



BA BUSINESS MANAGEMENT

Assignment 1

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Introduction

The global business environment means a specific environment in various sovereign countries that influences the processes of decision-making on the use of resources and capabilities. TESCO, which is a UK-based company, wants to move its production facilities to Brazil. This report on the global business environment will involve an inclusive introduction of international business and business strategies to succeed in Brazil. Various applications of theories and different barriers experienced by foreign businesses will be analysed in this task. Various strategies of TESCO to succeed in India and some effective recommendations to enable the success of this company also will be discussed here.

International business and business environment analysis and organisational strategy

TESCO plc which is a general merchandise and multinational grocery retail company started international expansion about 10 years ago. This company expanded its business in various countries in Asia and Europe. More than half of TESCO sells its products outside of the United Kingdom. TESCO also faces various challenges at the time of entering the business market of the UK. TESCO already has more than 40 years experience in international marketing (Krummel, 2022). There are different environmental factors which are affecting this retail company. These factors are impending and current legislation, tax rates, political instability, economic condition, unemployment rate and many more. TESCO is one of the most powerful brands in the United Kingdom which generates long-term value. The primary organisational strategy of TESCO in the business market of the UK is about releasing value from its estate and repurposing space to increase its offers to the customers.

Introduction to Brazil

Brazil is the largest country in the entire South America and also the fifth largest nation in the world. Brazil has already advanced its industries in the fields of steel, iron and cement production, automotive, petroleum processing, aerospace and chemical production (de Oliveira et al., 2018). The beverage and food industry is one of the most crucial and significant parts of the sub-sector of manufacturing. Brazil has an indirect impact on performance due to a lack of innovation (de Oliveira et al., 2018). Building a commercial presence in the business market of Brazil gives the companies easy access and also allows the companies to take opportunities for trade agreements.

Application of theories of business environment

PESTLE analysis

Political factors	Economical factors	Social factors	Technological factors	Legal factors	Environmental factors
Proactive government Presence of corruption while starting a business	Large number of population Decreased difference between poor and rich	Low purchasing power Imbalance of economic conditions.	Poor technological infrastructure Weak investment in technological sectors	Time-consuming and prolonged legal environment Huge process in taking legal permission	Variety of spices and resources Strict regulations and rules

Political factors: The political situation of Brazil is very much stable because the government is very proactive. Political changes can result in different economic reforms in Brazil (Nandonde, 2019). A major issue which is also prevailing in this country is corruption at the time of starting the retailing business of TESCO; some additional payments are needed to enter the business market.

Economical factors: A huge population and the flow of Foreign Direct Investment generate many opportunities to develop a business (Capobianco et al., 2021). There is a golden opportunity for TESCO to start an effective business in Brazil.

Social factors: More than 19% of the population lives below the level of poverty and for that reason; the purchasing power of customers is very low. There is a huge imbalance in economic conditions among the people of Brazil.

Technological factors: Poor technological infrastructure and lack of advancement weakens the country and does not take initiatives to upgrade the technologies (Nandonde, 2019). It can create an obstacle for TESCO for the lack of advanced technology at the time of operating its practices of business.

Legal factors: There is a time-consuming and prolonged environment in Brazil and this country is also bureaucratic. In order to consider environmental reflection safety and health considerations is as a huge role in a large organisation n (Capobianco et al., 2021). Huge paperwork is needed here at the time of starting a business.

Environmental factors: Main environmental factors of Brazil are having various species and resources. The industrial sector of Brazil designed many regulations and rules.

Porter's diamond

Factors conditions: A development in the foreign investment, exports and service economy helps this country to grow the GDP of Brazil. The presence of various spices and resources in Brazil also helps TESCO in its further business.

Demand conditions: The huge demand from local customers of Brazil can push TESCO to develop, innovate and improve the quality of its products. Some offers and discounts can also increase the satisfaction level of customers.

Supporting and related industries: The related industries can help this company by encouraging and providing support materials that are needed for a successful operation in Brazil. Business organisations are seen as some social actors in complex systems (Papaluca, Sciarelli and Tani, 2020). The presence of supporting industries also helps in the development of this entire industry.

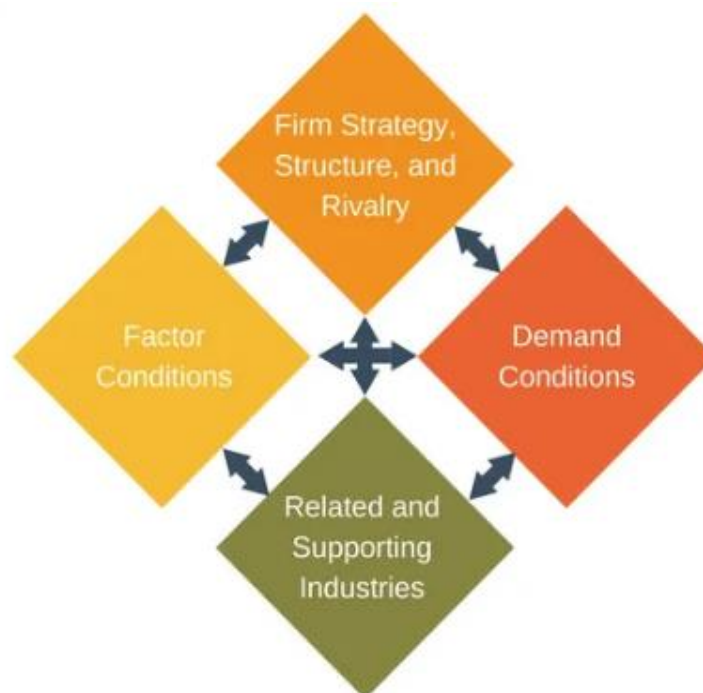


Figure 1: Porter's diamond model of business environment

Source: (EPM, 2022)

Firm structure, rivalry and strategy: The main strategy of TESCO is to focus on the customers of Brazil by providing high-quality products. Due to the results of the Covid outbreak, there are so many competitions in Brazil (Maia et al., 2019). This company offers quick and easy access to the supervisors and the managers which help in the progress of TESCO. Local rivals of this company influence its focus and strategic development.

Value network

The value chain analysis or the network helps to identify different things at any business-related company, Tesco is no exception. The value chain also helps to develop the global business environment in different countries. A value network is the group of connections between the individual and the organisation about the business benefits of the entire group. Some value network advantages will help the Tesco business organisation.

Competitive advantages: Value chain analysis helps to identify the possible sources of the competitive advantages. Value networks through the business organisation and the individual develop the planning process to evaluate and spread the business in another country (Zhao, 2021). Value networks also analyse the economic activities in the competitive business field. Through the value chain or the network, a business company can sustain its market value in the competitive business field.

The nimble and smart inbound logistics: The nimble and smart inbound logistics help to depict the business strategy of the overall leadership cost management. The company's main target or strategy is to attain the minimum cost from the supplier so that the company can evaluate the business status and bargaining power (Alford, Visser and Barrientos, 2021). The company approved a vendor list, upgrading productivity to grow the efficiency of the inbound logistic operation in the business field.

Porter's five forces

Porter's five forces are mainly customers, suppliers, new potential market entrance, the company's competitive rivals and substitute products. These five forces can evaluate the Tesco Company in Brazil by analysing each section.

The problem of the new entrance: Tesco is one of the greatest multinational retailers across the world so there are many threads from the newcomers in the business which Tesco has

faced. Tesco is mostly affected by the threat post of another new entrance in the business market field (Irfan et al., 2019). Giant sellers like Tesco are not well matched for the newcomers because it is difficult for the newcomers to give discounts or cheap rating products to customers to sustain.

Substitute's thread: Tesco generally sells different kinds of grocery products which are used in daily life. Every year its demand is increasing so the product's price will increase. Consumers have faced difficulty sometimes if they want the products at a minimum price. So Substitute's threat is affecting Tesco's business operation many times.

The bargaining of the consumers: The bargaining power of the consumer is increasing day by day. On the other hand, the main dealer or the caterers give the products to the retail shops in the high range so it is difficult for the shops to sustain the consumers.

The bargaining of the suppliers: The bargaining power of the suppliers is decreasing when the products are offered by Tesco (Caballero-Morales, 2021). It is difficult for the suppliers to sustain the retail shops or appropriate vendors to sell the products at a minimum price.

Competitive rivalry upgrades: The number of competitors arising each year in the business market field. So it should sustain the products or the consumers at the Tesco business organisations. Many innovative technologies should develop in the Tesco organisation.

Hofstede model

The natural culture or the Hofstede model simply depicts communication campaigns and marketing strategies based on the local cultural demands. The local culture depicts the norms, values and traditions of the specific country or community. Here is the two countries are depicted such as UK and Brazil, Hofstead model help to analyse the business campaign of these countries. In that sense business country like UK also campaigns in other countries to understand the different consumer's behaviour and buying patterns.

National culture: The Hofstede model of national culture in the business organisation of UK maintains the business's strategy, plan, activities and decisions (Jackson, 2020). UK has changed its strategies and plans to develop the business organisation and now the business companies elaborate the business in the Brazil.

Power Distance Index: Power distance refers to the degree and intensity of inequality that exists between every individual in the organisation. Business organisations have the PDI such as organisational hierarchy, decision making, leadership and many more. PDI maintains every individual related to the business organisation (Jackson, 2020). It evaluates the thinking

power, sustains the staff and consumers, and enhances the work capability of the leadership and many more.

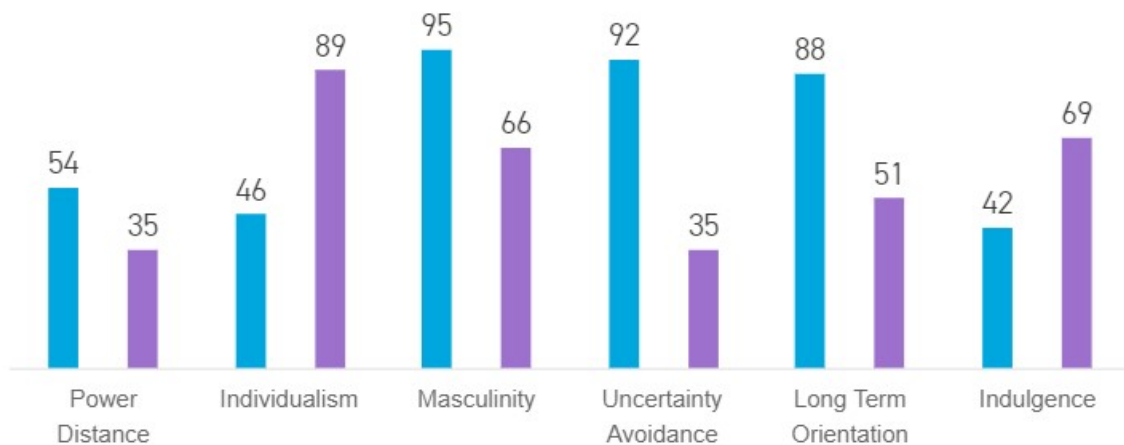


Figure 2: UK and Brazil Hofstede's dimensions graph

Source: (Go-brazil.org, 2022)

Individualism versus collectivism: This nature of the job's activities depicts that to improve the employee's performance and develop the business growth. IDV requires time, privacy, creativity, challenging tasks, and merit in the business organisation. It maintains time, accepts challenges, and respects individuals' creativity and merit in the business and also the business relationship between two countries like UK and Brazil.

Evaluation of opportunities and challenges to manage the aspects of corporate governance, business strategy and cultural sensitivity

The challenges of Tesco: Every business company has certain challenges in that sense Tesco is no exception. Tesco has faced different kinds of challenges in the running year such as decreasing the product's value, poor service quality, the horsemeat scandal, and failing to understand the cultural difference in other countries (Attaran and Attaran, 2019). There are basic challenges in Tesco besides the other challenges are tax rates, political instability, unemployment rates and many more. These difficulties Tesco should overcome if Tesco wants to increase or spread the markets in Brazil.

The opportunities of Tesco: Some potential business strategies help to gain the opportunities of the Tesco business organisation. There are several opportunities for Tesco like expanding the business of Jack's, joint ventures, price matching, cashless stores, one-hour delivery and many more. These facilities or the opportunities are achieving a huge

number of consumers. This market's cultural sensibility progresses the consumers and the stakeholders in a better way.

Different barriers experienced by foreign businesses in Brazil with examples

The Common challenges faced by foreign businesses while operating in Brazil are-

Developing Nation: Brazil, being a developing country, its consumer base, regulations of the environment and domain of investment are not as mature as that of a developed country. As opined by Júnior et al., (2022) there are several areas which are still underdeveloped like infrastructure, laws, and trade-related issues.

Bureaucracy: The laws and regulations concerning opening and running a business has not been favourable for overseas companies. Brazil ranked 125th out of 190 nations in the global annual report Published by the World Bank. The report analyses the status of ease of doing business which includes permits for construction, property registering and tax structures. According to Botelho et al., (2022), it takes around 90 to 120 days and 11 permits to start a business in Brazil.

Corruption: Although Brazil is considered a favourable destination for investments, investors give a second thought to this because of the corruption and bribery that prevails there. In the Corruption Perception Index of 2021, Brazil has ranked 96th out of 180 nations. Apart from this, organised crime is a major problem. However, the government is striving to overcome this hurdle.

Taxes: The tax system of Brazil is one of the major concerns for investors. According to a survey, more than 90 taxes and duties are there and many of these are divided into federal taxes, state taxes and municipal taxes.

Infrastructure: Infrastructure is a determinant factor for the smooth functioning of businesses. According to Labbate et al ., (2021) The Olympic games and the Football world cup have prompted the government to improve the infrastructure, building roads and providing adequate access through the railway and airport services. As per the World Economic Forum report, Brazil ranked 107th out of 144 countries in the field of infrastructure development.

Technology: The lack of technological development has curtailed the scope for overseas businesses to expand their operations in the country. In the Global Innovation Index Report, Brazil has been ranked 57th out of 130 countries.

Strategies to succeed in Brazil

The implementation of proper strategies can ensure the growth of businesses and a list of strategies is discussed below.

Local Business: expansion of the business by opening new local stores. Localising businesses can protect investors from currency depreciation. Apart from this, increasing production capacity, locating local suppliers and partnering with them could help the business to thrive.

Communication: The problem of communication is a major concern for the customers. In order to overcome this, the business owners must recruit those employees who are proficient in local languages. As opined by Pratono et al., (2019), Brazilians prefer companies to show diversity and equality in their marketing campaigns. According to a survey by Samsung, 85 percent of Brazilians think it is important for companies to show diversity in communications.

Online services: the companies may offer their services by adopting online services. Data show that 12 out of 15 Brazilians prefer buying goods online. The supermarkets in Brazil have seen a surge in online grocery services as per a recent report. In the opinions of Riccomini et al., (2021) as per the data by Sales force, 75 per cent of Brazilians like to share information about their choices and preferences for shopping. The companies can include this strategy in dealing with the customers by recommending them relevant choices depending on their purchasing history.

Recommendations

Based on the above study, a series of recommendations can be made which the company must incorporate into their strategies. The recommendations are as flows-

- Developing a sound business model may help ensure the smooth functioning of the business. According to Puglieri et al., (2022), some practices that can be performed are- understanding the needs and behaviours of the customers. Analysis of the local market and building firm relationships with the local suppliers. Researching the market can be a lot helpful in determining the basic requirements of the customers.
- The Brazilian community prefers companies to promote their culture. The company can demonstrate certain cultural practices that may influence the community, and enhance the credibility of its products. Consumers prefer brand loyalty to brand

image. Providing quality products, ensuring timely delivery and a feedback mechanism should be maintained.

- It is very important for the company to know the market competitors. The company must make a thorough research on the ground level to identify the competitors, and their market strategies and make an evaluation based on these. As opined by de Vasconcelos et al., (2021) an appropriate evaluation of the supply chain management that influences the market should help in formulating a well-defined strategy.
- The employees should be motivated on a regular basis. Employees create a direct link between the business and the customers. The management should organise motivational sessions, routine training, addressing their problems and so on. A routine regulatory check on the employees should be conducted by monitoring their conduct and behaviours. Any discrepancy in the system should be identified and dealt with immediately.
- A sound feedback mechanism should be developed. Feedbacks from the customers help the management to improve the overall operation. Likewise, the response system should be improved. As opined by de Oliveira, Boccolini and Fonseca ., (2021), lots of businesses face this problem while engaging the customers either due to a lack of proper feedback mechanism or mismanagement.
- The assistance of social media platforms to grow business online is a factor the company takes into account. Around half of the world's population use social media platforms. It may help increase brand awareness; make people aware of the products and services. It is found that 78 per cent of Instagram users discovered new products on the platform.

Conclusion

This report on the global business environment involved an inclusive introduction on international business and business strategies by TESCO to succeed in Brazil. A general introduction of the business market of Brazil was given here. Various applications of theories like PESTLE analysis, value network, porter's five forces, porter's diamond, hofstede model were also analysed in this report to identify the environmental factors, structures, rivalries and many more elements of Brazil. Different barriers experienced by foreign businesses and various strategies of TESCO to enter the business market of Brazil were also discussed here.

Finally, some effective recommendations to enable the success of TESCO were briefly discussed in this report.

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