in Bulgaria . The strategy will help to scale and produce quality products , boosting its competitiveness and profitability . Nonetheless , partnership with local universities to train and expand its workforce's skillset to promote innovation , quality , and cost effectiveness in production processes .

6. Conclusion

This essay has highlighted the investment environment in Bulgaria , focusing on the economic , political , and social factors . Johnson Matthey can employ strategies to ensure has sustainable growth in Bulgarian Market . Furthermore , this essay has present

recommendations that Johnson Matthey can use to expand its manufacturing capabilities , invest in research and development , and expand their workforce's in Bulgaria . By implementing these strategies and recommendations , the company can capitalise on Bulgaria's attractive investments climate and solidify its position in the Bulgarian market .

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Johnson Matthey investing in Bulgaria

Globul Business Environment

5/05/2023

Overview

- Johnson Matthey background
- Bulgaria as a developing country
- Highlights of PESTLE & SWOT Analysis
- Challenges and Evaluation
- Strategies and Recommendation
- Conclusion

- Global manufacture of special chemicals and precious established 1817
- During the World Wars supply different companies with metals for weapon production and manage to expand the business in Asia & North America
- Make researches , develop and produce products such as emission control catalyst , platinum base anticancer drugs and green energy solution .



Johnson Matthey

Bulgaria

Developing Country

- Member of Europe Union from 2007
- Resonable macroeconomic stability
- Welcoming environment for United Kingdom investor and businesses
- Easy accessible distribution channels for Asia and Middle East



Source : <https://www.dreamstime.com/vector-illustration-map-europe-highlighted-bulgaria-bulgarian-flag-isolated-white-background-vector-image104200813>

PESTLE

Analysis

- **Political** - pro-business government focuses on attracting foreign investment and has created favourable business conditions, such as tax incentives and a low corporate tax rate of 10% .
- **Economical** - achieved consistent growth over the past decade, averaging 3-4% GDP growth annually (Eurostat, 2021) .
- **Social** - Bulgaria has highly educated workforce , with 98% literacy rate and high percentage of people speaking English .
- **Technological** - Bulgaria has developed a highly skilled, affordable, and internationally recognised information technology (IT) workforce.
- **Legal** - Bulgaria's legal framework remains consistent with other EU members, ensuring legal protection for intellectual property rights, and provides foreign investors equal treatment with local investors
- **Environment** - the government has implemented policies aimed at environmental conservation, limiting waste, and promoting renewable energy

SWOT

Analysis

- **Strength** - Johnson Matthey is globally renowned company in the field of sustainable technologies , with a strong reputation for innovation and excellence . According to Investment Bulgarian Agency (2021) Bulgarian government has been taking proactive steps to attract foreign investment .
- **Weaknesses** - Starting a new operation in Bulgaria may require significant upfront investment .
- **Opportunities** - the country is committed to reducing its carbon footprint and is actively seeking sustainable solutions in various industries , which presents a significant opportunity for companies like Johnson Matthey to expand their footprint in the country .
- **Threats** -Political instability or changes in regulations could negatively impact the investment climate in Bulgaria

Challenges and Evaluation

- **Challenges** - Bulgaria's legal system and bureaucratic procedures can be complex , which could require a higher level due diligence from Johnson Matthey .
- **Evaluation** - To mitigate potential challenges , Johnson Matthey will need to conduct thorough due diligence before deciding on investment in the country .

Strategies and Recommendation

- **Strategies** - Johnson Matthey can develop innovative products , processes , and services , which are not presently available in the Bulgarian market (5G developing technologies , low emission footprint control catalysis) .
- **Recommendation** - The company should invest in technology to boost its manufacturing capabilities in Bulgaria . The company should actively engage with the Bulgarian government to explore collaborations and partnerships to encourage the establishment of a joint research and development department .

Conclusion

- By implementing the strategies and recommendations base on PESTLE and SWOT Analysis provide in these presentation , the company can capitalise on Bulgarian's attractive investment climate and solidify its position in Bulgarian market .

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