

Global Business Environment

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Introduction

The global business environment is a dynamic environment. The environment contains a combination of different factors such as economic, political and cultural systems that have a great impact

on businesses. These external business conditions affect the success of the strategies of international business. For instance, any changes within the economic stability of any country an international business operates in affects its operational strategies thus its overall organisational success. This report seeks to analyse the feasibility of Brazil as Gym shark's new production facility country.

Gymshark is a UK based fitness apparel manufacturer and online retailer (Gymshark, 2022). The company seeks to move its production facilities to Brazil. As a result, the report outlines the different business conditions the company should be ready to face as it ventures into the Brazil market. This includes the present different opportunities, challenges, barriers the company is likely to face within Brazil. Likewise, the report expounds on how Gymshark can be able to navigate corporate governance, business strategy and cultural sensitivity when doing business within the country.

Overview of Brazil

Brazil is a developing country located within South America. The country is the largest country in South America while it is the fifth largest country in the world. The country is considered to be a

developing country since it has lower GDP capita, under developed national amenities such as the housing and health sectors (World Bank, 2022). The country's economic growth and stability is highly dependent on the agriculture, mining and manufacturing sectors. For example, Brazil is one of the world's largest producer of minerals as well as the primary source of arrange of different agricultural products such coffee and oranges.

Analysis of the business environment of Brazil using the PESTEL analysis and Porters Diamond models

According to David (2016), understanding the external business environment is critical in allowing Gymshark to strategically plan for its operations within Brazil. Business environmental analysis allows the organisation to understand the different factors prevailing within the country that are either opportunities or threats the organisation can utilize. To comprehensively understand the business environment of Brazil, the PESTEL analysis and Porters Diamond theories have been replicated within this report.

The PESTEL analysis framework

The PESTEL analysis framework is focused at unveiling the political, economic, social, technological, environmental and

legal factors prevailing within Brazil (Johnsen, 2015). These factors are very critical in the implementation of the strategic investment plan of Gymshark. For instance, they may present different opportunities the business is able to use to successfully penetrate and operate within the market. Below is the PESTEL analysis of Brazil:



Political factors: Lynch (2018) asserts that political factors play an important role in promoting the stabilisation of Gymshark's operations within Brazil. Brazil is fairly politically stable. This is because it has defined administrative and governance structures. Moreover, the country enjoys good political relationship with different countries which has promoted its international trade. For instance, Brazil is a member in several international organisations and unions such as United Nations, World Trade Organisations and OECD (World Bank, 2022). This assures Gymshark of access to globalised supply and logistics system which is instrumental in promoting the success of its production activities. However,

Brazil faces different political issues such as deteriorating relationship with neighbouring countries such as Venezuela, corruption and clashes between different political classes. This has contributed to the development of a complicated regulatory framework within the country (Rasheed, 2012).

Economic factors: According to Kelly and Ashwin (2013), Brazil has had a stable economic system within the past years. Correspondingly, its economy has been projected to grow and recover from the effects of the Covid-19 pandemic by at least 2.6% in 2022. On the contrary, there are different economic challenges existing within the Brazilian economy that may hinder the success of Gymshark within the market. First, the country has a poorly structured tax system which has led to heavy tax burdens to businesses. Moreover, businesses within the company face very high tariff and non-tariff barriers that make it impossible to create effective international supply and trade systems (Drucker, 2015). For example, different tariff trade lines have been set on textiles, leather and apparel which are critical in supporting the success of Gymshark's production facilities. Furthermore, currently the country is experiencing high inflation levels. This

has led to increased supplier prices on different production materials.

Social factors: Brazil has socially diverse population of different rich cultures and religions. Correspondingly, the country's middle class is rapidly growing (World Bank, 2022). The middle-class population loves luxurious and branded products. Additionally, the country's population is made up of football and athletics fanatics. As a result, most of its population is actively engaged in active fitness. This is a great opportunity for Gymshark since its production facilities remain relevant to both the local and international market.

Technological factors: Brazil is the largest ICT market within Latin America. The country has the largest population of mobile phone users. Likewise, according to Thompson et al. (2017), the company's ICT has been constantly evolving with the current boom of its web and mobile software development technologies. Correspondingly, the government has created different initiatives to support technological innovation. For example, the government is focused on plans to create national artificial intelligence strategy to boost economic productivity and competitiveness. Increased technological development is

fundamental in promoting the success of Gymshark's production facilities success (David, 2016).

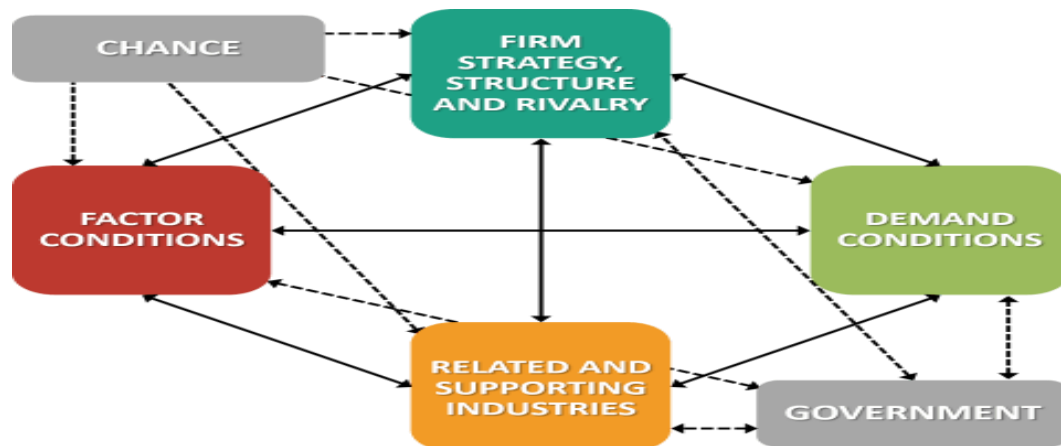
Environmental factors: Environmental sustainability and preservation are one of the major agendas of the Brazilian government (Rasheed, 2012). Hence, the government has created different environmental regulatory laws and frameworks businesses have to observe. For example, Gymshark's production facilities have to uphold systems and frameworks in regards to industrial pollution and waste management systems.

Legal factors: For Gymshark's production facilities to operate within Brazil they have to uphold different rules and regulations. The company has to register its production facilities as well as register within the revenue tax system of Brazil. Further, the company has to observe its labour laws in regards to utilizing local labour resources. Correspondingly, in case of outsourcing labour, the company has to ensure it observes the labour immigration laws (Kelly and Ashwin, 2013).

Porter's diamond framework

The Porter's diamond framework is mainly centralised at enabling Gymshark identify different resources and capabilities it possesses that will promote its success within Brazil. These

capabilities have been vastly developed through its local operational environment that allows the company to excel within international markets too (Johnson et al., 2013). According to the Porter's diamond framework, the main factors that contribute to a firm's competitive advantage include:



Firm's structure, strategy and rivalry: According to Lynch (2018), the greatest competitive edge lies on the strategies the company implements within its operations. Correspondingly, the company has to efficiently organise its organisational activities to augur with its different strategies. Furthermore, domestic rivalry the company faces plays a big role in prompting it to develop different strategic capabilities and sustainable strengths (Gymshark, 2022). For instance, intense competition forces companies to create innovative strategies to survive and thrive thus enhancing its overall competitive advantage. To put this into

perspective, the strategies and structure the company has actively integrated to build its operations are instrumental in allowing it to effectively deal with imminent competition within Brazil.

Factor conditions: Factor condition denotes the different capabilities and resources a business has been able to develop within its domestic market that remain relevant within the international markets (Thompson et al., 2017). For instance, the company has created a strong social media presence that is critical in boosting its brand recognition and visibility within the Brazil market. Also, it has a leveraging production technology that increases production efficiency. These factor conditions Gymshark has developed are critical in excelling within the Brazilian market.

Demand conditions: The demand within the home market highly informs the innovation capabilities of an organisation (David, 2016). The UK has a substantially large demand for sophisticated fitness wear and accessories. For instance, the company produces vegan clothing that is biodegradable and environmentally friendly (Gymshark, 2022). Comparatively, Gymshark has to identify the different demand conditions prevailing within Brazil since they will affect their production decisions. For example, Brazil is made

up of middle aged population who are interested in active fitness and athletics. However, they are more interested in products with high fashion aesthetics. Thus, the company creates athletic wear of different colours and patterns to match the fashion taste of different consumers (Brazil, 2019).

Related and supporting industries: The efficacy of the fitness and apparel industry is dependent on other supporting industries such as the textile industries. Thus, Gymshark has to create strategic alliances with local Brazilian suppliers within different industries to create an efficient supply and production system. This system remains critical in promoting successful production activities within Brazil (Lynch, 2018).

Government and chance: According to Johnsen (2015), government and chance factors have a great impact on the competitiveness companies develop. In 2021, the Brazilian government was able to review its trade laws and regulation for international businesses. The devolved rules and regulations were centralised at providing a friendly operating business environment for foreign businesses such as Gymshark. Correspondingly, random events affect the competitive advantage. For example, scientific breakthroughs allow

businesses to innovate. For instance, the different emerging technological breakthroughs within Brazil are critical in supporting the growth of the business.

A critical evaluation of the opportunities and threats present within Brazil

According to Brazil (2019), Brazil still remains an attractive market that Gymshark can venture into with its production facilities. This is an opportunity for the company to also expand its current market share. The Brazilian population is famous for its success within the football and athletics arena (World Bank, 2022). As a result, Gymshark products remain relevant to its fitness consumers. Correspondingly, the nation is highly technologically advanced with a high number of mobile phone and social media users. Thus, Gymshark's social media marketing strategy and the online sales channel remain relevant in supporting its operations within the country. The company can effectively use social media and digital channels to increase its brand recognition within the country (Rasheed, 2012).

On the contrary, according to Sottovia (2019), the economic and political instability of Brazil are major threats that may impede the successful operations of its production facilities. Great

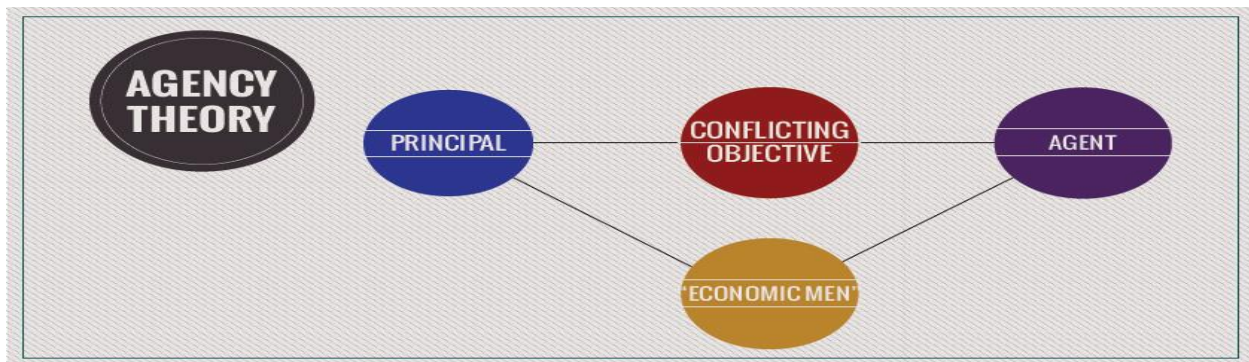
economic performance is critical in allowing the company to grow its revenue and consumer market within the country. Economic factors such as high inflation rates may lead to a lower consumer market thus leading to a lower-than-expected level of revenues (Drucker, 2015). Comparatively high tariff costs may lead to increased operational costs which may make Gymshark's operations unsustainable. Also, political stability is important in allowing the maintenance of constant regulatory frameworks over a long period of time (Lynch, 2018). Political instability increases the political risk associated with Gymshark's operations. High political instability may lead to the development of unfavourable regulatory policies that may hinder the company's success.

How Gymshark can manage aspects of corporate governance, business strategy and cultural sensitivity when operating within Brazil

Corporate governance

According to David (2016), corporate governance is geared at creating defined systems of leadership that allows the management to effectively run an organisation. According to agency theory of corporate governance, the management and the shareholders of an organisation have an agency relationship. This

means that the management needs to undertake company decisions that preserve the interests of the shareholders and not their self-interests (Johnsen, 2015). Thus, the corporate governance emphasizes on the values of transparency, accountability, fairness and responsibility. These principles ensure that the interest of each and every stakeholder of a company is fulfilled. For example, the accountability facet denotes that the management of an organisation ought to provide valid explanations for every decision they undertake on behalf of the company (Kelly and Ashwin, 2013).



Corporate governance is critical in promoting enhanced productivity and efficiency of Gymshark's production facilities in Brazil. The company has to create defined organisational operational structure that outlines the reporting lines within the facility (Thompson et al., 2017). Defined operational structure promotes increased transparency. Correspondingly, each

individual has to be informed of their roles and responsibilities to promote accountability and responsibility. Further, excellent corporate governance systems allow the company to effectively coordinate its operations within Brazil and the parent company in UK (Drucker, 2015).

Organisational strategy

Organisational strategy amasses different actions and plans that are focused at promoting the achievement of the goals and objectives of a business. For Gymshark to create an effective organisational strategy, it needs to divide its strategies into corporate, business and functional (Lynch, 2018). Corporate level strategies mainly reiterate the overall organisational mission, vision and objectives. These strategies provide an overall strategic direction the company has follow. On the other hand, business level strategies are strategies that are only relevant to the Gymshark's production facilities in Brazil. These are different competitive strategies the company will undertake to improve its competitive position within the country (Kelly and Ashwin, 2013). Lastly, Gymshark's production facilities have functional departments that will create different operational strategies. This is to ensure that their departmental activities are actively

promoting the achievement of corporate and business level strategies.

Cultural sensitivity

According to Johnsen (2015), cultural sensitivity is a present and significant aspect that Gymshark has to effectively manage in order to increase its operational success within Brazil. First, the company has to research on the cultural dynamics of the Brazilian population. This is to ensure that it incorporates different elements of the Brazilian culture within its operational policies. Examples of these elements include communication styles and etiquette. Congruently, Gymshark has to keep an open cultural mind-set this is because new cultural aspects will emerge once the company is an active key player within the market (Johnson et al., 2013).

Different barriers experienced by foreign businesses within Brazil

Supply chain challenges: Foreign businesses have a challenge in managing international supply chain systems to connect their operations within Brazil. Foreign businesses have to import or export some of the production material to their parent companies

(Kelly and Ashwin, 2013). However, Brazil has very complicated and comprehensive import and export laws. Additionally, the country imposes very high import and export duties increasing the cost of doing business for foreign businesses. For instance, Gymshark has to import some of the production materials as well as export the finished products to its different warehouses across different countries. For that reason, the high import and export duties remain a great challenge (Gymshark, 2022).

Complex regulatory constraints: An overburdening legal system is one of the barriers foreign businesses face while doing business within Brazil. Many industries within the country are highly regulated making it difficult for the businesses to navigate the Brazilian rules (Sottovia, 2019). For example, Gymshark has to anticipate different operational regulations from the different partner industries it will associate with while doing business in Brazil. Also, Gymshark has to observe different local content restrictions. This may restrict the company's ability to effectively use the content marketing strategy as its marketing strategies (Rasheed, 2012). Furthermore, some of the regulatory practices and initiatives may be biased. For example, the government has actively engaged into the buy Brazil policy that encourages its

citizens to mainly consume products and services from local companies (Brazil, 2019).

Recommendations on different strategies Gymshark can use to ensure it succeeds within Brazil

Rasheed (2012) advises that for Gymshark to deal with the different challenges and barriers it may face within Brazil, it has to partner with Brazilian market players. Partnership with these key players will demonstrate the company's increased commitment in growing the Brazilian market. Correspondingly, this will allow the company to ease on the burden of Brazilian business and tax regulations (Lynch, 2018). It will be able to share out its tax burden with the other partners thus reducing its cost of business. Additionally, partnering with local stakeholders such as local players will allow the company to reduce on costs related to importation of raw materials.

Besides, Gymshark can consider entering franchising agreements with well-known brands within Brazil. Franchising will allow the company to establish its brand presence through this brand allowing it to actively sell its products within the local market (Johnsen, 2015). Furthermore, purchasing already existing business entities aligned to its business activities can be a

fundamental strategy. The business entities have already established supply chain logistics within Brazil as well as have an intensive market research of its growth and development. This strategy will allow the company to minimize different risks such as market risks, supply chain risks and other operational risks (Kelly and Ashwin, 2013).

Conclusion

The global operational environment of a business has a great impact on the success of foreign business. The operational environment poses different opportunities an organisation can utilize to sustain their success. Correspondingly, the business environment introduces varied challenges and barriers that businesses have to deal with. The different factors prevailing within the global business environment include political, regulatory and economic factors. Therefore, for an organisation to successfully venture and succeed within global markets it has to analyse these factors and create operational, tactical and strategic strategies that complement them.

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