

INTERNATIONAL BUSINESS

Assessment

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Abstract

The report analyzed Fideli's internalization strategy using frameworks to analyze the influence buyers, suppliers, competition, substitutes and ease of entry on the company's ability to gain competitive advantage within Burundi, dwelling in the company's core competences and capabilities. Strengths and weakness were identified in Fideli's microenvironment by analyzing the managerial, marketing, financial, supplier and brand equity as the organization's function. Opportunities and threats were analyzed at the macro level drawing on Burundi's advertising industry as well as the country. Features such as Burundi's decision to join the east African community, the impact of uncertainty levels, as well as the size of both domestic and international markets were analyzed. Furthermore, the international business operations were analyzed with emphasis on the international marketing, product distribution strategies and business entry style. Using the cost minimization distribution strategy, and distribution channel re invention, the Fideli applied a joint venture entry style. Recommendations were and conclusion were made.

1. Introduction

The report explores the internationalization strategy by analysing the Fideli advertising agency's management, industry and country specify factors using SWOT, Porter's fives forces and PESTEL frameworks. The report evaluates Fideli's modes of engagement, exploring their connection between the legal, economic, political and social culture environments in Burundi. Critical evaluation of the key features affecting the international environment and its main institutions as well as the main decisions strategy in international business was analysed. Several business operations are product pricing, international marketing and product distribution strategies are evaluated. Fideli' s potential styles of entry into the Burundi

advertising industry are also explored, with the focus on their viability. Recommendations and conclusion regarding the management strategies are made.

1.1 Company overview

Founded in 2008, Fideli advertising has worked with several brands across the country delivering a range of outdoor advertising services. Fideli has sustained its competitive advantage by delivering the impactful and captivating advertising campaigns for big brands like coca cola, MTN, Foris telecom, across the country. The company values are dependability, teamwork and providing outstanding value. Fideli advertising's main products include, copywriting services, brand strategy, brand Identity as well as development, digital services, media planning, monitoring and buying, and themed brand collateral services.

Most of Fideli advertising's clients are international and prefer to work with the same advertising agency across the East African region of Uganda, Kenya, Tanzania, South Sudan, Rwanda, and Burundi. Management at Fideli advertising is aware of this and has thus decided to expand their services into Burundi to start with the existing clientele base from Uganda and eventually grow their market share and profit margin in Burundi. Venturing into Burundi's advertising industry will enable Fideli to attain economies of sales, diversify their sales and gain international business experience.

2. Fideli advertising's micro and macro environmental analysis

In organisation development, analysis of the internal and external environment is essential because of the level of dynamism in the factors influencing business activities. Moreover, these factors are complex and unpredictable. The organisation's ability to constantly adapt the changes in the business environment is enables it to gain competitive advantage in the industry. While some factors have less impact on the organisation's capabilities, other factors significantly alter the strategic direction and perspective of the organisation. Thus, effective management of these factors boots organisational capability (Thompson and Strickland, 2006, p. 61).

Furthermore, for companies like Fideli advertising to venture into international territory, it is essential for to conduct a thorough evaluation of the macro and micro-environment within Burundi and adapt the company capabilities to the environment changes using the SWOT and PESTLE frame works. Identification of the organisation's capabilities and aligning them with the micro and macro environment changes may include activities like the development or new products, formulation of new customer acquisition strategies, technology development as well as strategic supply chain management.

The application of frameworks such as PESTLE analysis, give Fideli an idea of what kind of factors have significant impact on Fideli advertising's international expansion strategy, and how best to adapt to these dynamic indicators as they provide a more accurate assessment of Fideli's external environment in Burundi as suggested by Saray (2010). Burundi's political stability, judicial system, as well as the legislative system are crucial for Fideli when assessing the favourability of the business environment in which the business intends to venture.

2.1 Management factors affecting Fideli Advertising

As careful assessment of Burundi's Gross national product, GDP, the inflation rate, lending rates, investment climate, market capacity and currency stability is pivotal in determining the strategic plan of the company. Cultural and social factors such as levels of education, dominant religion, language and communication, norms and customs of the country are essential in advertising. Technological structures in place support and determine the level of research and development capabilities of the company Saray (2010). However, although the frameworks are good, it is impossible to predict the exact changes due to the nature of dynamism within these changes and thus, Fideli must constantly adapt to be able to compete within the Burundi advertising industry. The environmental analysis must start with the company like Fideli, advertising conducting a SWOT analysis.

2.1.1 SWOT analysis

SWOT analysis is essential in the evaluation of the strengths and weakness internally at the same time opportunities and threats in the external environment of an organisation. As suggested by Ip and Koo (2004), Fideli's internal analysis would involve the identification of resources, core competencies and capabilities, as well as its competitive advantages. In addition, the external analysis enables the identification of market opportunities as well as threats by assessing the competitors' resources, the advertising industry in Burundi as well as the general environment.

Internal analysis: Weaknesses and strengths

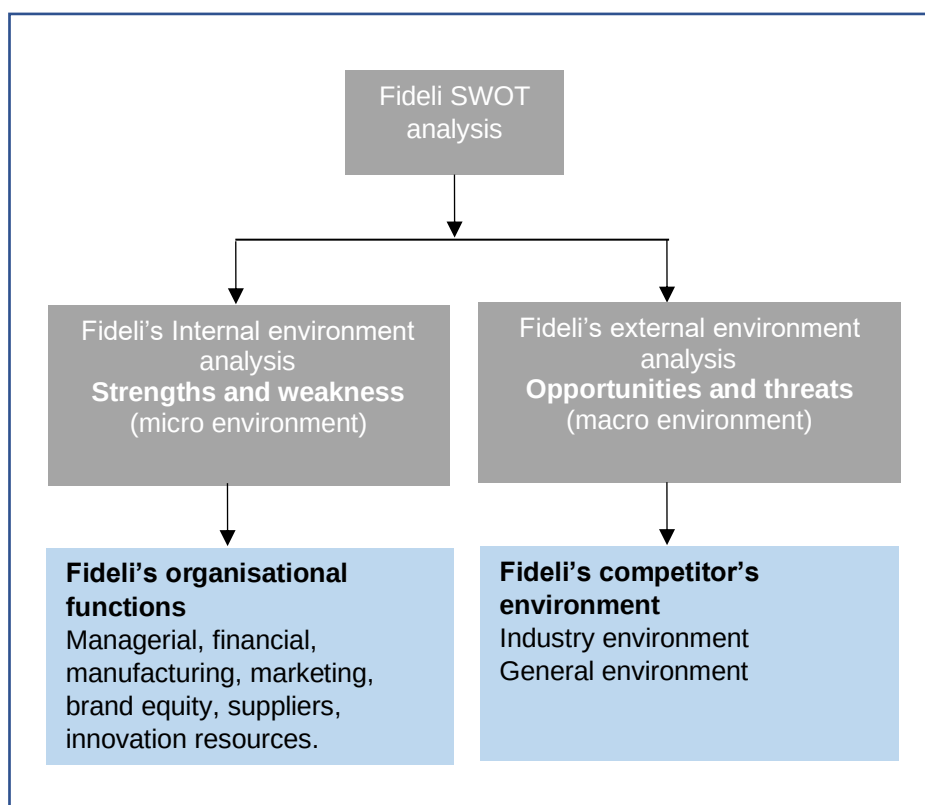
The main reason for the identification of the organisation's competitive advantage is to clearly point the necessary resources for the development and sustainability of the competitive advantage. The uniqueness of the organisation's competitive advantage determines its profit margin within the industry and therefore strategic expansion requires an in-depth organisation evaluation of the organisation's capabilities and resources as well as core competencies behind its competitive advantage (McGee et al., 2010).

Furthermore, the resources referred to in this case can be defined as both intangible and tangible inputs that an organisation needs to produce a product and or a service. For the case of Fideli, tangible resources include office premises and land for the location of billboards for the outdoor advertising, equipment and large format printing machinery. Intangible resources include technology and patents, distribution networks, trademarks, brand equity, company reputation and customer database. Such resources can be combined as well as developed to form capabilities and thus creating the organisations' core competences (McGee et al., 2010). Core competences as defined by Sirmon et al., (2010) would in the case of Fideli refer to its capacity to efficiently use its internal resources to develop competitive products and services. Such capabilities in the case of Fideli include, the development of content management systems in form of websites under their digital services, creation of effective channels for

distribution of their clients' products as well as the retail outlets, using marketing. Also, the establishment of customer relationship management networks to attract consumers and build brand loyalty.

The last aspect to consider when evaluating an organisation's internal strengths and weakness, is its core competence. Because core competences are derived from the organisation's capabilities, they establish the organisation's uniqueness and hence create sustainable competitive advantage for the organisation. As shown in figure1, an organisation's internal analysis is entirely dependent on evaluation of the organisation's functions such as the managerial, financial, manufacturing, suppliers, distribution, innovation (R&D) and marketing resources.

Figure 1. Fideli advertising SWOT analysis



Source : Authour

Analysis of external opportunities and threats

External environmental analysis facilitates the organisation's ability to recognise significant developments and changes and well as their implications on the operations of the organisation in the future. Variables found in the external environment are far beyond the organisation's control such political issues like the recent movement of Burundi's capital from Bujumbura to Gitega; subsequently impacting the country's economic infrastructure as well as the social livelihood of the Burundians (Wambua-Soi, 2019).

However, these must be analysed to ensure that Fideli's corporate strategy is aligned with Burundi's changing business environment. Both opportunities and threats to expansion are analysed. For example, threats such the political instability threaten Fideli's expansion because without security businesses can operate and yet Fideli's services are focused on the existence of other businesses. Threats negatively affect the organisation's competitive capacity whereas opportunities represent weaknesses in the competition and other areas where the organisation can maximise revenues, increase the market share and profits.

Despite its simplicity, SWOT analysis is often misused by various practitioners and thus affecting the strategic action. SWOT evaluates the external and internal environment of the company but does not necessarily provide a strategic guide strategic direction or planning and as such it often remains a descriptive tool which simply provides an environmental overview (Ip and Koo, 2004).

2.2. Advertising Industry factors affecting Fideli Advertising

Several frameworks can be used to such as Porter's fiver forces, and PESTLE can be used to analyse the factors influencing the general environment including its structures and dynamics. Derivatives from these analysis impact Fideli's strategic planning, mission, and vision as posited by Heath (2018). Competitor information gathering is essential for Fideli's success within the Burundian advertising industry. The industry or competitors' environment analysis involves company rival's knowledge collection and processing, whereby competitors such as Alliance Media, in Burundi would be a company of interest among others.

Each of Fideli Advertising's potential competitor's competitive advantage is assessed by evaluating their core competences and capabilities, and thus identifying Fideli's opportunities and threats. Moreover, from the Industrial/organisational perspective, it is crucial that organisations like Fideli advertising operate in a market that offers it the profitability as well as competitiveness as suggested by Meilak and Sammut-Bonnici (2015). This is due to the fact that Burundi advertising industry market has more impact on the company's performance in comparison with the company's strategic decision on internal capabilities, core competences as well as resources.

Bridoux (2004) also supports the argument as stated in perspective of the resource-based view that organisations such as Fideli need to identify their competitive position in which they have more influence over the main five factors such as suppliers, rivalry, new entrants, substitutes and buyers. Identification of Fideli's competitiveness in the market would protect it against the threats and leverage the company's ability to maximise profit in the industry.

2.2.1. Porter's five forces analysis

The main objective in the industry analysis is to identify opportunities and maximize them while minimizing the negative implications by use of strategic response (Ferreira et al., 2009). In addition the industry analysis is mainly based on Porter's five forces where analysis of the intensity of the competition or rivalry, power of the buyers, ease of new entrants, threat of product and services substitutes and the power of suppliers. Moreover, Fideli's business model is tested against Porter's five forces during the industry analysis, to determine its profitability by comparing Fideli's revenue streams against other advertising agencies in Burundi such as Alliance media.

Power of Rivalry

Strong competitive forces influence costs, prices and the required amount of investments capital required to start operations and hence Porter's five forces have a direct impact on the

Fideli's balance sheets and income statement as well as the other industry participants. The structure of the advertising industry in Burundi is essential in defining the gap between cost and revenue. For example, the high or intensive competitors power increases costs of marketing, customer service and research and development while the prices go up severely affecting the profit margins. Lastly the,

Ferreira et al., 2009 also argue that the level of intensity of suppliers driving up costs on input, power of buyers reducing prices while increasing the cost to meet the demand of the buyers for example the cost stocking up the necessary inventory as well as financing. Low substitute levels and limited entry barriers in the industry leads to limited sustainable prices. Hence such analysis gives the Fideli's business strategist a good understanding of the advertising industry in Burundi.

The power of suppliers.

By charging more for the supply of materials, such as PVC material and metal frames for making outdoor adverts, the powerful suppliers in Burundi are in the sense shifting the costs to Fideli advertising while value capture goes to their side by increasing the prices of these materials as suggested by Porter (2008). Therefore in Burundi where the government policies and regulations stipulate that foreign investors such as Fideli advertising high more of local talent, Powerful labour suppliers (recruitment agencies in Burundi) manipulates the advertising industry even though they may be aware that advertising industry in Burundi may not necessarily be able to pass the prices on to the final consumers.

In a far worse scenario, when the advertising industry must depend on supplier groups in some cases where the supplier group is more powerful than the industry and thus has the monopoly especially for a case of Burundi where the system is very corrupt, Fideli among other advertising companies may incur very high costs of switching suppliers and as such it becomes very hard to play one supplier against another as suggested by Porter (2008). Moreover, if they apply product differentiation, there is an eminent threat of the supplier's

forward integration into the advertising industry. Such a threat can be induced by the fact that advertising agencies are making so much money and therefore the supplier with potential decides to enter the advertising industry.

The power of buyers.

Powerful customers can force down the prices of by demanding that the quality of the products be improved, and more service be provided and thus drive up costs and on the whole play competitors one against the other whilst affecting the industry profitability. Also having leverage to negotiate gives the buyers more power in comparison to the companies like Fideli and in the end, the price sensitive buyers may use their leverage to push down prices of Fideli advertising products and services as suggested by Porter (2008).

Industries with undifferentiated or non-standardised products, buyers have a tendency to of playing on competitor against the other in the name of looking for an equivalent product. And since the switching cost on the buyer are minimal, Porter (2008) argues that companies like Fideli are constantly faced with a threat of backward integration by the buyer's intention of producing the products themselves in the case where Fideli may be making more profits from a non-standardised product.

Lastly a price sensitive buyer groups in Burundi are more likely to push for a hard bargain if the advertising services cost a substantial amount of their procurement budget. They consumer are more likely to take their time to source of cheaper advertising services in comparison to Fideli as Porter (2008) contends. And the opposite is true in a case where Fideli's advertising services costs a small fraction of the consumer's budget, the buyer will not be that much price sensitive.

The threat of substitutes

Using different means the substitute product may perform similar or the same function as the industry's product. For example, companies in Burundi may decide to use their company face

book and Instagram pages to instead of having Fideli advertising to design a website for them so that they can advertise tier products as per Porter (2008)'s argument. Companies like Fideli must find a way of dealing with substitutes because they are ever present although they are often over looked and may appear different from the advertising industry products. A high threat of substitutes affects the industry's profitability. Online advertising in Burundi is affecting Fideli's outdoor advertising. High threat of substitutes affects the company's profitability as substitutes place a ceiling on the prices of products and services. For the advertising industry to minimise the power of substitutes, product differentiation must be applied through marketing, and product performance. Finally, companies need to be aware of the industry changes that affect the companies' attractiveness.

2.3. Country factors affecting Fideli Advertising

Analysing country factors affecting businesses like Fideli advertising involves assessing the society's broader dimensions in relation to the business and the consequences the factors bring on the industry and the business. Analysis of these dimensions take focuses on the political, social, economic, technological, legal and environmental factors. These factors are the main drives of change in the elements making up Porter's five forces and subsequently the control the industry dynamics (Sammut-Bonnici and Galea, (2015).

2.3.1 PESTLE analysis

Joining the East African Community

The geographical location of Burundi makes it a landlocked country, where the nearest seaport is still a relatively long distance away. The Burundian government understood and acknowledged the Burundi to attain advantage in both the regional and globally competitiveness markets, they needed to increase their economic integration. This would set in motion a series of events that would make lay a better foundation for Burundi's economic development (African Development Bank, 2009).

Furthermore, joining the East African Community (EAC) meant a reduction in transport costs leading to improved access to the larger exports market for Burundi as well as access to goods and services. And most importantly regional integration has attracted a lot of foreign investment from the EAC member countries due to the custom reforms such as the internal tariffs elimination from EAC member countries' investors such as Fideli.

Although the government of Burundi has made progress as far as the improvement of the business climate is concerned (as evidenced by adopting the new law of investment). The law ensures that foreign investors like Fidei are able to enjoy the same rights as the local or domestic business and are permitted to engage in any form of activities that the local businesses participate in. The removal of general limits on foreign ownership and control boosts the advertising industry in Burundi as well as the removal of the screening mechanism that was initially subject to foreign businesses like Fideli. Overall, the political instability of the Burundi leads to increased cost of the public services, corruption, poor infrastructure. Low skilled labour supply, lack of foreign exchange and the limitation of the privatization programs negatively affect the foreign direct investment influx in Burundi as suggested by Banco Santander (2020).

Burundi's domestic and External Markets size

Burundi remains one of the African countries with the smallest economies with a small population of people. In light of this, it becomes rather difficult for companies like Fideli to craft a development strategy that is based entirely on Burundi's domestic market. Because it is also a landlocked country, Burundi's external market is also limited to Rwanda and the eastern part of Congo (Yang and Gupta, 2007). Businesses operating in Burundi incur high costs of production and thus making the prices of products and services more expensive and limiting the company's competitiveness on an international level. Therefore, Fideli advertising should focus more on development of products and services that appeal to the regional east African market. Fideli would maximise profits by taking advantage of the preferential treatment that is

offered to Burundi as a result of being a part of the East African trading block. However, the nationalistic views, and corruption as well as mistrust among the leaders of the east African countries still undermine efforts to establish a vibrant and functioning regional market (African Development Bank, 2009).

High uncertainty levels

The recurrence of war leads to an increase in instability and in its self affects the general public's perception towards the Burundian government's ability to establish and maintain long term peace. The absence of credibility in the current government regime of a country deters foreign and domestic investment especially in the countries that are trying to recover from a war like Burundi (Collier and Pattillo, 2000).

Furthermore, economies affected by war have a short-term orientation due to very high levels of uncertainty. Moreover, long after the war such as the ethnic war that happened in Burundi in 1993, the destroyed infrastructure and social disorder continues on, affecting resource allocation where the productive sectors are sucked dry with the diversion of resources. In the same way, foreign investment is discouraged due to the moral degradation as corruption and other short term oriented activities dominate the various industries.

3. International business operations

3.1.1 International marketing

Fedeli advertising would need to adopt marketing strategies that are tailored to appeal to the international market. That means that Fideli's marketing strategy must incorporate the people of Burundi's cultural perspectives and preferences. This is due to the fact that cultural difference influences the targeted audience's habits, incomes and needs. Therefore Fideli advertising would need to adapt the application of the marketing mix in order to gain competitive advantage and increase its market share in Burundi. Doole and Lowe (2008) posit the business need to have a product that appeals to the targeted market, apply the suitable

pricing strategy, ensure that the correct distribution channels are used to deliver the product to the customers and lastly, use the most suitable promotion strategies to build the brand equity.

3.1.2 Product distribution strategies

Several distribution strategies must be adopted for a company to be able to gain and sustain competitive advantage on an international level (Kotabe and Murray, 2004). As per Fideli advertising, minimising the cost as well as reinventing or tailoring the distributions channels are the main strategy that would guarantee profitability.

Cost minimisation distribution strategy

Lowering the distribution costs increases access to products and services of company like Fideli according to Barnes (2008). Therefore, Fideli would approach the notion of growing costs of distribution by limiting the number of staff and ensure that recruited staff are multi skilled. Working with a limited number of multi skilled staff shifts the responsibilities and work load to the limited few, however Fideli advertising would focus on employee motivation as a counter measure to maintain the efficiency in the levels of distribution.

However, as Barnes (2008) argues, effective cost reduction demands a thorough understanding of the cost reduction, and thus it is inevitable to what cost reduction implies and more so, that it needs to be carried out in more than one area of the business. Fideli needs emphasize counteracting the cost increasing triggers by breaking down all the cost of the business into fixed and variable costs.

Distribution channel reinvention.

In this approach the focus is on innovating new ways of getting the products and services to the customers. Through the use of available business technology (ERP systems) and business model redesign, companies like Fideli are able to tailor their distribution cost as suggested by Barnes (2008). Fideli advertising should consider reinventing their products and services packaging to encourage bulk orders from their customers in Burundi. Consolidated

orders imply controlled delivery and less distribution costs. For example, if a company is ordering pullup banners every month, it would be advisable for Fideli to encourage the customer to make six months consolidate order which may be delivered in one go.

3.2 International business entry style

International business entry is generally related to the control of resources in an international organisation. As Yan and Child (2004) argue, Capital as well as non-capital resources like managerial and technology resources are pertinent to the business ownership in international business. Therefore, as per Fideli advertising, the type of resources contributed beside the financial resources, is essential in determining the level of control in the business. Furthermore, the Burundi Fideli advertising operation is a multidimensional operation controlled by both Burundians and Ugandans. The scope and mechanism of control in Fideli advertising can be termed as a joint venture.

3.2.1 Joint Venture

As Yan and Luo (2001) argue a joint venture like Fideli adverting is created with its headquarters in Uganda and then the Burundian operation is jointly owned by both Ugandans and Burundian nationals with a sole purpose of achieving their set common objective. As per Fideli advertising, the notion of it being a joint venture means that the two or more legal parents (organisations) make joint decisions with each choosing and making decision regarding jointly owned activities like business strategy and many more. Fideli can be considered to be an international joint venture because of the fact that it headquarters are located in Uganda and it also operates in Congo as Reuer and Koza (2000) define international joint ventures.

4.Recommendations

In landlocked countries like Burundi, development and maintenance of the infrastructure remains a significant obstacle when it comes to the establishment of an effective and efficient transport system for the delivery of good and services. There fore Fideli advertising need to

constant employ strategies that can enable it to circumvent the poor infrastructure system in order to gain and maintain competitive advantage.

Furthermore, Fideli needs to be aware of the possibility of increasing costs when operating a land locked country such as Burundi. There is a linkage between the transport and trade and the costs tend to provide access to foreign markets if not barriers. Therefore, re-examination and development of the more stringent cost cutting strategies should be an ongoing activity until the company is able to sustain its self with minimal financial support from the headquarters.

Lastly although Fideli advertising's entry mode and choice of organisational structure can not entirely be used to ascertain the level of control, these two are essential in determining the organisation's strategic direction beside the external and internal environmental analysis. They all have an influence on the activities of the organisation.

5. Conclusion

In conclusions, Fideli's business strategy, in terms of international business operations focuses on adoption of international marketing strategies that are application the business environment with in the Burundi advertising industry. Analysis of the Fideli's macro and micro environment necessitates the blending of both the conventional macroeconomic growth analysis with the economic, political, and institutional approaches to business. However, the recent movement of the country's capital from Bujumbura to Gitega has let to mixed reaction and from the business community and raised more suspicion and uncertainty levels. Because of the small population of approximately eleven million people, and it is ranking among the poorest countries in Africa, Fideli advertising needs to rethink its strategy in terms of whether setting up an operation in Burundi is sustainable.

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