

**GLOBAL  
BUSINESS**

**STRATEGY  
FOR THE 1980s**

**F. T. Haner**

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# CONTENTS

|                 | Page |
|-----------------|------|
| List of Tables  | xi   |
| List of Figures | xii  |
| Chapter         |      |

## PART I

|  |    |
|--|----|
| INTRODUCTION: AN ASSESSMENT OF THE<br>GLOBAL BUSINESS ENVIRONMENT      | 3  |
| 1 A FORECASTING SYSTEM FOR ASSESSING<br>COUNTRY POTENTIAL IN THE 1980s | 6  |
| Mechanics of the System of Assessing Country Potential                 | 6  |
| The Human Variables  | 9  |
| Temperament  | 9  |
| Economic Activity  | 11 |
| Social Structure   | 13 |
| Political Structure  | 14 |
| Physical Variables   | 16 |
| Natural Resources  | 16 |
| Climate  | 18 |
| Geography  | 18 |
| Development  | 19 |
| Summary  | 21 |
| 2 COUNTRY POTENTIAL RATINGS  | 22 |
| Africa   | 22 |
| Europe   | 29 |
| Far East   | 29 |
| Latin America  | 32 |
| Middle East  | 32 |
| North America  | 35 |
| Summary Comments   | 35 |

|   |  |    |
|---|--|----|
| 3 | COMPARISONS WITH COUNTRY POTENTIAL AND<br>ACTUAL PERFORMANCE | 37 |
|   | Achieving Potential  | 39 |
|   | Countries with a Significant Difference in Ratings           | 39 |
|   | Oil Prosperity Countries                                     | 39 |
|   | Probable Achievers and Underachievers in the Future          | 47 |
| 4 | THE PROFIT OPPORTUNITY IN SIXTY COUNTRIES                    | 50 |
|   | Differences in Quality within the PORs                       | 51 |
|   | POR 1 (Capital Investment)                                   | 55 |
|   | POR 2 (Nondividend Cash Flow)                                | 55 |
|   | POR 3 (Trade Only)   | 55 |
|   | Assignment of POR Ratings to the Sixty Countries             | 56 |
|   | Comments on the POR Ratings                                  | 56 |
|   | POR 1 in 1984  | 56 |
|   | POR 2 in 1984  | 57 |
|   | POR 3 in 1984  | 58 |

## PART II

|   |  |    |
|---|--|----|
|   | INTRODUCTION: PLANNING AND OPERATING<br>TECHNIQUES FOR THE 1980s | 63 |
| 5 | TECHNIQUES FOR NEW INVESTMENTS IN<br>FOREIGN COUNTRIES           | 65 |
|   | Policy Framework   | 67 |
|   | Financial Techniques   | 68 |
|   | Leasing  | 70 |
|   | Working Capital  | 71 |
|   | Ownership and Control of Decision Making                         | 72 |
|   | Channels for Remitted Cash Flow                                  | 73 |
|   | Creating and Maintaining a "Low Profile"                         | 74 |
|   | Personnel Selection  | 75 |
|   | Scope of Operations  | 77 |
|   | Brand Names and Trademarks                                       | 78 |
|   | Planned Technological Obsolescence                               | 78 |
|   | Steps in PTO   | 80 |
|   | Organizational Design  | 81 |
|   | The Daisy Chain  | 81 |
|   | Transfer Pricing   | 84 |
|   | Comments on Organizational Design                                | 84 |

|   |  |     |
|---|--|-----|
| 6 | TECHNIQUES FOR EXISTING OPERATIONS                           | 87  |
|   | The Life Cycle of Foreign Investments                        | 87  |
|   | The Honeymoon  | 87  |
|   | Normal Operating Relationship                                | 89  |
|   | Deteriorating Relationship Stage                             | 89  |
|   | Withdrawal   | 91  |
|   | Blocked Currency   | 92  |
|   | Policies on Hedging  | 93  |
|   | Policies on Plowback   | 94  |
|   | Alternatives to Plowback                                     | 95  |
|   | Systems for Intelligence in Host Countries                   | 95  |
|   | Company Personnel  | 96  |
|   | Services Retained by the Company                             | 97  |
|   | Publications   | 98  |
|   | The Role of Headquarters                                     | 99  |
|   | Contingency Planning   | 101 |
|   | Planning for Evolutionary Changes                            | 101 |
|   | Planning for Sudden Serious Changes                          | 103 |
|   | Implementation   | 104 |
|   | After Nationalization or Expropriation                       | 105 |
|   | Affecting the Marketplace                                    | 105 |
|   | Technology Flows—A Constructive Proposal                     | 106 |
|   | The Role of Headquarters                                     | 107 |
| 7 | NONDIVIDEND CASH FLOW RELATIONSHIPS                          | 109 |
|   | The Advantages and Disadvantages of POR 2                    | 110 |
|   | Advantages   | 110 |
|   | Disadvantages  | 111 |
|   | A Primary Cause of Nondividend Cash Flow Relationships       | 111 |
|   | Causes for POR 2 Within a Country                            | 113 |
|   | Foreign Exchange for Remittances and Repatriation of Capital | 113 |
|   | Profit Performance   | 113 |
|   | Nationalism  | 114 |
|   | Sociopolitical Instability                                   | 114 |
|   | Attitudes about Nondividend Cash Flow                        | 114 |
|   | Governments  | 114 |
|   | Corporations   | 115 |
|   | Local Companies  | 116 |
|   | Summary  | 117 |
|   | Factors Affecting Profitability                              | 118 |

|   |  |     |
|---|--|-----|
|   | Pricing  | 119 |
|   | Relationship with the Local Company  | 123 |
|   | Special Factors  | 124 |
| 8 | CORPORATE ASSESSMENT OF THE<br>SOCIOPOLITICAL ENVIRONMENT                              | 126 |
|   | Categories of Sociopolitical Change  | 126 |
|   | Sociopolitical Risk in POR 2 Operations  | 129 |
|   | Sociopolitical Forecasting   | 130 |
|   | Internal Causes of Instability   | 130 |
|   | External Causes of Instability   | 132 |
|   | Symptoms of Problems   | 132 |
|   | The Mechanics of the System  | 133 |
|   | Using the Rating Panel   | 133 |
|   | Categories of Risk   | 135 |
|   | PART III   |     |
|   | INTRODUCTION: PLANNING AND STRATEGY<br>FORMULATION                                     | 139 |
| 9 | LONG-RANGE PLANNING FOR INTERNATIONAL<br>OPERATIONS                                    | 141 |
|   | The Elements of Long-Range Planning  | 141 |
|   | Structure  | 141 |
|   | Detail in the Plan   | 142 |
|   | Types of Objectives  | 143 |
|   | Primary Steps in the Planning Process  | 144 |
|   | Identify and Forecast Strategic Variables Affecting the<br>Company                     | 144 |
|   | Identify the Condition of the Company in the Future<br>Based Only on Existing Business | 145 |
|   | The Risk Distribution Matrix   | 145 |
|   | Factors Affecting RDM Judgments  | 148 |
|   | Some Basic Assumptions in RDM  | 150 |
|   | Develop and Select Alternatives for New Business                                       | 151 |
|   | Formulate Strategy and Allocate Resources  | 152 |
|   | Contingency Plans for the Long Range   | 153 |
|   | Personnel Participating in Long-Range Planning   | 154 |
|   | Administration of the Plan   | 154 |
|   | The Role of Top Management   | 158 |

|    |   |     |
|----|---|-----|
| 10 | STRATEGIC PLANNING  | 160 |
|    | Definition of Strategy  | 160 |
|    | Descriptive Terms for Strategies                                      | 161 |
|    | Master Strategy   | 161 |
|    | Substrategy   | 163 |
|    | Offensive Strategy  | 163 |
|    | Defensive or Counterstrategy  | 163 |
|    | Example of a Strategy   | 163 |
|    | Master Strategy Objective   | 164 |
|    | Multiple Components   | 166 |
|    | Time Framework  | 168 |
|    | Coordination and Adjustments  | 169 |
|    | The Steps in Formulating Strategy                                     | 170 |
|    | Identify and Forecast the Strategic Variables                         | 171 |
|    | Identify and Forecast Operating Variables                             | 172 |
|    | Formulate a Strategic Plan from the Variables and<br>Alternatives     | 173 |
|    | Monitor and Modify the Strategy Based on Observations<br>and Feedback | 175 |
|    | Evaluation of Strategies  | 176 |
| 11 | SHORT-RANGE OPERATIONAL PLANNING                                      | 178 |
|    | Definition of Short-Range Operational Planning                        | 179 |
|    | Details on the Structure of SROP                                      | 180 |
|    | Time Span   | 180 |
|    | Strategic Variables   | 180 |
|    | Operating Variables by Major Organizational<br>Component              | 183 |
|    | Strategies in SROP  | 187 |
|    | The Content of SROP   | 189 |
|    | Comparisons between Actual and Predicted<br>Performance               | 191 |
|    | Contingency Planning  | 193 |
|    | APPENDIX A: AN EXPLANATION OF THE BUSINESS<br>ENVIRONMENT RISK INDEX  | 195 |



|   |     |
|---|-----|
| APPENDIX B: FORMS TO COMPILE COUNTRY<br>POTENTIAL RATINGS       | 203 |
| APPENDIX C: THE FULL SCOPE OF NATIONALISM                       | 209 |
| APPENDIX D: GOVERNMENT INTERVENTION-<br>MOTIVATION AND REACTION | 215 |
| INDEX   | 227 |
| ABOUT THE AUTHOR  | 230 |

## LIST OF TABLES

| Table   | Page |
|---|------|
| 2.1 Ratings for Human Variables   | 23   |
| 2.2 Ratings for Physical Variables  | 24   |
| 2.3 Combined Total for All Variables  | 26   |
| 2.4 Africa  | 28   |
| 2.5 Europe  | 30   |
| 2.6 Far East  | 31   |
| 2.7 Latin America   | 33   |
| 2.8 Middle East   | 34   |
| 2.9 North America   | 36   |
| 3.1 Country Potential and Actual Performance as Measured<br>by an Adjusted BERI | 40   |
| 3.2 Performance of Highly Rated Countries                                       | 43   |
| 3.3 Achievers and Underachievers  | 44   |
| 3.4 Probable Achievers and Underachievers in the 1980s                          | 48   |
| 4.1 Assigned POR Ratings  | 52   |
| 4.2 Percentages for Each POR Category   | 59   |
| 7.1 Selected Information Pertaining to POR 2 Contracts                          | 120  |
| 8.1 Forms of Political Obsolescence   | 127  |
| 8.2 Examples of Sociopolitical Forecasting System                               | 134  |
| 11.1 The Content of Short-Range Operational Planning                            | 189  |

## LIST OF FIGURES

| Figure   | Page |
|--|------|
| 1.1 Accuracy of Forecasting  | 4    |
| 1.1 Human Variables in the Total Business Environment                                  | 7    |
| 1.2 Physical Variables in the Total Business Environment                               | 8    |
| 2.1 Method of Averaging for CPR Ratings  | 27   |
| 3.1 Comparison of BERI and Country Potential Ratings                                   | 38   |
| 4.1 Checklist for Assigning a POR  | 54   |
| 5.1 Profit Expectations and Volume of Remittable Cash in<br>Relation to POR            | 66   |
| 5.2 The Impact of Overinvestment   | 67   |
| 5.3 Relationship of POR and Recommended Leverage                                       | 70   |
| 5.4 Progress of a Qualified National Employee  | 76   |
| 5.5 The Changes in Approach to Supplying Brands, Patents,<br>Processes, and Trademarks | 79   |
| 5.6 Elements of a Daisy Chain  | 83   |
| 6.1 The Life Cycles of Foreign Investments   | 88   |
| 6.2 Components of an Intelligence System   | 100  |
| 7.1 Supportive and Restrictive POR 2 Environments                                      | 118  |
| 7.2 Module Pricing of POR 2  | 122  |
| 7.3 Increased Profits from Multiple Contracts  | 125  |
| 8.1 A Framework for Political Risk Evaluation  | 131  |
| 9.1 Risk Distribution by Profit Opportunity<br>Recommendation                          | 146  |
| 9.2 Risk Distribution by Profit Performance  | 147  |
| 9.3 Selecting the Character of the Firm  | 149  |
| 9.4 Management Participation in Planning   | 155  |
| 9.5 Organizational Relationships in Long-Range Planning                                | 156  |
| 10.1 Terms Used in a Master Strategy   | 162  |
| 10.2 Model for Operations Optimization and Risk Avoidance<br>(MOORA)                   | 165  |
| 10.3 Simplified Strategic Plan   | 167  |
| 10.4 The Need for New Sources of Income  | 170  |
| 10.5 Forecasting Accuracy as a Function of Success                                     | 174  |
| 11.1 Short-Range Operational Planning Integration                                      | 181  |
| 11.2 Rolling Short-Range Operational Planning  | 182  |
| 11.3 Full Resource Planning  | 184  |
| 11.4 The Evolution of Short-Range Operational Planning                                 | 186  |
| 11.5 Computerized Contingency Planning   | 192  |

# *PART I*



# **INTRODUCTION: AN ASSESSMENT OF THE GLOBAL BUSINESS ENVIRONMENT**

The foundation for conceiving a global business strategy in the 1980s is an assessment of the profit opportunities offered by the tens of countries around the world. Although attractive situations exist in the USSR, the People's Republic of China, and other countries influenced by these Eastern Bloc powers this book analyzes 60 countries generally outside this bloc.

A distinction is made between a country's potential for socioeconomic progress and its degree of achievement in seeking this progress.\* Chapter One describes a system for evaluating the potential that quantifies the level of human and physical resources. This system took three years to construct. The process required combining and refining the many possibilities for components. Scholars from several disciplines contributed to the decisions needed to narrow the alternatives and create a workable model.

Chapter Two applies the system to the 60 countries analyzed in the book. The results might be affected by a larger number of qualified evaluators, but the ratings appear logical when considered individually and when compared regionally. Forecasts for the 1980-84 and 1985-89

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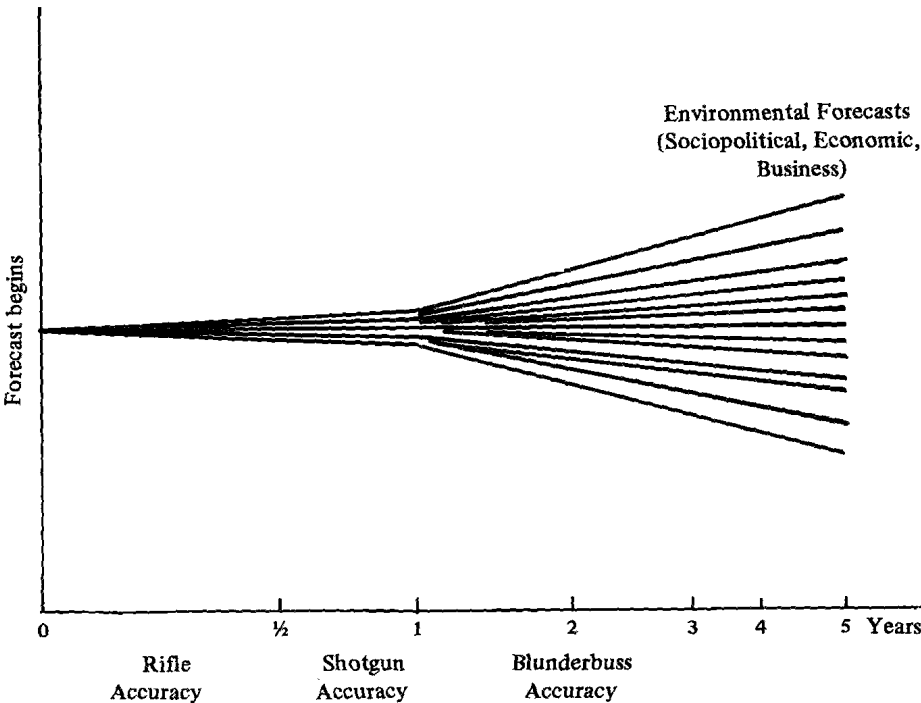
\* Socioeconomic progress is defined as advancement toward broad wealth-distribution and attainment of high levels of disposable personal income. This is different from sociopolitical progress, in which human rights are fully respected and individuals participate in the selection of leaders and type of government. South Korea is an example of a country that is making socioeconomic progress but has a low level of sociopolitical progress.

periods give an indication of potential in the coming decade. Figure I.1 shows the decreasing accuracy of all types of forecasts as they are extended into the future. Nevertheless, by using ratings for the present as a starting point, and assessing the likelihood of change in a country for each of the 18 categories in the system, a reasonable estimate of the two future periods can be made.

Chapter Three compares ratings for country potential with the Business Environment Risk Index (BERI), which measures the total business climate being achieved. A regularly published five-year forecast is available from BERI and an explanation of the index is given in Appendix A. The two systems are the basis for identifying both under-achievers and nations exceeding potential. A brief analysis is given for both types of countries that have ratings more than 10 percent apart.

Chapter Four uses the rating systems and published information obtained from research to establish a Profit Opportunity Recommendation (POR) for the 60 countries. Four categories were created: capital

**FIGURE I.1: Accuracy of Forecasting**



investment; nondividend cash flow; trade only; and no business transactions. The first three have three variations within the category, so there are ten POR possibilities for a country. This rating is a basic input in the strategic planning process described in Part III.

Sufficient information is given in Part I for readers to apply the systems and obtain independent data. This could be motivated by another point of view about a country or refinements needed for a specific industry. Regardless of system design and results of specific ratings, a company will benefit from a quantitative approach to country evaluation.



# 1

## **A FORECASTING SYSTEM FOR ASSESSING COUNTRY POTENTIAL IN THE 1980s**

The objective of this book is to identify techniques that assist in formulating strategies required for profitable operations in the 1980s. As a first step it is necessary to forecast the business environment existing in that period by country and region of the world. The system of forecasting used in Part I first assumes that this environment is ultimately dependent on the characteristics of the people and the sociopolitical system in which they live, and the physical resources provided by nature and those that have been added by the people. Figures 1.1 and 1.2 are the schematic models of the multipart method of estimating future country potential. Later in Part I this potential is compared with the Business Environment Risk Index (see Appendix A), which measures actual and expected performance.

Chapter One is divided into three parts. First, the mechanics of the system for forecasting country potential are explained. Second, the nine human variables assessed in the system are discussed. Third, the composition and the scope of each physical variable is identified.

### **MECHANICS OF THE SYSTEM OF ASSESSING COUNTRY POTENTIAL**

After tens of experiments, nine human and nine physical variables have been selected for the system. Work with anthropologists, political scientists, psychologists, sociologists, and experts in agriculture, geology,