

Global Business Environment

Kaloyan Belchev 2127997

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Introduction

The global business environment is quite more complex than the domestic business environment and this type of business environment has several factors that have significant effects on the overall business performance (Morrison, 2016). Matalan is a British family-oriented multinational business that indulges in manufacturing fashionable and retail clothing products at a low cost. Considering this business, India is selected because that is a developing country. In this country, this multinational business can start its business operations. That is why the business environmental analysis will be conducted considering different analysis tools. Then, the opportunities and challenges will be critically evaluated. Finally, those opportunities and challenges will be assessed considering the case of the retail clothing sector in India.

Task-1: Report

Introduction of international business and business environment analysis and organizational strategy

International business requires more critical and complicated issues than a local business because a local business faces local competitors and local market strategies (Wild and Wild, 2017). In this case, the competition is quite lower and the market provides lots of incentives to the business for flourishing the sector effectively. Matalan is a UK-based multinational company that deals in fashion and homeware products as a retailer. This multinational business was introduced by John Hargreaves and made it a family-oriented business. By the end of 2021, the company is now having more than 13,500 employees and it needs to operate its 230 departmental stores that are located not only in the UK but also in some middle-east countries. This multinational business was founded in 1985 and since then, it has been upholding its brand image diligently through the distribution of fashionable retail products in the market. This business mainly focuses on clothing and homeware and it is the endeavor of the company, especially John and Jason who is the chairman and managing director of the business respectively, to ensure 100% quality in those products so that it can satisfy its global customers. From the financial statements of this business, it is found that the sales growth of this business has been 38% which was equivalent to £1,027 million by the end of February 2022. (Source: Online Clothes Shopping - Shop Latest Fashion, 2022)

Business environment analysis: The business environment of fashion retail across the globe requires slow fashion since 2007 and the products are quality-based. In this case, the designer push model is always prioritized. Local production in a specific country, fair trade, recycling options, higher quality, organic fabric like cotton, wool, silk, linen, etc. get prioritized. In this case, the original price is more expensive, and eco-friendly products are the trending issue. The local market is quite competitive as the British fashion retail sector is having Next Co., Mark and Spencer, Debenhams, and so many fashion retail in the UK.

Organizational strategy: Matalan follows an international business strategy and it is known as the British homewares and fashion value retail business. Matalan is a value family retailer that runs its overall business functions effectively in the local market that is quite competitive and envisages demand preferences, quality goods, and services, as well as quick delivery to the targeted customers.

India Retail Fashion Industry

India is selected for Matalan because of the rising demand for fashion products. The changing demand and taste patterns of the consumers, potentiality, and the rising demand for fashionable clothing and homeware are the most notable thing in this sector. India is a developing country and this developing country believes in the power of youth; that is why the sector always welcomes new businesses and urges the new entrepreneurs to implement their creative ideas and innovation (Chavan, 2018). The total apparel market in India is equivalent to £210 crore. It is estimated that the fashion retail sector in India will reach £1.5 trillion by 2030. Matalan can grab the market opportunities in India's fashion retail sector through the use of basic infrastructure, untrained staff, luxurious experiences, and so on (Jasnoor, 2022). In this developing country, Matalan can find benefits from bringing its fashionable clothing to the Indian fashion retail industry as the buyers are interested in buying such fashionable retail clothing products. Like other new entrepreneurs, this British multinational business company can invest money and time in this developing country's fashion retail sector following the fashion trends across the globe. As a developing country, the country is having a significant margin of middle-class and low-middle to low-class families who cannot afford premium pricing fashion clothing items. That is why retail clothing is one of the most popular clothing items across the country. Matalan needs to envisage these issues and bring its value-based products into this sector.

Application of theories of the business environment in India

For analyzing and exploring different aspects and factors of the business environment in India, different analysis tools are used that can help assess either the external business environment or competitive edge, or other relative issues (Morrison, 2016). So, these tools are going to be applied considering the case of the business environment in India. Like-

PESTEL analysis



Figure 1: PESTEL analysis

Source: (Morrison, 2016)

Political: This developing country is a parliamentary democratic secular republic country where the government is based on the federal structure. The Trade Ministry of India is quite strict about rules and regulations in global business; still, the level of tariff and trade controlling issues remains in a sustainable position. Even, the government has urged the entrepreneurs and supported them to explore creative business concepts. The entry of foreign retailers and the

corporate sector is quite smooth in this sector which is one of the most lucrative entries in the south Asian region. This developing country has recently experienced the end of import quotas on textile which is one of the positive issues for global businesses.

Economic: Due to the pandemic situation, this development faced a negative growth rate for the very first time in its history. The value of the Indian currency, Rupee declined and the purchasing power of consumers in different sectors deteriorated (Madhava Rao, 2020). The economic crisis was quite chronic during 2020 but in the middle of 2021, this country has been recovering from the downfall of the entire economy. The positive economic result has been seen in the rise in the income level of the people in this country. People are now able to buy retail clothing as their basic need but the war between Ukraine and Russia has been affecting the price level of materials that has also effects on the prices of retail clothes. The fall of currency value has been raising hope for the retail clothing sector that the businesses or garments in this country can have labor at a lower cost and generate a significant profit margin.

Social: India has a diversified culture as almost 130 crore people are having various thoughts, opinions, beliefs, cultures, social norms, etc. but the globalization concept and modernization and urbanization have significant impacts on such cultural diversity in this country. It is identified that people are prone to obtain education and get used to the western culture. That is why both men and women like outfits like people in western countries. The growth of middle consumers in this development is quite noticeable as the number of women workers (Jasnoor, 2022). These can make it easier for the retail clothing business, especially the global retail clothing can have many customers who like to pay for quality products at reasonable prices and employees or workers at a lower cost. Besides, the modern lifestyle in this developing country can support the demand for fast fashion.

Technology: India is such a developing country that is known for IT services. This country can provide quality and effective IT services at a low price to the citizens. That means it is the internet that creates new ways of distributing fashion and addressing customers in the retail clothing sector. The retail sector in India can utilize retail technology for streamlining inventory management which also aids in lowering shrinkage to better estimate inventory needs (Ojha, 2020). Automation in this sector is quite significant because it aids proceed inventory and creates efficiency across the supply chain. Besides, the automation and modern equipment in the retail clothing sector help free up capital for business growth. E-payment system has accelerated the transaction process that has maximized the sales volume of the retail clothing

businesses in India. Besides, online marketing and social media marketing are quite popular in this developing country as the country is having the highest number of internet and smartphone users in the world.

Environmental: The retail clothing sector is quite dependent on the production of crops and this production of crops has significant effects on the environment. The entire sector gets affected by two major perspectives and they are the use of raw materials and supply chain management (Worthington and Britton, 2014). The retail clothing businesses in this country are responsible for using a toxic chemical that pollutes the water and emits carbon that contaminates the air. Besides, the use of all sorts of natural resources has significant and negative effects on the environment. In this case, the national and international organizations urge businesses to minimize this type of activity or think of alternative ways for saving the environment.

Legal: Like other countries, the businesses in India also need to abide by some crucial laws including consumer law, discrimination law, health and safety law, employment law, import, and export law, and so on. The new companies in India need to obey the New Companies Act 2013. Besides, Competition Act-2002, Foreign Trade Act-1992, Income Tax Act-1961, etc. have significant effects on both domestic and global businesses (Jasnoor, 2022). The retail clothing sector in India always focuses on developing labor standards, especially in the case of emerging countries, and lowering cost advantage. The legislative issues in this sector are trying to reach to control chemicals utilization.

Porter's diamond

This is an economic theory that is used for explaining the reasons for which the companies in a particular sector indulge in enjoying the competitive advantage in this area. This diamond model aids businesses, like Matalan to find out the issues for developing their performances in the new or the existing market. This model looks like this:

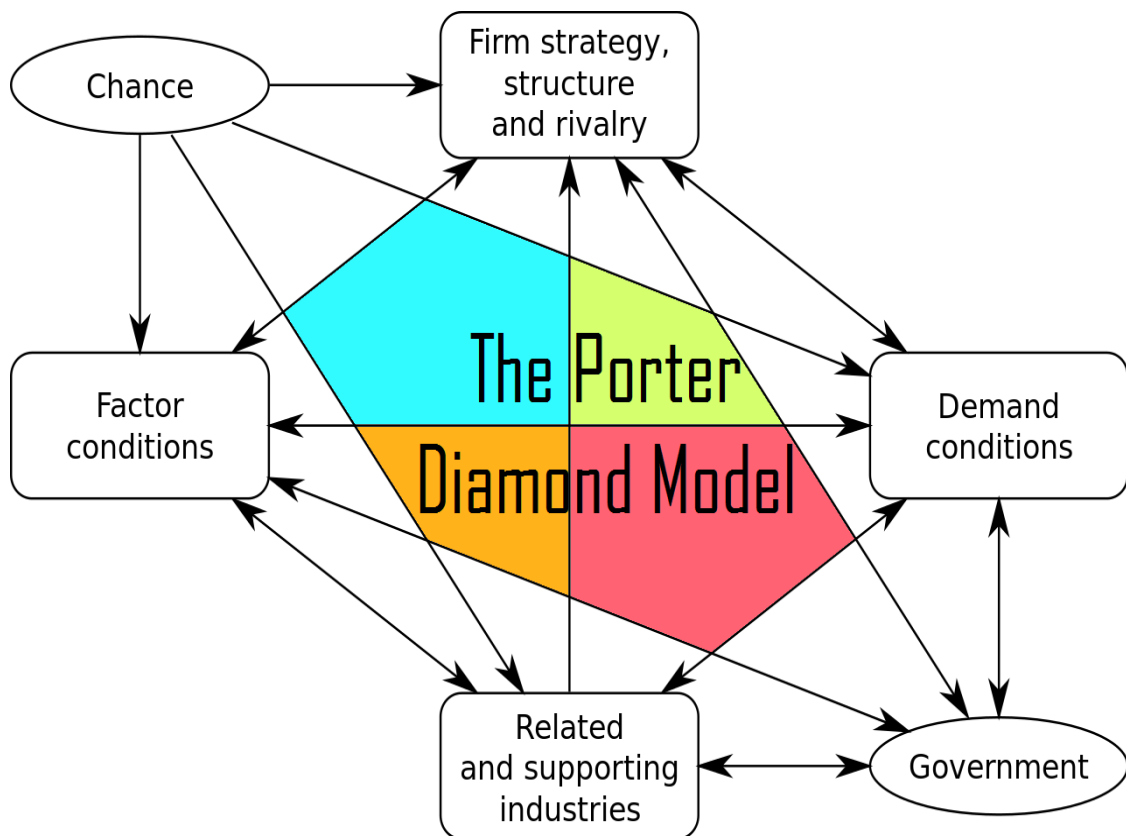


Figure 2: Porter's diamond model

Source: (Morrison, 2016)

Firm strategy, structure, and rivalry: The competition in the Indian retail clothing sector is quite supportive and also competitive. Matalan can drive innovation and quality in this sector and this multinational business can face lots of competition and rivalry (Chavan, 2018). As a result, this company can be on track which will help execute organizational strategies and compete with the existing competitors in India. Matalan can utilize its innovative and quality goods and services in this field.

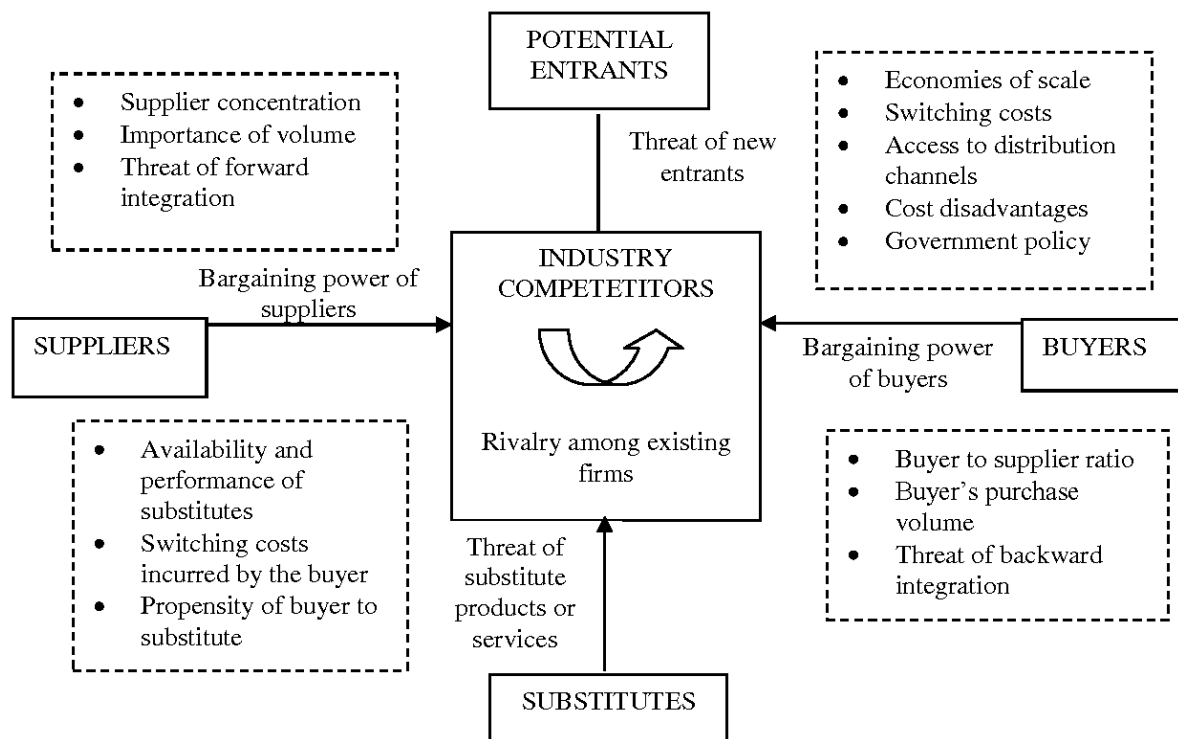
Factor condition: India is such sort of developing country that has lots of sophisticated homebuyers. These types of buyers have both awareness and demand for quality and creative products that can generate global competitiveness.

Supporting industries: There are related and supporting industries in India that can support the retail clothing sector in this country. These are the inputs for this developing country that drives the success of this sector (Tran, 2016). Like, the fabric and cotton suppliers help provide the raw materials for manufacturing the retail cloths in India which can also help drive the success of the retail clothing industry.

Factor Input Conditions: These are the issues of production and this includes skilled employees, literacy rate, capital, climate, and infrastructure. All these issues in this developing country are getting modernized because skilled employees always have potential educational backgrounds (Bandyopadhyay, 2012). Even, the entire country is now focusing on infrastructural development and huge capital investment. Climate change also affects the businesses in this developing country.

Porter's five forces

Porter's five forces of the retail clothing or the apparel industry in India require some effective issues that make the entire sector quite competitive. It includes:



Source: (Mann and Byun, 2011)

Critical evaluation of the opportunities and challenges for the business and how to manage aspects of corporate governance, business, and cultural diversity in India

Opportunities and challenges

A multinational business, like Matalan in India, can find and explore lots of opportunities. Like, the government support and friendly business environment always attract global businesses to set their business operations in this developing country (Rugman, 2012); but the economic conditions have been fluctuating since the beginning of Covid-19. The social and cultural issues are getting modernized as the people in this country are getting attached to western culture and globalization. Besides, import quotas are getting relief from the additional pressure. That is why it can be beneficial for this business in operating its operations in this country.

On the other hand, an economic crisis in India has had negative impacts on several economic issues, especially the inflation rate, purchasing power of consumers, tax policies, demand and supply conditions, etc. are major issues that have been threatening the existence of the business (Wild and Wild, 2017). In this case, a global business, like Matalan can face lots of challenges. Like, this company can face environmental factors including pollution, carbon emission and footprints, use of toxic chemicals, and so many other issues.

Ways of managing viewpoints of corporate governance, business, and cultural diversity

Corporate governance of the business includes some effective issues within the business, like board and committee, legal and regulatory system, policies, processes, transparency, hierarchy, and internal control. The major mission of this business is to provide outstanding quality and value for modern families (Ojha, 2020). In this case, its core competencies insist on listening time, understanding, and evolving to fit the changing modern family. This emphasizes providing the highest quality clothing and homeware that are offered at the lowest price.

These issues are quite related to the Indian retail sector where this business can implement placing strategies, late-night openings, convenient parking, everything under one roof, offering free click and collecting services, and so on (Jasnoor, 2022). Targeted consumers in India can find the goods and services of Matalan enjoyable. Supporting communities and charities is always essential for Matalan and this company can find this in India also.

Different barriers experienced by foreign business in India

There are divergent barriers faced by foreign businesses. Such barriers are usually language barriers, cultural divergence, managing global teams, currency exchange, interest, and inflation rate, foreign politics, and so on.

In India, foreign businesses can experience trade barriers because foreign businesses are conditioned by insufficient infrastructure. Besides, they need to face high tariffs and technical errors that are hindrances to obtaining success in India.

Foreign businesses also need to conduct import licensing and go through the testing, labeling, and certification (Chavan, 2018). Anti-dumping and countervailing measures, as well as export subsidies and programs, are also potential barriers for foreign businesses.

Multinational businesses in India need to envisage and implement different policies for operating business functions in this country. In India, there is a lack of transparent policies and decision-making authority and there exists an FDI regime.

Appropriate strategies and relevant recommendations

After assessing lots of external factors that are available in the Indian retail clothing sector, Matalan can follow its multinational strategy.

Multinational strategy: In this case, the business needs to operate as a stand-alone business unit in multiple countries and the major purpose is to optimize the goods and services considering the tastes and choices of local customers and competitive edge for obtaining the competitive edge (Pavlin, 2013). Besides, the company can observe low global integration and high local responsiveness.

Franchising: This multinational company has also business operations in the middle-east countries. In this case, it follows the franchising option, franchising is such a sort of global business strategy that helps outline the core objectives of the business and realize the landscape in which the business can operate (Rugman, 2012). In the Indian retail clothing sector, Matalan can find lots of benefits, like there will be no capital layout for the newly franchised retail clothing stores and these will be opposite to the corporate-owned stores.

Task-2: Evaluation of business environment

Presentation on Evaluation of business environment of Matalan

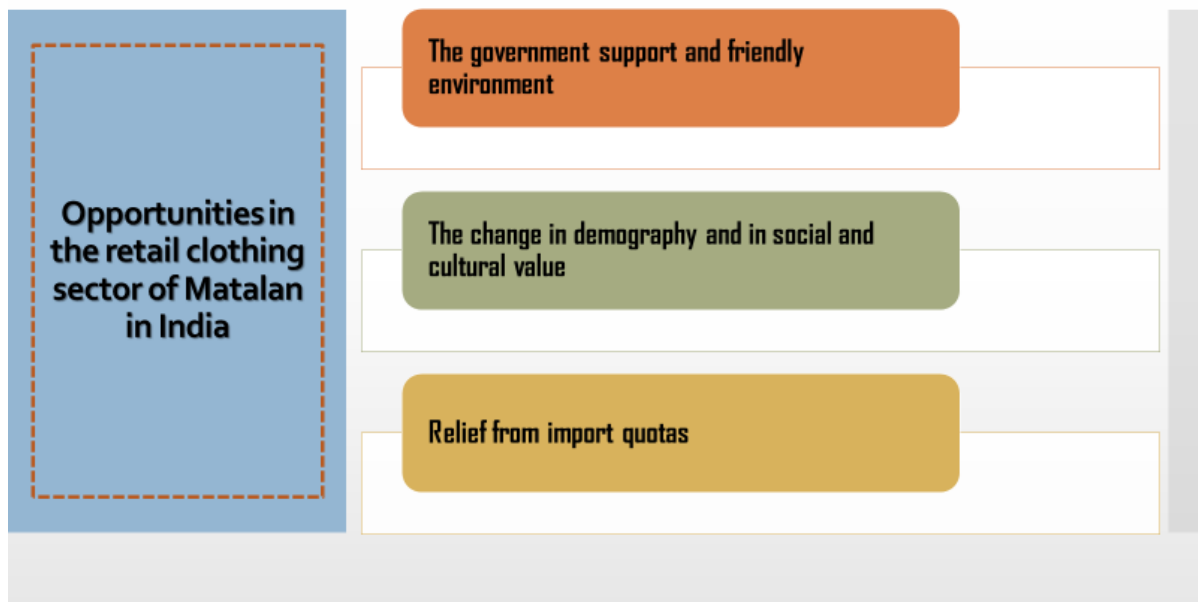
Note: Welcome to this presentation.

Introduction

This presentation is going to represent opportunities and challenges of Matalan in the selected country that is India. India is a developing country located in the South Asia that has lucrative retail clothing market. So, considering the overall business environment and available potentiality in this sector. The positive impacts of the opportunities and the negative impacts of challenges or barriers will be assessed and analyzed in the case of the required strategies.

Note: This presentation is going to uphold the opportunities and challenges in the selected country that is India. India is a developing country located in South Asia that has a lucrative retail clothing market. So, considering the overall business environment and available potentiality in this sector. Though the sector is quite unorganized, it has a plethora of opportunities and challenges that can help obtain growth for the new entrance in this sector

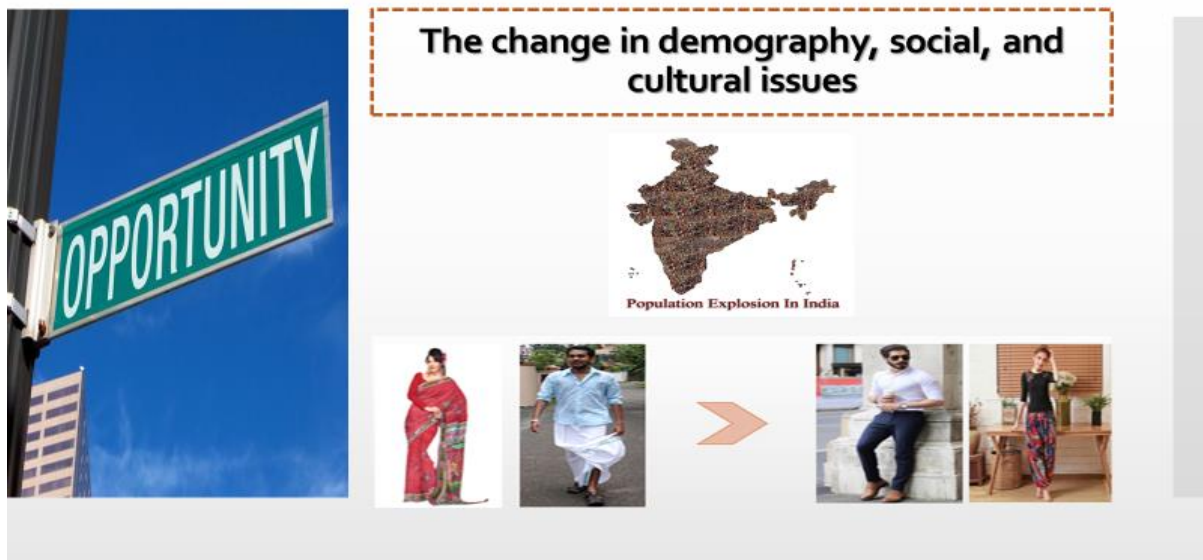
regarding the local and global backgrounds. The positive impacts of the opportunities and the negative impacts of challenges or barriers will be assessed and analyzed in the case of the required strategies.



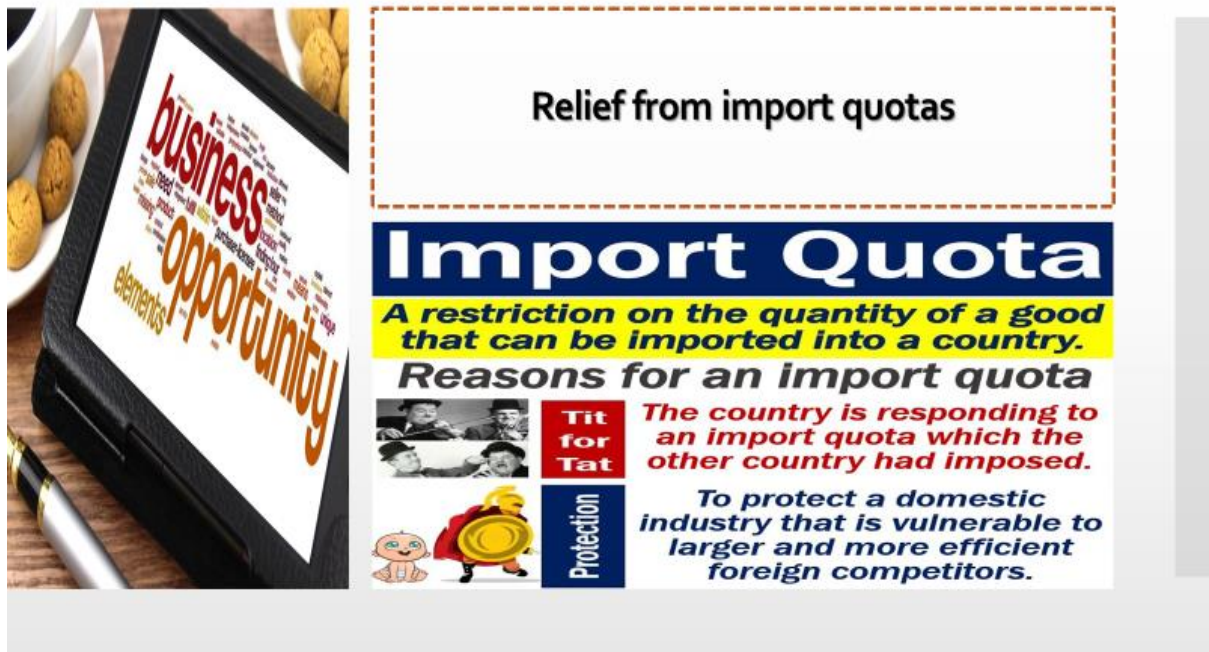
Note: While conducting the report, several opportunities have been identified. Among them, the potential opportunities in the retail clothing sector in India have significant impacts on accelerating the performances of the businesses (Bhandarker, 2014). Matalan is a multinational business that can explore those opportunities in such a country's retail clothing sector. The government in India is quite supportive of businesses and the retail clothing industry indulges in utilizing the support provided by the government. Besides, the retail clothing or apparel sector is quite friendly as the businesses provide aid to each other in their difficulties. Global businesses are seen in operating different charities as well as conducting sustainable business activities. Then, the entire retail clothing sector in India has been observing a significant change in its demographic factors. Like, there is a population boom in India and the retail clothing sector gets pressurized for evolving new businesses so that the new businesses can fulfill the increasing demand (Chavan, 2018). Besides, people living in India are changing their taste patterns and preferences in clothing styles. Their cultural values are getting modernized day by day which has significant impacts on the retail clothing sector. Besides, the existing global businesses are now getting relief from the import quotas.



Note: The first opportunity found in the report is the government support and then the friendly environment of the retail clothing or apparel sector. The government always provides support to the local retail clothing businesses. Like, the government incentives during the lockdown period were quite praiseworthy. This industry has also noticeable contribution to India's economy and that is why the government always provides its helpful hands to the sector so that it can move on and make the country's economy productive (Chavan, 2018). All the support from the government and non-government organizations and authorities has made the entire retail clothing sector friendly. Like, the employees in this sector enter the business with low skills and efficiencies but they are provided with quality training and learning facilities for developing their existing performances. On other hand, a business facing a financial crisis can get aid from banks, non-banking financial institutions, and so on.



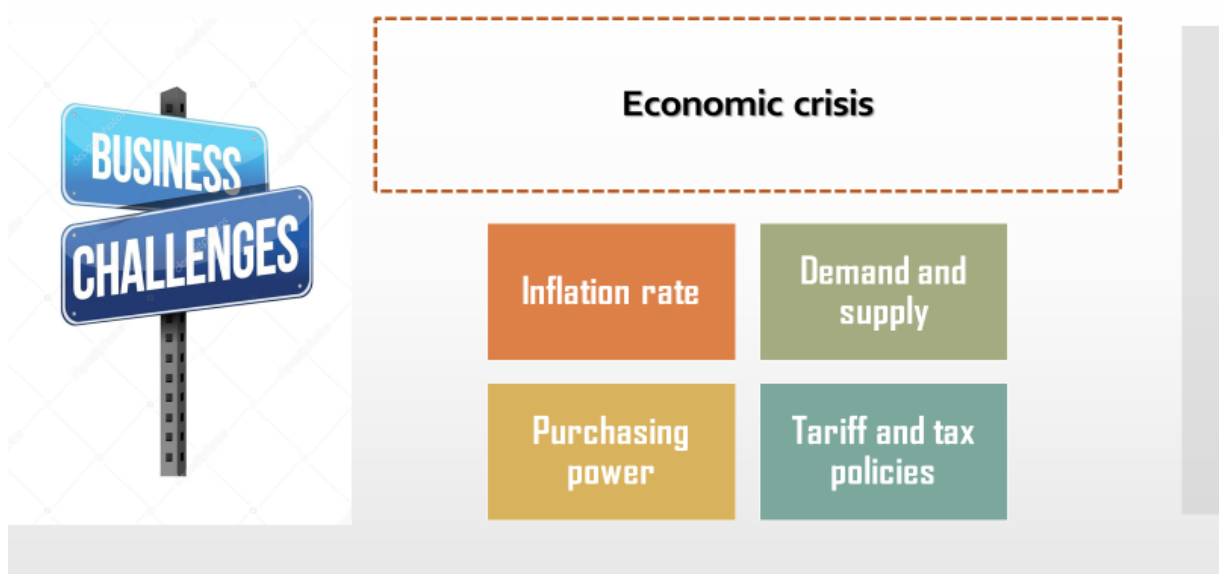
Note: Then, another opportunity for business in India is the change in demography and social and cultural values. There is a population explosion in India and many global businesses are trying to utilize this changing demographic issue. It is expected that India will be the most populous country in the world by 2050 and lags behind China which is now in the number one position. Global or multinational businesses can utilize this issue because there will be lots of employment opportunities and the employees can be hired at a lower cost than in other countries. Like, the labor cost in the UK and also in the middle-east countries are not the same where the labor cost in India is quite less than in those countries where Matalan has several retail clothing stores (Jasnoor, 2022). That means such a population explosion can help this multinational company reduce its operational costs and then this business can earn more profit itself. On the other hand, people in India like to wear western outfits more than traditional Indian dresses, especially in the urban areas, people like wear denim, shirts, pants, western dresses, and so on. Even, people are now fond of a brand as they go for buying branded items, especially the affection is towards the global brands. The changing nature of the social and cultural norms and behaviors are quite noticeable and significant in India.



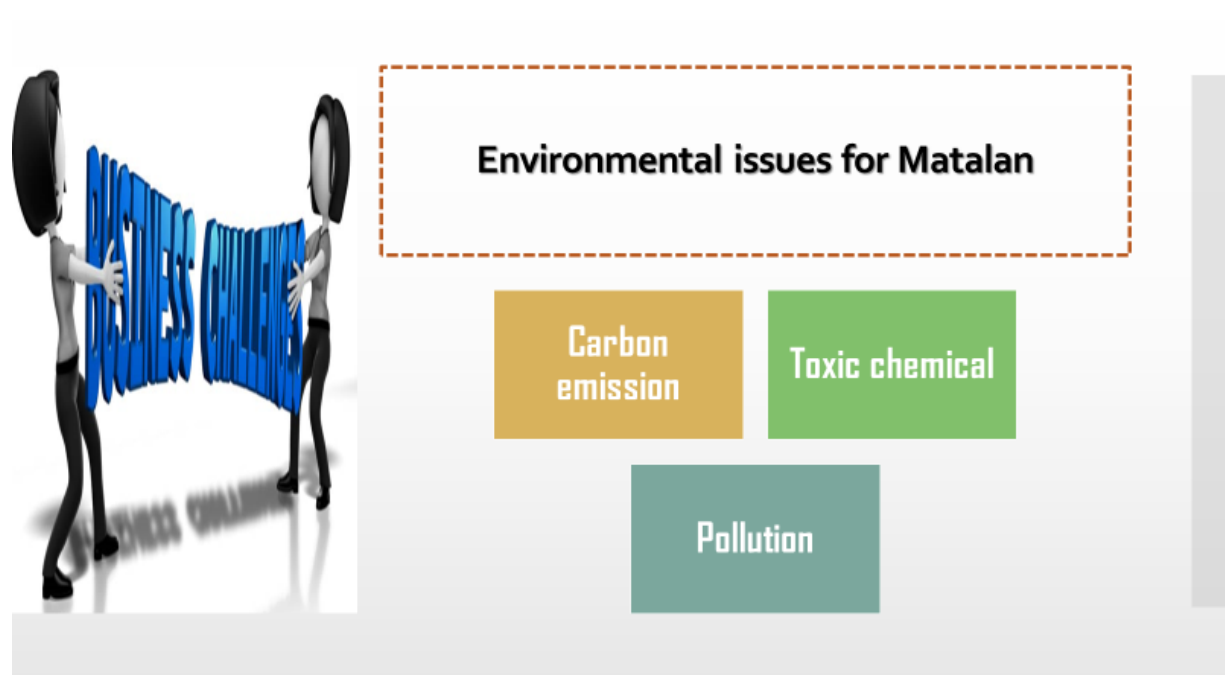
Note: Import quota is one kind of restriction for multinational businesses in a specific global market. It is such sort of restriction on the number of goods and services that can be imported into a particular country, like India (Bandyopadhyay, 2012). There are several reasons for the import quota and the bilateral relation between the home country and the foreign has a significant impact on international trade (Madhava Rao, 2020). It is used for protecting a domestic industry that is vulnerable to larger and more efficient foreign competitors. Like, The UK needs to respond to the import quota which India may impose. But the good news Matalan can get access to the Indian retail clothing sector without facing any restrictions in the form of import quota.



Note: In the case of challenges, two major challenges may create a hindrance for the global business in the Indian retail clothing sector. Like, economic crisis and environmental issues are the major challenges in the retail clothing sector in India (Ojha, 2020). Economic crisis can create lots of challenges for both local and domestic businesses and sometimes it is quite difficult for that business to sustain their lucrative position in the market. On the contrary, the retail clothing or apparel sector in India is facing lots of troubles and restrictions in polluting the environment and that is why lots of embargos on the businesses are being imposed that cause additional costs for the businesses in this sector.



Note: Economic crisis in India is quite noticeable nowadays because the crisis has begun showing its disastrous effects on the whole economy of the country since the starting of the pandemic situation. Due to the frequent shutdown session, the businesses are bound to stop operating their business functions and they couldn't ensure effective demand-supply conditions (Jasnoor, 2022). Though the entire economy has been recovering, international politics is not a stable situation. That is why the inflation rate keeps rising and this has disastrous effects on the purchasing power of consumers in India as this is a developing country and most of the people still live below the poverty line. In this case, it will be difficult for global businesses to maintain demand and supply conditions in the retail clothing sector.



Note: The business can face challenges in the field of environmental factors. The negative issues including carbon emission, toxic chemicals, and pollution have disastrous effects on business operations (Mann and Byun, 2011). The retail clothing and apparel businesses in India are responsible for emitting lots of carbon into the air. Besides, businesses are observed to use toxic chemicals and materials for manufacturing the core and ultimate goods and services (Bandyopadhyay, 2012). The overall activities of the businesses in this sector have been affecting the environment and the natural resources.

Conclusion

This presentation has represented opportunities and challenges which are available for Matalan in India. Opportunities, like the government support, friendly environment, the change in demographic, social, and cultural values, and relief from import quotas have significant impacts on the business performance. Challenges include economic crisis of the country and environmental factors that have negative effects on the business performance.

Notes: This presentation has represented opportunities and challenges in India. Opportunities, like government support, a friendly environment, changes in demographic, social, and cultural values, and relief from import quotas have significant impacts on business performance. Challenges include the economic crisis of the country and environmental factors that have negative effects on business performance.

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Conclusion

India was selected because that is a developing country. In this developing country, Matalan can start its business operations through the adoption of a multination business strategy and franchising strategy. That is why the business environmental analysis has been conducted considering PESTEL analysis and Porter's diamond model. This analysis helps identify divergent opportunities and challenges. Then, the opportunities and challenges have been critically evaluated. Finally, those opportunities and challenges have been assessed considering the case of the retail clothing sector in India in the presentation.

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