



GLOBAL BUSINESS ENVIRONMENT – ASSIGNMENT 1

Report



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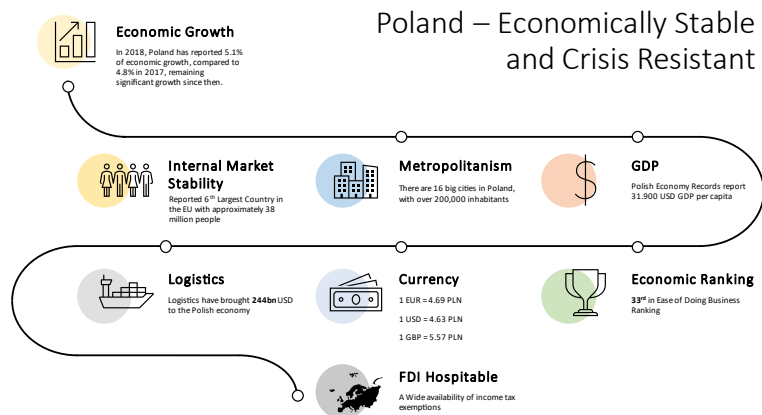
Introduction

The following report applies to the decision of Tesla to open a new manufacturing facility in Poland.

The Global Business Environment has been constantly developing over the past 20 years. Its growth, however, does not rely on the development of businesses, but on the environment provided for business development. It conducts factors such as Political, Economic, Social, Technological, Environmental and Legal changes which affect the well-being of the businesses and determine their success. The biggest impact of those factors came from the technologies and global digitalization, providing not only a physical but also a digital environment for business development. The technologies evolved to the level where it has become a vital part of the individual's personal environment as much of the business environment. The simplified connection on a global basis allowed businesses to connect with their targeted markets on a global basis and increase their profitability. Many business sectors have individually developed becoming part of the global business environment, others extended their services, and larger holding companies are fighting for the market capitalization **(Brinkmann, Navarro, Harper, 2014)**.

The expansion of the GBE brought an increase to the Global GDP, therefore technological inventions created more working places, and increased the circulation of financial assets and cash liquidity. Apart from contributing to the stabilization of the global economy, the GBE has supported the evolution of the Social norms, implementing inclusion, equality and diversity, which has led to an increase in the labour force and bettering the lifestyle norms and expectations.

The context of international business concerns the factors applying to the businesses part of the GBE, however, international relations require a specific approach and analysis regarding evaluating whether one environment is suitable to host the specific business or not. There are templates for conducting such analysis based on business theories, that can provide the needed evaluation **(Guy, 2009)**. The first type of analysis is focusing on the evaluation of the external environment, called PESTLE analysis and gathers the most important information about the Political, Economic, Social, Technological, Environmental and Legal impacts of the environment concerning the specific business activities. The second type of evaluation is supported by the SWOT analysis template, which includes the Strengths, Weaknesses, Opportunities and Threats. The Strengths and Weaknesses of a business depend on its internal



Economic

Forecasting for Polish economics based on governmental statistics shows the growth of the GDP to reach 675 billion USD in 2023. The country was one of the least affected by the lockdown of EU countries. The economic sectors in Poland are well developed, led by its top industries which are agriculture, energy, manufacturing, and tourism. Lately, the IT and financial sectors have been showing significant improvement. Poland has access to EU subsidies which are supporting the circulation of its economy and confirm the availability of business funding, for small and medium enterprises, which ensures the strength of its economy. In terms of labour costs, the average annual salary in Poland is 7368.96 EUR/ USD, compared to the US where the average annual salary equals 56,310 USD. The corporate tax rate however equals the one in the UK – 19%.

Social

Poland has a population of around 38 million people. The official language is Polish, and the major religion is Christianity. Statistically, Poles are one of the hardest working nations in the world according to World Population Review (2021). In the EU, Poland is ranked 2nd and 8th in the entire world. The average working week is 40 hours, yet 10% of the male labour force have reported working 50 hours and above. The open borders to the EU allowed Polish citizens to migrate to other countries and annually are bringing billions of remittances. As much as it has benefited, Polish social norms are against the migration of other nationalities. Some of the major issues affecting Poland are youth unemployment and economic inequality.

Technological

Poland has a massive broadcasting market, and huge potential to become a leading player in Global Technology Export. On Polish territory are based over 50 thousand software companies and 18 Technical Universities, which each year have thousands of technical specialists graduating. This factor develops a hospitable environment for the hosting of technology-developing companies. Learning of the English language is implemented in the Polish learning system, which supports communication with companies which have decided to outsource in Poland. However, considering the labour force, Poland struggles to convince graduate IT experts and engineers to stay in the country because of the lower pay rates.

Environmental

Poland's landmarks, rich history, delicious local cuisine, and multiple visitor attractions support its tourism industry. Unlike some other European countries, Poland offers affordable holidays, to its visitors, with low living and accommodation costs. Some of its major environmental issues are air pollution, waste management, water pollution, and flooding.

Legal

As an operating republic, Poland's leading law enforcement is its constitution, which assures the independence of the judiciary. Foreigners outside the EU, EEA, and Switzerland are required to have a work permit if looking for jobs in the country. More forward, employees who have been employed in the country for less than 10 years are entitled to 20 days of annual leave, compared to the 26 days of those who have longer than 10 years of work experience.

Critical Evaluation

Corporate Governance

Corporate governance deals with the relationships between various stakeholders such as the Board of Directors, shareholders, management, customers, suppliers, employees, bankers and the government. It covers some critical issues such as the role of the Board of Directors, the composition of the Board of Directors, the role of the Chairman and CEO, enterprise risk management, control mechanism assurances, etc.

The main purpose of corporate governance is to increase the value of shareholders' wealth and to protect the interest of various related parties of the business entity (i.e. its stakeholders). Good corporate governance ensures compliance with laws, regulations and self-accepted practices. This causes the firm to acquire high-quality resources such as human capital, which enables the enterprise to operate efficiently.

Other objectives include establishing a board of directors that will make independent decisions on various enterprise matters and arriving at procedures and practices that are transparent to stakeholders.

Business Strategy

The company-level strategy serves for the strategic positioning of the entire business organization on the national market. It determines the general directions of development of its activity, the company strategy emphasizes the types of business that will develop in the future according to the available potential and competitive positions. It creates conditions for agreeing and coordinating actions related to different business strategies. The attention of senior managers is concentrated on fundamental, underlying, portfolio and other strategies.

Fundamental strategies are related to the growth of the business organization. This growth can refer both to the expansion of its activity and the increase of its potential. The strategy towards achieving high growth is used when the product range is expanded, and the rates are significantly higher than the average in the relevant industry. The strategy towards achieving moderate growth is applied when output is unchanged, and rates are approaching industry

averages. The strategy towards the retention of growth is used when the organization is satisfied with the achieved results and no changes are foreseen in its future positions concerning competitors on the market. The strategy towards the recovery of growth is applied when, through restructuring of the activity, it is necessary to urgently get out of a crisis. The downsizing strategy is used when, due to poor financial results, the activity must be curtailed by an appropriate reduction of operations.

Fundamental strategies are divided into three groups depending on the position of the business organization in the market. The first group includes the strategies aimed at development, the second group - at stabilization and the third group - at survival of the organization. Development strategies exploit opportunities in both the external and internal environments.

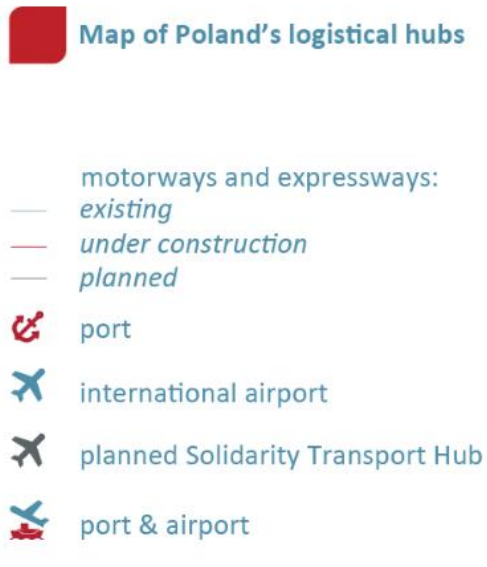
Basic strategies indicate the way to achieve the strategic goals of the business organization. The strategy of concentrating the activity is aimed at concentrating the activity on the production and supply of one product. The market expansion strategy is related to the sale of existing products in new markets. The product development strategy is aimed at modifying an established product or creating a new product for realization in traditional markets.

Portfolio strategies primarily apply to business organizations that develop multiple types of business. These organizations are seen as holding companies made up of autonomous business units.

Cultural Sensitivity

It represents a set of skills which allows individuals to understand people who don't share the same cultural background as them. It represents respect for different cultures and the implementation of equality and diversity among individuals. Cultural differences often tend to bring social disparity in communication between people. Implementing the understanding of cultural sensitivity tends to request people to be careful when corresponding with people from different cultures and avoid offending them.

Logistics



Foreign Businesses Barriers



PESTEL Analysis of Tesla



P Political	E Economics	S Sociological	T Technological	E Ecological	L Legal
- The political factors have favored Tesla's growth and ensured its expansion in other countries. - The government incentive has strengthened its financial performance owing to its drive for environmental sensitivity.	- Economic factor refers to the economic growth of the company and its profitability. - The sale of electric automobiles has proven to be a boost for the global economy.	- The socio-cultural factors that shape and mold the population help marketers understand the needs of the target customers. - The environment-friendly attitude of people and renewable energy resources popularity	- Tesla cars are at par with technological advancement. - It does not take long for a company to come up with a similar feature to compete.	- The company supports the expanding environment programs to deal with climate change and controlled use of resources issues. - Tesla can expect growth by analyzing the ecological factors.	- As Tesla is expanding its business to other countries, they need to maintain the regulations and update their policies to abide by the rules. - Tesla's limited sales operation overseas might pose a problem in addition to the restrictions put by many states on direct sales.

Summarizing the definitions of the 3 major corporate-related terms which implement awareness, especially when under consideration are international relations, has drawn the following conclusion on tesla's decision to move its manufacturing facilities. Tesla is one of the quickest developing and innovative companies on the market. It was founded back in 2003. Since then, the company is operating within the automobile industry, bringing to it one of the greatest innovations – electric cars.

Considering the conducted SWOT and PESTLE analysis of the company, its success is visible, however, there are still some issues that the feature might hide.



Businesses have a circulation process through which it exchanges products and services with the surrounding environment, developing symbiosis within the Global Business Environment.

The internal and external processes of any business are related to that exchange, aiming to reach sustainability and belongingness to the GBE. To evaluate how the internal environment of a specific business cooperates with its surrounding environment, are often used Michael Porter's methods – Porter's Five Forces and Porter's Diamond Model.

Tesla has the advantage on the market as it has brought to it the first fully electric vehicle, and as a first, it has the advantage to develop further and extend its reach as well as focus on improving its product and making it in response to customer demands quicker than its current market rivals.

The impact the company has on the external environment is completely positive, as the manufacturer produces environmentally friendly products, developed with consideration of the impact of vehicles on the well-being of the planet.

One of the best features reflecting the company's sustainability is that the cars it manufactures are not only ecologically friendly but as well possess the interior and exterior of a sports car, which appears to be attractive to the consumer market.

The biggest threat for Tesla might appear to be the political issues some countries have that might affect the import and export of their products, as well as inflation, taxation, and exchange rates.

Conclusion

Tesla's decision to move its manufacturing facilities to Poland has the potential to bring a major increase in profits for the business, as well as for the country. The company can have the chance to better its relationship with the EU and benefit as a Foreign Direct Investment, meeting an extremely hospitable business environment.

Like most the European countries, Poland has some issues with the latest Global implementation of Equality and Diversity. The movement could support the country in achieving quicker its goals for quicker economic development and reducing the youth unemployment rates.

The Location of the country is logistically contributing to the ease of international relations, providing multiple ports, and airports. Considering there are 16 major districts in Poland which are metropolitanism developed, and 18 technical universities which have thousands of tech specialist graduate each years, tesla has the opportunity to gain a large number of fresh minds within its labour force.

The taxation rates are similar to the ones in developed countries, however, the difference in annual salary expectations can give the company the opportunity to choose the best from the best employees.

Altogether, the movement from a developed to a developing country is a profitable decision and does not require major changes in the company's internal environment processes. All necessary materials for manufacturing are at close reach and at lower import taxation rates.

Appendix

Evaluation of Business Environment

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Tesla Motors, Inc.

- Electric Cars, Solar & Clean Energy
- Tesla is the first company to produce completely fuel-free engines in the world providing a "Green" alternative to the market and giving the customers the opportunity to support the pollution reduction
- Tesla cars are designed as sports cars, providing capacity, comfort, and features of the fuel-charged alternatives. This makes the cars even more desired.

Tesla Manufacturing Locations



- The United States – There are 4 available manufacturing locations in the US – Nevada, New York, California, and Texas
 - In Nevada are produced Tesla Powerwall, Powerpack, Megapack, Lithium-ion batteries, and Electric Motors
 - In The New York Facility produced Tesla Solar Roof and Supercharger
 - In California is based the biggest Tesla Factory, producing Tesla Models S, 3, X, Y
 - In Texas are produced Tesla Model Y and Lithium-ion batteries
- China – Producing Tesla Model 3, Y, and Supercharger
- Germany – Manufacturing Equipment, Model Y, and Lithium-ion batteries

Location of Expansion – Poland

- Poland is a developing country based in Central Europe, which is the 6th largest economy in the European Union
- Poland has a convenient location and economic state to respond to the needs of companies that have decided to conduct Foreign Direct Investments (FDI)
- The country has good political relationships with most countries part of the EU.
- Poland is a safe, hospitable country with proven economic stability



Poland – Economically Stable and Crisis Resistant



Economic Growth

In 2018, Poland has reported 5.1% of economic growth, compared to 4.8% in 2017, remaining significant growth since then.



Internal Market Stability

Reported 6th Largest Country in the EU with approximately 38 million people



Metropolitanism

There are 16 big cities in Poland, with over 200,000 inhabitants



GDP

Polish Economy Records report 31.900 USD GDP per capita



Logistics

Logistics have brought **244bn USD** to the Polish economy



Currency

1 EUR = 4.69 PLN
1 USD = 4.63 PLN
1 GBP = 5.57 PLN



Economic Ranking

33rd in Ease of Doing Business Ranking

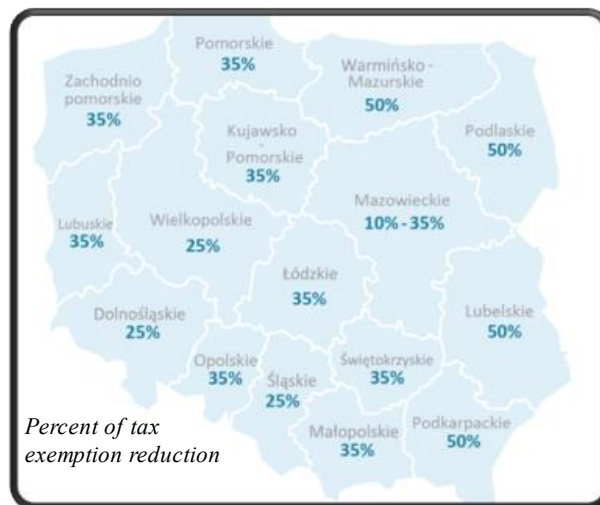


FDI Hospitable

A Wide availability of income tax exemptions

The Polish Business Environment

- Polish investment zone is hospitable for FDIs, as Poland has become an economic zone, which allows businesses to enjoy tax reductions if they decide to expand within the country, without restricting the beneficial conditions within a certain location, instead of the entire country.



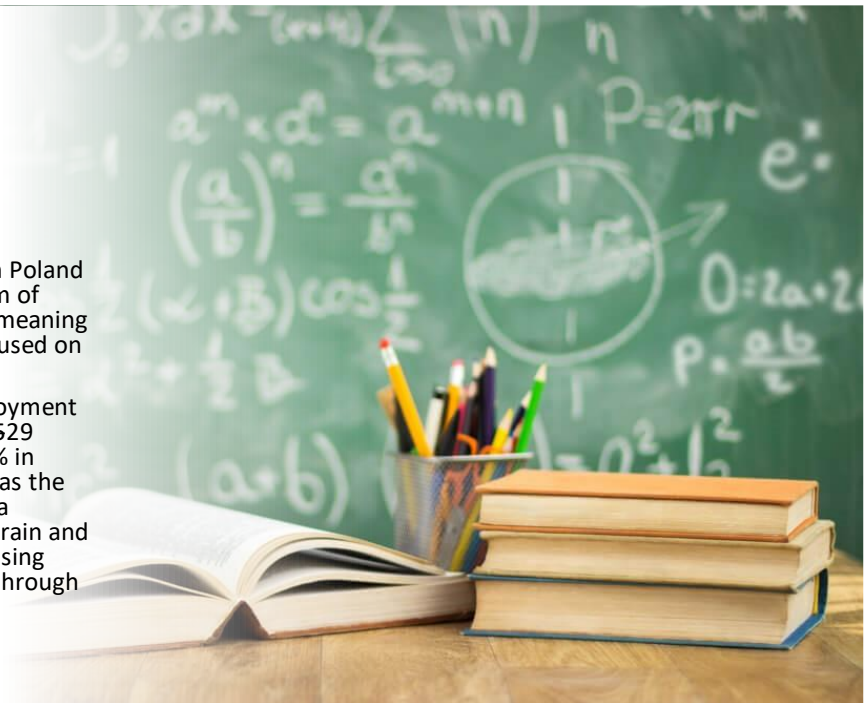


- Poland's convenient location can ease the export of Tesla's production.
- The fact that the country shares a border with Germany, where is based one of the company's manufacturing facilities, could allow cooperation between both facilities when planning which company products are going to be produced in Poland and support the increase of European production and export

Logistics

Education

- According to CEDEPOF in Poland the widest accepted form of education is vocational, meaning that the education is focused on labor-market relevance.
- Considering the unemployment rate for the age group 15-29 which has reached 14.2% in 2021, the labor market has the possibility to offer Tesla a qualified labor force, to train and turn into professionals using base knowledge gained through vocational education.



- Wages in Poland have met significant growth of 13% for the past year. However, considering Polish Zloty's exchange rates, the manufacturing wages are 1360.30 USD per month.
- It can be a good opportunity for Tesla to use a cheaper labor force, considering the quality of education in Poland, which provides people with the same experience and knowledge as developed countries.
- Therefore, Tesla could provide the same quality to its customers, but at a lower expense.

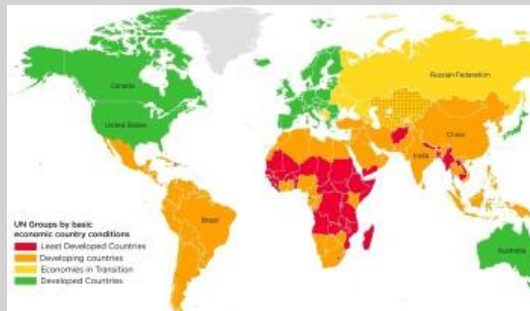


Wages



Developing vs. Developed Countries

- Developing countries are on the pathway to becoming developed countries
- The business environment within those countries is similar to the developed ones, therefore business operations are not going to meet significant changes in laws and legislations applying to conducting a business
- The Labor force and taxation rates are lower in developing countries
- Developing countries are offering many beneficial economic conditions which are most likely not offered by developed countries as the developing ones are looking for further improvement and attracting more FDIs.



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