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Evaluation of Business Environment

Program: BABM
Module code: LCBB4005
Module Name: Global Business
Environment
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[2210803]

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Introduction

International business is when products, services, and assets are bought or sold across national lines, or when goods and services are traded between countries. Business environment analysis is an investigation of the things outside of a business that have an effect on it. The political climate, the state of the economy, the state of technology, and so on are all factors to consider. A company's performance in this setting may be improved with the knowledge gained by considering the aforementioned aspects (Peng, 2022). A company's organisational strategy is its long-term plan for how it will deploy its resources to facilitate its operations. It's a road map for getting the business where it needs to go. These methods aid businesses in developing long-term strategy and achieving short-term objectives.

This report investigates various facets of the global business environment. The paper is centered on an automotive manufacturer known as Ford Motor Company, which is interested in increasing its presence in the Indonesian market. Ford Motor Company is a prominent automobile manufacturer with international operations. Utilising cutting-edge technology, the company has earned a solid reputation for producing innovative automobiles.

Overview of the selected country

Indonesia is Southeast Asia's colossus as well as one of the globe's most populated democracies. The globe's largest archipelago, biggest Muslim population nation, third-largest democracy, & top supplier of high-value products, Governance stability, self-reliance, and strong economic development insulated it from the worldwide financial downturn. Infrastructure, production, plus services have investment prospects. This is a chance for investors to engage in a market of the world's most rapidly expanding region with good prospects. Indonesia draws investors looking to get into its vast and fast-developing market with a populace of over 255 million, increasing the middle class, & nominal GDP of over 1 trillion USD (Soejachmoen, 2016).

Application of theories of business environment

Pestle Analysis

Political Factors.

Indonesia's democracy protects human rights and prevents political violence, making it a good place for business. Indonesia still faces governmental & private sector dishonesty. Companies must pay government officials to get contracts & licences, which is expensive.

Economic Factors.

Between 2000 as well as 2012, Indonesia had an excellent average yearly economic growth rate of 5.9%. In the following four years, GDP growth will likely exceed 5%. The country's financial framework is stable due to its 19.48% capital sufficiency and 4% return on investments. Thus, financial crises in the nation are unlikely. Indonesia's overall inflation jumped to 10% in Q3 2022 (Tallman et al., 2018).

Social Factors.

Indonesians number 240 million. The majority (67%) is 15–64 years old. Due to its big labour population, firms can find skilled workers. Indonesia has 6.3% unemployment.

Technology Factors.

Indonesia leads technical innovation. Two major Factors threaten the country's innovative future. Initially the legal system cannot guarantee proprietary rights, discouraging innovation. Furthermore, R&D accounts for just over one percent of GDP. Low investment will restrict exposure to new technology that firms need to compete.

Environmental threats.

Indonesian firms face environmental threats. Rapid deforestation is a national environmental concern. Environmental deterioration challenges national production efficiency. Desertification will reduce industrial as well as agricultural productivity water. Once the nation approaches bi-capacity, garbage disposal and raw material availability will be unsustainable.

Legal Factors.

One of the biggest legal threats in Indonesia is that contracts are not enforced well. Legal corruption restricts justice. Thus, partnerships with government or private corporations typically

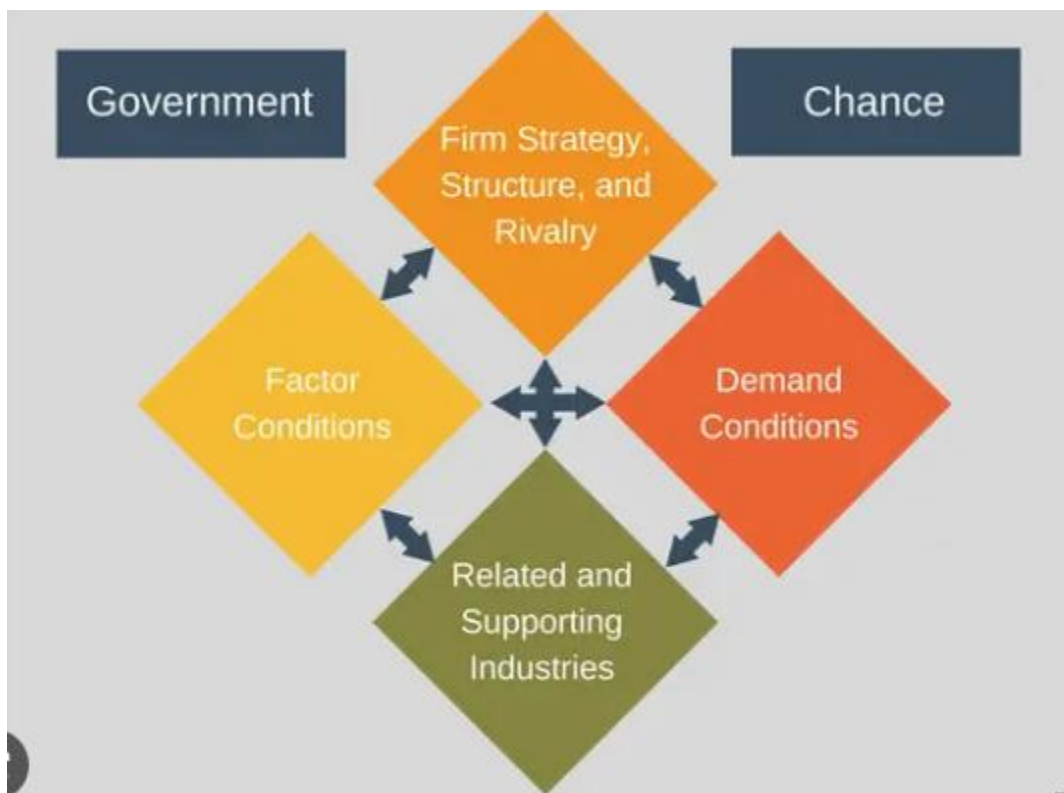
lead to capital-intensive industries losing their stakes. Over Controlling foreign investment is an additional legal issue.

Porter's Diamond Model.

Here's how we may use the Diamond Model to analyse Ford Motor Company's performance in Indonesia:

1. Factor Conditions: Indonesia's huge and rising population provides for a sizable pool of available workers. But the country's educational system and facilities are still being built, which may make it harder to find skilled workers and get around. The federal government has put in place measures that will enhance the nation's infrastructure and may improve Ford Motor's working conditions.

2. Demand Factors: The middle class in Indonesia is sizable and expanding, which creates a sizable market for automobile goods. But the desire for cars is very responsive to things like interest rates as well as inflation rates that affect the economy. Lowering tariffs and other fees on imported automobiles are two examples of government policies designed to boost auto sales.



(Picture: Porter's Diamond Model, Source: (Griffin and Pusti, 2015))

3. Related and supporting industries: the nation's automobile business is growing, and several local and foreign companies make cars and parts for it. But the industry is still growing, and the quality and dependability of parts and services could pose a worry for Ford Motor.

4. Firm Strategy, Structure, and Rivalry: It speaks to the factors that affect the success of companies inside the sector, including the level of rivalries, the pace of innovation, and the amount of government control (Kotler et al., 2018). Ford Motor Company is competing against a number of local and international rivals in the Indonesian market. With the launch of new products and technology, the firm has adopted a strategy centered on creativity and differentiation in products. Incentives for R&D are only one example of the government's efforts to foster a competitive and innovative environment.

Ford Motor has both possibilities and problems in Indonesia, according to the results of a Porter's Diamond Model research.

Value-chain network

Ford Motor's Indonesian value chain network model:

1. Inbound logistics: Suppliers ship raw supplies, components, or equipment to Ford's Indonesian factories. Ford will require a robust supply chain infrastructure in Indonesia to decrease costs and assure prompt delivery.

2. Operations: Ford's Indonesian production plants must have cutting-edge technology and procedures to produce high-quality automobiles efficiently. To enhance its products and production operations, the corporation needs to spend extensively on R&D (Kasemsap, 2016).

3. Outbound logistics: Ford must establish a strong distribution network in Indonesia to supply items to dealerships and consumers quickly. The corporation may engage with logistical companies to handle its distribution system.

4. Marketing and sales: Ford needs an aggressive sales and marketing approach in Indonesia to increase brand recognition and loyalty among consumers. To assure the availability of goods, the firm operates a nationwide dealership system.

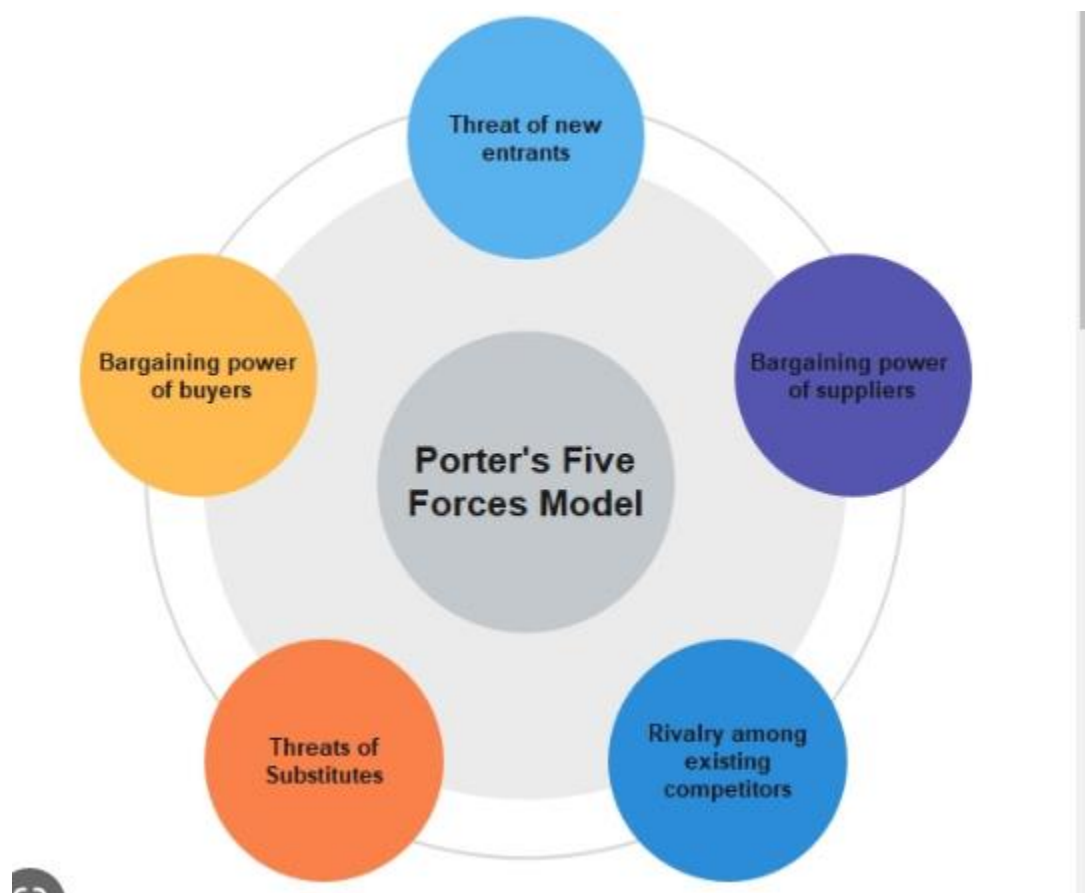
5. After-sales service: Ford may have a specific after-sales support system in Indonesia to serve consumers quickly and efficiently. The corporation extensively invests in training.

Porter's five forces

Ford Motor Company's Indonesian entry analysis:

1. Threat of New Entrants: New Indonesian automakers pose a modest risk. There are no legislative or governmental obstacles to entry, but developing a production plant and a robust distribution network may be costly.

2. Supplier Bargaining Power: Indonesian automobile suppliers have strong negotiating power. Metal, rubber, and various other basic resources power the sector. Imported resources are affected by worldwide demand and supply factors. Due to their worldwide market authority, these material providers have enormous negotiating leverage.



(Picture: Porter's Five Forces Model; Source: (Cantwell, 2017)).

3. Buyer Power: Buyer power in the Indonesian automobile sector is modest. Whenever it involves buying a car, buyers have multiple choices, but they are restricted by their price and other things like loyalty to the manufacturer.

4. **Substitute Products:** The Indonesian automobile sector has modest substitute product risk. Indonesians prefer vehicles over public transit and motorbikes. Cars will stay popular due to a lack of alternatives.

5. **Competitive Rivalry:** There is a lot of competition in the car business in Indonesia. There are a number of well-known players in the market, such as Toyota, Suzuki and many others. New entrants may struggle to achieve share of the market since these businesses have significant brand awareness and distribution systems. Also, there is a lot of price rivalry in the business, which can make profit margins small.

Hofstede Analysis

Hofstede's analysis explains cultural distinctions across nations. Below is an examination of Ford Motor in Indonesia employing Hofstede's six dimensions:

- 1. Power Distance:** Indonesia has an elevated rate for power distance, which means that there's a big disparity among those in power compared to those who aren't.
- 2. Individualism vs. Collectivism:** Indonesians emphasise collective needs above their own. Ford Motor Indonesia might have to concentrate on staff and relations with consumers to thrive.
- 3. Masculinity versus Femininity:** Indonesia possesses an elevated masculinity rating, indicating an increased focus on authority, rivalry, and triumph. Ford Motor Indonesia might have to create an aggressive and achievement-oriented environment to flourish.



(Picture: Hofstede's cultural dimension; Source: (Ferraro and Briody, 2017).

4. Uncertainty Avoidance: Indonesia has a high tendency to minimise ambiguity and danger. Ford Motor Indonesia might have to provide clear instructions and processes to its staff to reduce ambiguity and risk (Natsudaa et al., 2015).

5. Long-term vs. Short-term Orientation: Indonesia ranks poorly on its long-term focus, focusing on short-term profits over long-term aims. Ford Motor Indonesia might require to set short-term aims that match long-term aims to thrive.

6. Indulgence vs. Restraint: Indonesia prioritises pleasure and enjoyment. Ford Motor Indonesia might require to create an engaging and exciting work environment to flourish.

Opportunities and challenges in Indonesia, including corporate governance, business strategy, and cultural sensitivity, with examples.

Ford Motor Company must grasp Indonesia's potential and challenges and develop methods to handle them to succeed there.

Opportunities:

- **Growing economy:** With over 270 million citizens, Indonesia represents one of the globe's fastest-growing countries and a prospective Ford Motor Company market (Ferraro and Briody, 2017).
- **Rising car demand:** While the Indonesian middle class grows, automobile demand rises, especially in big cities.
- **Supportive government policies:** The Indonesian government encourages automobile industry growth and expansion through numerous measures.

Challenges

- **Infrastructure:** Indonesia's infrastructure remains still growing, especially outside large cities that might affect transportation & logistics.
- **Competition:** Domestic and foreign automakers compete for a share of the market in Indonesia.
- **Cultural differences:** Indonesian dialect, faith, and business Strategies must be considered while doing business there.

To handle these possibilities and difficulties, Ford Motor Company should consider:

Corporate governance:

- Establish explicit local law and regulatory compliance standards.
- Create a localised corporate social responsibility strategy.

Business strategy:

- Emphasise safety, fuel economy, and technology to differentiate from competitors.

- Use local vendors for stable supply chains and lower transport expenses.
- Research and design items for Indonesian customers (Natsuda et al., 2015).

Cultural sensitivity:

- Recruit and educate native staff to assist in navigating cultural differences while building strong partnerships with local organisations.
- Market research and charity help generate goodwill and promote local projects.

The fact that Ford plans to sell a halal-approved version of the Everest SUV in Indonesia in the year 2020 is a good illustration of the company's awareness of the importance of cultural sensitivity. The primarily Muslim nation's high demand for halal-certified items prompted this. The organisation collaborated with local partners to make sure the certification process matched local norms and criteria, showing its dedication to knowing and valuing local cultures.

Different problems that foreign businesses face when trying to do business in Indonesia.

There are a number of things that can make it hard for foreign companies to do business in Indonesia. These things:

Complicated laws and bureaucracy: Indonesia have rules and procedures that may prove hard for international companies to understand and follow. For instance, getting the right licences and approvals can take a lot of time, and rules may change often, leaving foreign companies confused and unsure of what to do (Griffin and Pustay, 2015).

Infrastructure problems: Indonesia's infrastructure may pose a big problem for foreign companies, especially those that work outside of the country's biggest towns. For example, it can be hard to move merchandise and raw materials easily if there aren't enough roads or transportation choices (Kuma and Rahman, 2016). Also, companies that need stable power and communication systems can have trouble when the energy supply is unreliable and the internet connection is bad.

Difficulty getting finances: It can be hard for overseas companies in Indonesia to get funds. Even though there are a number of banks in this nation, it may be hard for foreign companies to get loans because of the strict standards and scarce supply of credit. For instance, in the year 2019, the Indonesian government passed a rule that said overseas businesses had to sell 51% of their equity to local firms after ten years of operation (Natsuda et al., 2015). This can scare away overseas investors who don't want to lose control of their business.

Cultural and language barriers: Foreign companies in Indonesia can also run into trouble because of cultural and language obstacles. For example, if one wants to do business in Indonesia, it's essential to know the local norms and ways of doing business, which may be distinct from those found in other nations. Also, Indonesian is a complicated language that may be hard for outsiders to learn. This may render it hard to speak with regional suppliers and buyers.

Strategies and other suggestions that will help FORD MOTOR thrive in the Indonesian market.

Ford Motor Company can do well in the Indonesian market by following these tips and strategies:

Localising manufacturing: Ford should think about making some of its automobiles in Indonesia to lower the expense of shipping cars and make it more competitive in the market. Localization may additionally assist Ford meet the requirements and wants of the local market (Purwanto, 2020).

Build solid partnerships with local suppliers. If Ford builds stronger relationships with suppliers in the area, it can save money, improve the quality of its products, and make its supply network more reliable. This method can also help make output more local and help Ford adjust to the market in Indonesia.

Invest in marketing and branding: Ford ought to invest in successful advertising and promotional tactics to raise brand recognition and push its goods in the Indonesian market. This can be done through the efforts of focused ads, relationships with local leaders, or the funding of local festivals.

Offer prices that are competitive. If Ford wants to compete well in the Indonesian market, it ought to worry about giving prices that are competitive. This can be done by collaborating with local sellers to lower manufacturing expenses and by giving consumers attractive ways to pay for products (Kuma and Rahman, 2016).

Use digital channels. The Indonesian industry is moving more and more toward digital platforms. Ford should use digital tools to sell its goods and offerings, develop its brand, and connect with clients.

Put money into after-sales services. If Ford offers great after-sales services, it can keep people loyal to the brand. Ford ought to invest money in teaching its employees so they can offer excellent customer service after the sale and tempting guarantee and repair packages.

Conclusion

The global Business gives companies access to fresh markets and customers, which may contribute to more sales and income. Companies may minimize their reliance on a particular industry or product and boost their financial performance by branching out into other areas. Ford Motor Company has to first analyse the business environment in Indonesia before deciding on a business plan. In order to fully grasp the market, a thorough investigation is required.

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