RECENT DEVELOPMENTS OF INTERNATIONAL BUSINESS ENVIRONMENT

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Abstract

The business world is a complex concept, generated by the dynamics of the international networks, which, in turn, are determined by: the many mergers that occur between large companies; the impact of modern communication technologies, leading to the diversification of transactional techniques; the rapid emergence of products and services on the market, which is facilitated by research and development activities taking place within companies, etc. From this point of view, defining and analyzing the business world must be based on two fundamental processes, namely the progressive development of international trade, and the rapid growth of overseas investment. Thus, capturing the main tendencies that characterize the developments in the contemporary business environment is an equally difficult and necessary process. In this context, the aim of this paper is to emphasize which are the most important developments in the international business environment, taking the following into account: the analyzes and scientific studies aimed at countries' competitiveness in international business (Global Competitiveness Index); the attractiveness of the business environment for foreign investors (Doing Business Methodology - World Bank), and the results revealed by the analysis of potential worldwide savings (ranking Intelligence Division of The Economist).

Keywords: international business environment, Global Competitiveness Index, Doing Business Methodology, Business Environment Ranking, world economy, business opportunities, business internationalization

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1. INTRODUCTION

The emphasis on global interdependencies, has a strong impact on consumption patterns, on the access level of individuals to education and

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information, the level of compliance with the fundamental rights, and their ability be a part of the global network which operates in the contemporary economy (Miron, 2003 pp. 17-19). Thus, we note an increase in complexity both in terms of international business environment features, and in the factors influencing it, and this affects the ability of experts to analyze the developments that occur in this area. So if we associate the above elements with the concept of international business environment, we find that several trends are manifesting themselves. Firstly, we are referring to a general trend towards diversification of the underlying elements of the characterization of the international business environment. Secondly, we notice an intensifying competition worldwide due to the increased capacity of countries to enter into the international economy circuit and to strengthen their position within it.

2. INTERNATIONAL BUSINESS ENVIRONMENT IN THE CONTEMPORARY ECONOMY

Generally speaking, the business environment is not a concept that can be defined in a strict manner. Specifically, business typology is extremely diverse, especially if one takes into account that in the contemporary economy the dynamics of change are emphasized, and that cultural differences are significant on an international scale. From this point of view, global business can be defined as a result of the interaction between a variety of networks, made up of actors and internationally linked markets (Miron Georgescu, Caraiani, 2002, p. 7).

In a different sense (Abhishek, November 2013, p35), the elements that define the international business environment are political, economic, technological, social and cultural. Political and economic aspects of the business world refer to global trade agreements, the liberalization policy that influences trade barriers, foreign investment, privatization, and the opening of national economies to foreign economic entities.

Typically, international business environment characteristics can be identified starting from several aspects, such as international trade traits or factors affecting international trade flows (Miron Georgescu, Caraiani, 2002, pp. 8-9). The actors of the international business world are facing a number of challenges, among which we find: the specifics of the political system, characteristics of the cultural environment, demands generated by the rhythm of new technologies implementation and evolution. Furthermore, managers operating in an international business environment (or in a country other than their own) are under pressure arising from the need to balance social responsibility in relation to their employees and the country in which they operate, the image of the company they represent and the competitive strategies they adopt and implement.

Contemporary international economy can be characterized by a high rate of change, which causes changes in the structure of the interdependencies underlying its functioning (Miron, folklore Potecea, 2006, pp. 9-13). All these changes generate rapid developments in the international business environment, so that new business opportunities always arise, as more and more countries are making important qualitative progress.

The capacity to internationalize economic, social, and educational activities, among others, is essential to any entity that wants to be competitive in the global economy. But the decision to internationalize the various activities is not easy to take. Experts classify the internationalization motives as reactive (keener competition, reducing the volume of domestic sales, overproduction in relation to the absorption capacity of the internal market, increase in accessibility of foreign markets, etc.) and proactive (the provision of resources from abroad - equipment, financial resources, human resources, the harnessing of economic and/or commerce benefits in other countries, foreign market orientation, extensive exploitation of technological progress, etc.). Proactive motivations are directly influenced by the quality of international business environment and the opportunities that arise within it (Popa, 2006, pp. 11-15).

Therefore, at the basis of international business strategies there must be a careful analysis of the external business environment and a proper evaluation of the ability of any company to withstand external economic requirements.

3. FACTORS INFLUENCING THE INTERNATIONAL BUSINESS ENVIRONMENT

Generally, the contemporary business environment, can be characterized by strong dynamics and complexity, regardless of whether we refer to the national economy or global business. The factors determining these traits are diverse and can originate from the economic, social, political, legal, demographic and cultural areas. Also, the global business environment is influenced by both the above factors and the characteristics of other issues and complex processes, such as the features of national economies, international trade developments, etc.

In terms of national economies traits, the most important factors that determine the characteristics of the business environment, and that are analyzed carefully by the international business actors, are (Jayaraj 2012, pp. 28-39): geographical factors, workforce, taxation, capital, business conducting, social factors, institutional deficiencies, shortcomings of the political and social system, of the goods market, labor market, capital market, etc.

One of the most important factors that generate major changes in the international business environment is the growth rate of international trade, which is in turn influenced by (Jayaraj, 2011, p. 6) technological development and the speeding up in the implementation of modern technologies in economic and social activity; increased speed of transport and the relative reduction in the price of transport; improvement of communications technology that allows both faster communication and remote controlling affairs; liberalization of government policies with regard to trade and procurement of necessary economic resources; development of institutions that govern the international trade; increased pressure from consumers; the increasing global competition.

The evolution of the global economy has a major impact on the international business environment. Due to the strengthening economic globalizationa number of forces manifest themselves in the national and international markets, which represents difficult challenges both for company managers and also the decision makers in the public sector (Abhishek, November 2013, pp. 34-38). For this reason, no company can afford to develop and implement development policies and strategies without considering the international economic context anymore, even if carries out mostly domestic activity.

In line with the previous findings, concerning the factors affecting the global business environment, we find that it is influenced by a multitude of elements. Moreover, in a global economy, within which a real system of global networks has developed and operates, with a wide variety of entities, we can say that the global business environment is particularly vulnerable, especially in relation to negative economic developments.

4. METHODS AND TECHNIQUES OF INTERNATIONAL BUSINESS ENVIRONMENT ANALYSIS

In the current context of economic and social development, international business environment analysis is both difficult and extremely complex. On the one hand, we must take into account the need for a uniform approach of the criteria underlying any analysis designed to highlight the defining elements of the business world evolution. To have a fair and accurate picture of the business features in different regions of the world, these criteria need to be applied to all countries and national economies, regardless of their level of development. Thus, the conditions for a correct reasoning of decision’s fructification of the various international business opportunities can be, at least partially, provided. On the other hand, the uniform criteria that can characterize a business environment on their own are insufficient.

When one is considering the international business environment analysis, we can not ignore the economic performance of the countries concerned because these concepts are closely interlinked (Folcu□ Ovidiu 2005, pp. 120-131). Statistics show that, generally, the positive development of business triggers an increase in competitiveness and good economic performance has a direct impact on improving the quality of the business environment. Therefore, if a relevant international business environment analysis is desired, we will consider three aspects, namely: the competitiveness of the countries in international affairs and their business environment attractiveness to foreign investors (Doing Business Methodology); the potential of economies worldwide (Global Competitiveness Index) and the ranking of countries according to "the quality of business environment", carried out by the Intelligence Division of The Economist (Business Environment Ranking).

5. ACTUAL COORDINATES OF INTERNATIONAL BUSINESS ENVIRONMENT

The international environment can be compared to a 'living organism', continuously changing, with dynamics even more pronounced as the changes taking place in the political, economic, social, technological, etc. are numerous, diverse and influence differently quality. For this reason, we believe that for a better understanding of the current features of the international business environment, we must take into account different approaches and assessments made for this purpose.

To get a more complete picture of the correlation between attractiveness the business environment, viewed from various perspectives, and the competitiveness of national economies, we will refer hereafter to a comparative analysis of the top 50 countries in the Doing Business ranking, in terms of the three methodologies mentioned above and used to develop research. We believe that this approach is important because we need to know to what extent a business environment that's 'friendly' or attractive to investors has an impact or a direct link to the national economy's competitiveness under review. It is also important to see to what extent an economy with a high degree of competitiveness is favorable and attractive to foreign investors, or, on the contrary, too much competitiveness may constitute a barrier to foreign investment.

Given the fact that the Doing Business Methodology (DB) provides only a ranking, and the Global Competitiveness Index Methodology (GCI) and Business Environment Ranking Methodology (berms), which calculates the Business Environment Index (BEI), rank countries based on the value calculated for the two composite index, we believe that the place of the 50 countries in the Doing Business Ranking takes values between 1 and 10, where 10 is given to the country ranked first, and the next ranked countries receive a score smaller by 0.2 points than the previous one (10: 50 = 0.2). Thus, the values provided by the the three methodologies are comparable in terms of graphics and the correlations between them, or lack thereof, becomes more noticeable.

To make a comparative analysis of the calculated values for the two indicesin conjunction with the place occupied by the 50 countries taken into account in the Doing Business Ranking, we had two aspects, namely: minimum and maximum values (Table no. 5.1) of the Global Competitiveness Index (GCI) and Business Environment Index (BEI); the rank occupied by the countries surveyed in the three hierarchies (Table no. 5.2).

Table no. 5.1 intervals of analysis for DB 2014, GCI 2014, and BEI 2014-2018

No.	Methodology	Minimum value	Maximum Value
1.	Doing Business (DB)	0,2	10
2.	Global Competitiveness Index (GCI)	3,68	5,7
3.	Business Environment Index (BEI)	6,23	8,65

Source: *Doing Business - Measuring Business Regulations*, *Economy Rankings 2014, Business environment rankings methodology 2014, The Global Competitiveness Index Report 2014-2015*

Based on the data presented in Tables no. 5.1 and 5.2, we will mention a few considerations regarding the relevance of the information that the companies or investors who wish to expand their business internationally have at hand, on the one hand, and to what extent such information may constitute a basis for business internationalization decision making, on the other hand: in the case of 54% of countries surveyed (27 countries) there are no significant differences between the performance evaluated by the the three methodologies, so there is a relative correlation between them; in the case of 16% of the countries (8 countries, namely Singapore, Hong Kong, USA, Finland, Malaysia, Austria, Bulgaria and South Africa) there is a very high correlation regarding the values of the two indicators and the rank in Doing Business Methodology; in the case of 15 countries, ie 30% of them, there are important differences between the the three methodologies, which we will analyze separately.

As we can see (Table no. 5.2) in 70% of the instances the decision to internationalize can be based on either methodology, which creates hierarchies regarding the countries in terms of business environment attractiveness (DB and EIB), with a correlation built between the rank in the classifications and national economic performance, measured by the Global Competitiveness Index, while in the other 30% of cases there are significant differences, and sometimes they are very high.

Table 5.2 Comparative analysis of the rankings after DB 2014, GCI value in 2014, and BEI value 2014-2018

Country	DB	BEI	GCI	Country	DB	BEI	GCI
Singapore	1	1	2	Thailand	26	17	28
New Zealand	***2***	***8***	***16***	Netherlands	***27***	***15***	***8***
Hong Kong SAR, China	3	3	7	Mauritius	28	-	34
Denmark	4	9	13	Japan	***29***	***27***	***6***
Republic of Korea	***5***	***26***	***24***	Macedonia, FYR	30	-	43
Norway	6	10	11	France	31	23	20
United States	7	6	3	Poland	32	29	37
United Kingdom	***8***	***22***	***10***	Spain	33	25	31
Finland	9	7	4	Colombia	34	40	46
Australia	***10***	***4***	***21***	Peru	35	39	44
Sweden	11	5	9	Montenegro	36	-	45
Iceland	***12***	-	***27***	Slovak Republic	37	31	48
Ireland	13	14	23	Bulgaria	38	37	38
Germany	14	11	5	Mexico	39	32	42
Georgia	***15***	-	***47***	Israel	***40***	***20***	***25***
Cabo Verde	***16***	-	***50***	Chile	***41***	***12***	***30***
Estonia	17	24	26	Belgium	***42***	***16***	***17***
Malaysia	18	19	19	South Africa	43	41	39
Taiwan, China	19	13	14	Czech Republic	44	28	33
Switzerland	***20***	***2***	***1***	Armenia	45	-	49
Austria	21	18	18	Rwanda	46	-	41
United Arab Emirates	22	30	12	Puerto Rico (U.S.)	47	-	29
Latvia	23	34	36	Romania	48	38	40
Lithuania	24	36	35	Saudi Arabia	***49***	***35***	***22***
Portugal	25	33	32	Qatar	***50***	***21***	***15***

Source: *Doing Business - Measuring Business Regulations*, *Economy Rankings 2014*, *Business environment rankings methodology 2014*, *The Global Competitiveness Index Report 2014-2015*

New Zealand is in the top 10 countries according to DB and BEI (2nd and 8th position) with a high value of the BEI (8.18 versus 8.65, the maximum value), but the GCI is only on rank 16 (5.2 versus 5.7, the maximum value).

Republic of Korea is on the 5th position in DB, but according to the BEI (7.35 versus 8.65 maximum) and GCI (4.96 versus 5.7 maximum) is on position 26, respectively 24, which means that this country has a very attractive business environment, but taking the performance of the national economy into account it is barely mid-table.

United Kingdom presents a very interesting situation, because under the DB it is on the 8th place, the national economic competitiveness is very high (10th place with GCI equal to 5.41), but according to the BEI it is ranked only 22 (the indicator is 7.41 to the maximum value of 8.65).

Australia is on the 4th place in BEI's ranking (the indicator is 8.29), but according DB it is only ranked 10, and in terms of economic competitiveness only on 21st position (having a GCI 5.08), with 11 seats after United Kingdom.

Iceland is ranked 12 in DB, but in terms of GCI it is only on the 27th position, with a value of GCI 4.71 versus 8.65, the maximum value. For this country the BEI index was not calculated.

Georgia is ranked 15 according to DB, but in terms of GCI it is only on the 47th position, with a GCI value of 4.22. For this country the BEI index was also not calculated.

Cabo Verde is ranked 16 according to DB, but in terms of GCI it is only on the 50th position, with a GCI value of 3.68. For this country the BEI was not calculated, and the country's economic competitiveness is very low.

Switzerland also presents an interesting situation, like the United Kingdom. It is considered the most competitive country in the world (with a maximum of 5.7 GCI) and according to the BEI it is No. 2 (with an index of 8.52), but it is rather unattractive or inaccessible to companies wishing to expand their business into this country.

Netherlands is a country with a high competitiveness, ranking on the 8th place globally (with GCI equal to 5.45), but strongly unattractive or, like Switzerland, inaccessible to internationalization, according to DB (27th), but less unattractive according to the BEI (15th place).

Japan has a similar situation with the Netherlands, being even more successful than it, because it is on the 6th place in the GCI, but it is less permissive than the Netherlands because it ranks 29th and 27th according DB, and BEI. What is most strange about Japan is that GCI and BEI are a very similar calculation method, but perhaps the fundamental difference between the two indicators is that the BEI takes into account the political environment, market opportunities, taxation and the private enterprise policy, elements that are strong entry barriers for extending businesses into this country.

Israel is ranked 20 according to BEI, but DB puts the country on the 40th place and in terms of competitiveness it is ranked 25, so mid-table.

Chile is considered attractive by BEI (ranked 12th with a value of 7.89, compared to a peak of 8.65), but DB places the country on rank 41, and the competitiveness is low because GCI equals 4.6 versus the maximum value of the indicator, which is 5.7.

Belgium is placed on the 16th position by BEI methodology (the index is 7.69) and on the 17th according to GCI methodology (the index is 5.18), but according DB it is unattractive for business, ranking 42.

Saudi Arabia has a relatively good level of competitiveness, ranking 22, but the attractiveness of the business environment in this country is very low (49th position according to DB and 35th according to the BEI).

Qatar has a much better level of competitiveness than Saudi Arabia, it is on 15th place, but the attractiveness of the business environment in this country, is ranked 50 according to DB. Still, it is better positioned according to the BEI, being the No. 21.

6. CONCLUSIONS

Knowledge of the different aspects that characterize international business in the contemporary economy is vital for any investor wishing to internationalize their business. Currently, there is no area that is not affected by the accelerated process of globalization, and the rapid technological progress, propagated widely by the increasing competition and the changeover.

In other words, nobody is safe from internationalization. Neither individuals nor companies or national economies. Therefore who is well informed, will have the best chance of being competitive.

Those who do not seek carefully the right information will be exposed to great risks, and the unlikeliness of being able to face the aggressive competitive environment is very high. From what we have noticed during the research, World Bank Doing Business Methodology, provides a base of valuable information for both business and public authorities, when drawing up development strategies at company or national level. But we mention that the diversity of national economies is so high that it is difficult for all aspects to be caught. The research shows that up to 80% of the DB rankings are very similar and sometimes identical to the BER (as is the case for Singapore, Hong Kong 1st and 3rd). From this point of view, either one of the two classifications is relevant. The major difference between the two methodologies is that:

✓ DB is focused on practical information, provided free of charge and easily accessible, absolutely essential for any company that wants to 'enter' another country and start a business;

✓ BER aims to assess the attractiveness of a country from a much broader perspective, taking into account a variety of issues, many of them specific to the evaluated country's socio-economic assembly.

However, given the increased rigor considered by BER a careful businessman would probably prefer to rely on the Business Environment Index (BER) values when making the internationalization decision of their business. It is very important to consider the *Global Competitiveness Index* to substantiate a decision to internationalize a business.

On the one hand, there are countries which, although they have a high level of competitiveness, are not only attractive to international affairs, but also easy to access, such as for example Singapore, Hong Kong, Norway, USA, Finland, Sweden, Germany and Taiwan.

On the other hand, there are also countries that have a high level of competitiveness, but are unattractive or inaccessible to investors, either because of restrictive regulations or cultural environment, or because of their policy towards new companies coming from abroad, such as Switzerland, United Arab Emirates, Netherlands, Japan or Qatar.

In conclusion, we consider that the information provided by the World Doing Business's statistics are not sufficient to substantiate a business decision, targeting investments in countries other than that of the investors.

Of course that the information obtained in this way are very good, as long as they constitute a basis for our own investigations regarding the quality of business environment of a national economy, aiming at aspects such as changes to legislation, institutional framework, educational environment, labor market and the rules regarding the business, social and political environments, etc.

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