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TABLE OF CONTENTS

INTRODUCTION:.....	3
COUNTRY BACKGROUND	3
COMPANY BACKGROUND.....	4
PESTEL ANALYSIS	4
HOFSTEDE ANALYSIS	6
PORTER’S FIVE FORCES ANALYSIS	7
CULTURAL SENSITIVITY IN ROMANIA FOR TESCO TO DO BUSINESS:	8
OPPORTUNITIES, CHALLENGES AND CORPORATE GOVERNANCE FOR TESCO IN ROMANIA	9
ANALYSIS OF VARIOUS BARRIERS FOR TESCO TO DO BUSINESS IN ROMANIA:	10
RECOMANDATION OF STRATEGY:.....	10
CONCLUSION:.....	11
REFERENCES	12
APPENDIX	15

INTRODUCTION:

International business is an organisation that has employees from various kinds of countries, as well as this organisation, has a multilateral agreement on organisation. Other than that, international organisations promote cooperation as well as coordination among the employees in the organisation (Cavusgil *et al.* 2018). International business environment analysis is a type of analysis of the weaknesses as well as the strengths of the business organisation and with that, the opportunities and threats that can be countered in the future by the company in the external environment by collecting both external and internal factors (Hamilton and Webster, 2018). An organisational strategy is a proper strategic plan the leadership team of the company developed to deal with the available resources the business has for supporting the activities of the business (Nayager and Van Vuuren, 2018).

The main purpose of the study is to make a brief analysis of the business environment in Romania, based on PESTLE, Hofstede theory and Porter five forces theory. Other than that, the study also makes discussion the challenges as well as the opportunities that Tesco face by moving their production to Romania. With that, the study also discusses how Tesco can manage its business strategy, corporate governance, as well as cultural sensitivity at the time of doing business in Romania. Along with that, the study also provides an appropriate recommendation and relevant strategies for Tesco to achieve success in the Romanian market.

COUNTRY BACKGROUND

The economy exists in Romania as an upper middle-income economy as it is an ex-transition country. But the country developed a market economy and developed some programs and functions for privatising public business organisations. Romania is trying to build up the standards as well as the criteria of the economic model in Europe. The consumer market in Romania is rapidly increasing and in the year 2019, the urbanisation rate of Romania was 54.8 per cent. The corporate tax rate in Romania is 16 per cent. The consumers in this country do not follow a single brand for purchasing products and services (Groupecreditagricole, 2022). Other than that, in the year 2021, the rate of online consumers in the Romania market was 72.7 per cent.

COMPANY BACKGROUND

Tesco Plc is an English company founded in 1919 by Jack Cohen, with headquarters in Welwyn Garden City, Hertfordshire. According to Mr. John Allan CBE, the Chairman of Tesco PLC, in a yearly report for the year 2022, Tesco currently operates in 5 countries, including the UK, Ireland, the Czech Republic, Slovakia, and Hungary. In contrast to the previous year, the budget year 2022 has increased. The company's operating profit for 2022 was £2,560 million, or £1013 million more than in 2021, and Tesco reported revenue of \$61.3 billion, a 6% increase over the year prior. The company's business plan centres on giving customers priority. By understanding customers and adapting to their needs, the business will succeed, a strategy that has helped it grow up to the present.

Since the year 2000, Tesco has operated on an internet scale, which helps it compete on a higher level. In 2022, online purchases decreased by 6.5% from the year before due to COVID-19 regulations, nevertheless in 2021, Tesco generated 2,3 billion sterling from online sales and fulfilled an average of more than 1,2 million customer orders per week, up from 0,7 million at the start of the pandemic (Tesco Plc, 2022)

PESTEL ANALYSIS

According to Richard et al., PESTEL analysis is based on the examination of market and non-market elements such political, economic, social, technological, ethical, and legal factors. (Whittington, et. al., 2019)

POLITICAL FACTORS

As a member of the European Union (EU), Romania must follow EU rules in both its laws and regulations. For foreign investors, it creates a political environment that is constant and predictable. However, the country is still dealing with problems as corruption and excessive bureaucracy. The last study released on January 31, 2023, showed that Romania's current rate of corruption is 46%, suggesting that it has not altered in recent years (Transparency International, 2023).

ECONOMICAL FACTORS

Romania is a developing economy with a GDP of 291.7\$ billion. The Romanian economy did not have the best year in 2021, but the coming years bring about positive changes. Romania's economy faced challenges because of COVID-19 and the conflict

in Ukraine, but despite these difficulties, the country's GDP increased by 5.7% in 2022, even though inflation reached a rate of 13.80% by the end of the year, according to the statistics provided by "The World Bank" (2022). The low wages in Romania offer businesses the opportunity to keep their operating costs down while maintaining competitive rates.

SOCIAL FACTORS

The population of the country is around 19 million people and the growth rate of the current population of this country is negative due to the high rate of migration. Starting in 2021, the unemployment rate was 5.2%, which is comparatively low when compared to other EU nations. The government is still dealing with a decline in the number of unemployed individuals, nevertheless. The country has a high level of urbanisation; more than half of the population resides in urban areas, thus finding staff for a business shouldn't be difficult (Global Data, 2021)

TECHNOLOGICAL FACTORS

There was a rapid increase in the usage of technology by the people of Romania. Not only that, but there was also an increase in internet connection and mobile phone improvement in the IT sector and Romania invested in a huge number in the IT sector to be advanced (International Trade Administration, 2022).

ECOLOGICAL FACTORS

According to statistics on air quality gathered by Romanian monitoring organisations, there are significant structural flaws. To battle air pollution, it will be essential to track improvements in the monitoring of air quality, the control of the sources of air pollution, such as the use of alternative fuels in aircraft, as well as the provision of more sustainable and effective modes of transportation and energy sources (The European Commission, n.d.).

LEGAL FACTORS

For Romanian businesses, foreign businesses with a permanent presence there (PE), and foreign businesses with effective management in Romania, the standard CIT rate is 16%. Unless a double tax treaty (DTT) specifies differently, resident corporations are taxed on their global income (Worldwide Tax Summaries, 2023)

HOFSTEDE ANALYSIS

Discussing different natures and cultures of different kinds of societies to build a new business Hofstede's theory was applicable (Hofstede, 2023).

POWER DISTANCE

Tesco is a less powerful organisation compared with Romanian organisations. This shows the inequality of power distribution in Romania which can be the cause of trouble for Tesco (Hofstede, 2023).

INDIVIDUAL

In the individualist society of Romania, people are often thought of as group members not only as a person. It will be helpful for Tesco for their management and team building (Hofstede, 2023).

MASCULINITY

A low rating for Romania on this aspect indicates a high standard of living, which is a sign of success, and sticking out from the crowd is not admirable. In Romania, people are more motivated to work. It gives scope for Tesco to gather human resources for their work (Hofstede, 2023).

UNCERTAINTY AVOIDANCE

Romania scores ninety on this denomination and thus gives assurance to avoiding uncertainty. Uncertainty is in trouble for businesses. Getting the ability to avoid uncertainty can help Tesco to increase its productivity (Hofstede, 2023).

LONG TERM ORIENTATION

With a score of 52 Romania can learn from its past and prepare necessary steps for the future. This thinking creates an atmosphere for a futuristic society. For Tesco, this type of society can help to create their product demand (Hofstede, 2023).

INDULGENCE

With an exceptionally low score of 20 Romania became one of the restraint societies. Restrained society did not focus on time management and did not control the

graffuicity of their desire. It can be dangerous for Tesco if their staff are not managing their time at work (Hofstede, 2023).

PORTER'S FIVE FORCES ANALYSIS

Porter's Five Forces helps to identify industry attractiveness in terms of five competitive forces: rivalry, threat of entry, threat of substitutes, power of buyers and power of suppliers. These factors work together to form an industry's structure and allure, and they may assist create an action plan for methods to control in excessive competition. Managers should seek out situations where the company can best protect itself against fierce competition or influence it in its (Whittington, et al., 2019)

THREAT OF NEW ENTRANTS

Due to the high entry barriers, the threat of new entrants in the Romanian retail sector is small. Opening a new retail location requires a substantial investment, and the market is already dominated by strong competitors like Carrefour and Kaufland (Stanciu et. al., 2019). Additionally, Romania's regulatory environment is a barrier to entry because the government sets regulations on international businesses doing business there.

BARGAINING POWER OF SUPPLIERS

In the retail sector in Romania, suppliers negotiating power is weak. Although there are many suppliers, the retail huge companies like Tesco have great power of purchase and may bargain lower pricing with their suppliers. The suppliers do, however, have some negotiating power since, if Tesco does not give them fair pricing, they can decide to send their goods to other merchants (OlyverWyman, 2022).

BARGAINING POWER OF BUYERS

Customers in the retail sector in Romania have significant bargaining leverage. Romania has a sizable number of stores, giving customers a wide variety of possibilities. To draw customers, Tesco must provide high-quality products at reasonable costs. Whereas Tesco operates successfully in the online environment as well, this is an asset that it could use in Romania in terms of buyers (Stanciu et. al., 2019).

THREAT OF SUBSTITUTES

In the Romanian market, alternatives pose a serious threat. Grocery shoppers have a variety of places to choose from, including supermarkets, outlet malls, and internet merchants (Stanciu et. al., 2019). However, Tesco's well-known brand and longstanding reputation for high-quality goods can lessen the threat of replacements. Many businesses grow in Romania in those couple of years. Tesco can easily get its supplies from those businesses. There are many local businesses in Romania so Tesco can take supplies from those local companies.

COMPETITIVE RIVALRY INTENSITY

In the Romanian retail market, intense rivalry is prominent. Tesco is up against strong competition from nationally recognised companies like Kaufland, Auchan, and Carrefour as well as from smaller regional merchants (Stanciu et. al., 2019). Tesco must set itself apart from the competition by providing premium goods at low prices with excellent customer service. By taking proper strategies Tesco can get one step ahead of its competitors. Getting a supportable government in Romania can also help to increase their business.

CULTURAL SENSITIVITY IN ROMANIA FOR TESCO TO DO BUSINESS:

Although most of Romanian people speak English as a second language, it is recommended that Tesco have minimal knowledge of the language and culture. Understanding social traditions will help you build more stable relationships with customers and suppliers. Other elements that lead to a perfect relationship with Romanians in terms of their ethical surroundings are respect and politeness. Understanding social traditions will help you build more stable relationships with customers and suppliers. Other elements that lead to a perfect relationship with Romanians in terms of their ethical surroundings are respect and politeness. As a result, Romania has a vibrant culture that is filled with customs and holidays, it's critical that Tesco recognises this and treats them with respect. Tesco should spend time learning about Romania's culture, customs, and business practises in order to forge solid relationships with local clients and suppliers. Cultural awareness is necessary for businesses operating in a foreign nation (Doing business in Romania).

OPPORTUNITIES, CHALLENGES AND CORPORATE GOVERNANCE FOR TESCO IN ROMANIA

OPPORTUNITIES

There are many types of opportunities for Tesco to do business in the Romanian market. The company can take advantage of the domestic market that provides a low-cost foothold in the country. In 2021, the rate of foreign direct investment increased by almost 141% compared to last year. As a result, global retailers wanting to grow their businesses find Romania to be an attractive choice. The expanding middle class in Romania is a major consumer-driven force (Trade, 2022). Tesco has a great chance to take advantage of this expanding market.

Not only that, but increased digitization in the country is also another opportunity that the company can take to do business. E-commerce in Romania has expanded more quickly because of the COVID-19 pandemic, as more customers are choosing to shop online. Romania's e-commerce market is anticipated to expand further, offering retailers a sizable opportunity (Trade, 2022). Tesco could use its knowledge of internet commerce to create a significant online presence in Romania and take a piece of this expanding industry. Not only that, but there are also other opportunities that Tesco could identify in Romania for its strong points, such as the huge natural resource, improvement in the country's infrastructure or macroeconomic stability.

CHALLENGES

There are a lot of challenges that Tesco can face to do business in the country. One of the main challenges that Tesco faces in the country to do business is that the judicial system of the country is very ineffective and there is a huge rate of corruption as well as political instability that impacts the business organisation of Tesco in a negative way (Trade, 2022).

CORPORATE GOVERNANCE

Tesco is subject to corporate governance regulations in Romania as in the UK, including compliance with local laws and regulations, a board of directors, and policies related to board composition, executive compensation, and risk management. It also has policies related to ethical sourcing, sustainable operations, and community

engagement. Corporate governance practices are focused on ensuring transparency, accountability, and ethical behavior (ScienceDirect, 2015)

ANALYSIS OF VARIOUS BARRIERS FOR TESCO TO DO BUSINESS IN ROMANIA:

The barriers Tesco can face in the business environment of Romania to do business are such as political instability, corruption, and tax administration.

CORRUPTION

Corruption is a huge problem in the country. According to a report, many businesses reported that they have to pay many informal payments for making meetings with tax officials or for permitting any kind of construction, and many other things (Romania Insider, 2021).

POLITICAL INSTABILITY

There is a lot of political instability seen in this country from the year of 2012. There were a lot of difficulties present between the president and PM of the country that caused instability in the political area of the country (Romania Insider, 2021).

TAX ADMINISTRATION

From a report, it is shown that 18 per cent of senior management in the business organisation spend and waste their time dealing with tax regulations. The senior managers of a business organisation have to deal with the undeclared and untaxed activities in the country (Romania Insider, 2021).

RECOMANDATION OF STRATEGY:

In two ways Tesco can be successful in the Romanian market such as through initial marketing campaigns and domestic e-commerce operations. With the initial marketing campaigns such as developing pop events, online and offline campaigns, attending trade fairs, etc. the business organisation of Tesco can be successful in taking some leads. In the initial marketing campaign, the company can collaborate with some third-party local service business organisations to understand the market properly. Other than that, Tesco can do domestic e-commerce operations in the Romanian market which means selling the products or services on different local e-commerce platforms.

CONCLUSION:

The political environment of the Romanian market is very unstable as well as the politics of the country is very much corrupted. Not only that, but the people of the country are also very educated. There is huge development happening in the infrastructure. Other than that, the IT sector of the country is also developing rapidly. The people of the country are now making purchases from online stores. Tesco has to face the barriers of tax administration as the judicial system of the country is very ineffective as well as a report, it is shown that the senior management of the country wastes a lot of time dealing with tax regulations. However, with a well-structured plan, with established strategies, Tesco can operate on the Romanian market.

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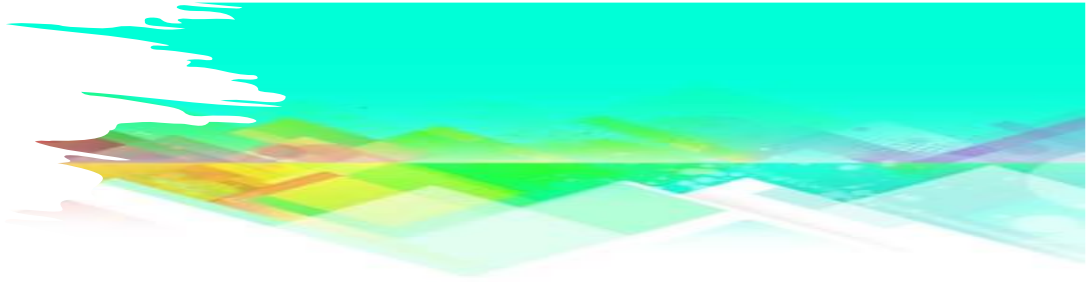
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APPENDIX



Global Business Environment Evaluation of Business environment

Introduction:

International environment in Romania

Presenting the key challenges for Tesco.

Discussing the key opportunities.

Discussing the key issues.

Discuss the ways to exploit the opportunities.



International environment in Romania

- Romania:
- Developing country
- Member of the European Union
- Involvement in corruption and bureaucracy

Indicators	2019	2020	2021	2022f	2023f	2024f	Trend
GDP growth rate (%)	4.2	-3.9	5.9	3.4	4.5	3.5	
GDP per capita (\$)	12,879.9	12,895.9	14,690.6	16,174.6	17,522.2	18,878.3	
Inflation rate (%)	3.8	2.6	4.5	10.9	6.0	3.7	
Unemployment rate (%)	3.9	5.0	5.2	5.5	5.4	5.3	
Exports (% of GDP)	42.8	37.6	36.4	35.8	35.2	34.7	
Current account balance (% GDP)	-4.89	-5.02	-7.1	-7.0	-6.5	-6.1	
General government net lending/borrowing (% GDP)	-4.9	-9.8	-6.9	-8.0	-6.8	-6.6	
General government debt (% GDP)	36.8	49.6	51.4	56.0	58.6	61.4	
Exchange rate (RON per \$)	4.2	4.2	4.2	4.1	4.1	4.1	

GlobalData(2021)

Note: Trend chart are on six-year basis (2019–24f)

International environment in Romania



- High power distance with unequal power distribution
- Individualism society
- Low rating in masculinity indicating a high standard of living
- High scores in uncertainty avoidance
- Medium scores in longterm orientation
- Low scores in indulgence

Hofstede cultural dimensions (Hofstede, 2023)

International environment in Romania



- High entry barriers make it difficult for new players to enter the Romanian market retail
- Strong competitors
- Weak negotiating of suppliers
- Significant bargaining power of customers
- Various options for grocery shopping (Stanciu et. al., 2019)



Key opportunities in the Romanian market:

- Increase in the development of ICT and technology that help the company to attract customers .
- Increased infrastructure development helps the company to build business effectively (Industrial , 2021).



Key opportunities in the Romanian market:

- Increased online shopping helps the company to build an online shopping facility .
- Macroeconomic stability helps the company to grow without any external challenges (Trade, 2022).

Key challenges in the Romanian market:



- For the low productivity level of the workers, Tesco can face the challenge to make a great productivity level .
- People do not purchase products from any company so Tesco faces the challenge to attract customers (Industrial , 2021).

Key challenges in the Romanian market:

- For the ineffective judicial system, the company faces challenges
- For corruption and political instability, Tesco faces the challenge to grow the business effectively (Trade, 2022).



Key issues in doing business in the Romanian market for Tesco:

- One key issue for Tesco is the corruption level of Romania .
- Another key issue in Romania for Tesco is the political instability (Romania Insider, 2021).



Discuss the ways to exploit the opportunities in the Romanian market for Tesco:

- Tesco can use macroeconomic stability to build business effectively without facing any challenges.
- Tesco can use increased infrastructure development to set up the business properly (Industrial , 2021).



Discuss the ways to exploit the opportunities in the Romanian market for Tesco:

- Tesco can use increased online shopping to build online shopping.
- Tesco can use increased development of technology and ICT to build advanced technologies to make effective business (Trade, 2022).



Discuss the ways for managing the challenges in the Romanian market for Tesco:

- Doing domestic e-commerce campaigns by collaborating with local businesses to sell the product or service to local customers (Trade, 2022).
- Doing initial marketing campaigns such as online and offline campaigns, attending trade fairs, etc.



Limitation of the recommendations:

- If Tesco does not implement the recommendation in a proper way then it can not overcome the challenges in the Romanian market (Nibusinessinfo, 2022).



Conclusion:



- One key opportunity for Tesco is macroeconomic stability .
- Another key opportunity for the company is the increased development of infrastructure, ICT, and technology.

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