

INTERNATIONAL BUSINESS ENVIRONMENT IN THE CONTEXT OF GLOBALIZATION
PROCESSES AND CRITERIA OF COMPETITIVENESS

Глобалізація і процеси глобалізації призвели до виникнення нових ринків, нових інструментів, нових учасників та нових правил і стандартів; роблять значний вплив на бізнес, підприємництво та підприємницького середовища. Стаття зосереджена на характеристики міжнародного підприємницького середовища, його компонентів та структури. Для цієї мети розроблено глобальний індекс конкурентоспроможності підприємницького середовища, який складається з визначних міжнародних оцінок і показників у цій галузі - *Doing Business, Global Competitiveness Index, Index Economic of Freedom a Corruption Perception Index*. Оцінити потенціал цього індексу перевіряється на визначних економіках, групах країн у світовій економіці: США, Японія, ЄС і БРІКС. Мета полягає в тому кількісно визначити їх роль в конкурентоспроможності і якості підприємницького середовища в світовій економіці.

Ключові слова: глобалізація, міжнародне підприємницьке середовище, глобальний індекс конкурентоспроможності підприємницького середовища, економіка США, Японії, ЄС, країн БРІКС.

INTRODUCTION

„The development of a market economy (ME) will, with its iron logic, force the emergence of the global market economy“ (Landová – Vrećion, 2006, p.12). Space for a global scale development of economic activities opened: [©](#)

1. liberalization and deregulation measures (reduction of barriers to the free flow of goods, services and capital) and
2. technological changes, particularly in the area of communications, information processing and transport technologies, which caused reduction of transaction costs for cross-border movement of capital, goods and factors of production (Gill, 2000; Daniels, Radebaugh & Sullivan, 2004; Hill, 2005; Šikula, 2008) thus stimulated growing cross-border flows and integration in goods, services and capital market (Redding, 1999; Gupta a Govindarajan, 2004), as well as the mobility of ideas and people beyond the borders of one country (Prus, 2001).

Globalization is currently characterized by the *emergence of new markets* (banking, insurance, transportation and so on with global connection, global consumer markets and global brands), *new tools* (internet, mobile phones, media networks), *new actors* (WTO, MNE, NGO networks, groups - EU, NAFTA, G7), *new rules and standards* (with emphasis on market principles, deregulation and privatization, global conventions, broad acceptance of democracy and so-called human rights with enforcement mechanisms) (Sirůček, 2004). Their practical effects are: foreign direct investments (FDI), offshoring, outsourcing, and differentiated development in different sectors (Staněk, 2011) accompanied by two major trends: the first is associated with the processes of concentration and centralization of production, the core of the second is process of trans-nationalization (Antušák, 2007).

Many of the characteristics of globalization have an impact on the area of business. In this context is often used the term *global business*: the growing impact of globalization is called by Yip (2003, based on Jeníček and col. 2010) as *globalization pressures*. Based on Hill (2005) new business opportunities of the global market are used more and more by countries, big companies, as well as many small and medium enterprises, which are increasingly more involved in international trade and investment.

Based on the analysis of the development trends of globalization and its impact on the economy occurs in the

scientific sphere the attempt to categorise the impacts of globalization on business, entrepreneurship and the environment, resp. to explore their interactions.

The aim of this paper is to identify the key developmental processes in the area of international business environment. Emphasis is placed on the analysis of the problem in terms of the competitiveness of businesses in the on-going globalization process.

1 INTERNATIONAL BUSINESS AND INTERNATIONAL BUSINESS ENVIRONMENT

Creating a conceptual approach to international business as a separate discipline, is associated with the authors as Fayerweather (1960), Vernon (1966), who combined its international business research (International Business - IB) with relation to international business environment (international business environment - IBE). Nehrt, Truitt and Wright (1970) pointed out more than three decades that research in the field of international business should be more focused to relationship between business activities of firms in foreign, resp. international environment in which the company operates, and they need to pay more attention to the international business environment. Guisinger (2000, 2001) argued that IBE is a key event that allows IB to distinguish from other activities and management areas, where the businesses are subjects of interest. Boyacigiller and Adler (1997) state that IBE explicitly includes external international environment in which firms operate, which means its international context. Especially the implementation in international external environment differentiates IB from other forms of business. To examine the quality of IBE in the context of the IB is particularly important as regards to cross-border transactions and it is necessary to know how companies expand into foreign markets, which are structurally very diverse (Guisinger, 2001). Significant for business is the knowledge that the results of the dynamic competitive international business environment are economies of scale in global area (Gupta and Govindarajan, 2004).

More dimensionality of IBE is documented via approaches to its investigation and definition. For example, Hambrick (1982) divided IBE into four categories: administrative, manufacturing, business and legal and these categories into 20 subcategories. Dess and Beard (1984) and Guisinger (2001) paid particular attention to the two components of IBE and to entities (competitors, customers and suppliers) and areas (political, legal, social, cultural, technical, economic, environmental), but gradually extended structure of IBE to 8 components: culture, legal system, political risks, economic profile, tax regimes, geographic location, exchange rates and barriers in IBE. The Association of Business Executives ranks among IBE factors in addition to socio-cultural, economic, legal, political and technological also "C" factors (country, currency, competitors), in connection with these they examines the status and specific of countries/groups of countries, monetary policy, and in particular the impact of currency rate in IB and competitive ability of countries. There are numbers of authors who present a business environment in some complexity. One look at the structure of the business environment shows Figure 1.

The other authors / sources, such as Johnson and Scholes (2000) extend the complexity of getting to know the business environment (business environment - BE) as the basis of management decisions, by its basic characteristics: *uncertainty, intensity and speed of changes of IBE*, which in the future will operate from outside on the company. Dess and Beard (1984), Harris (2004), Mintzberg (1979), Ward et al (1995) extended by four dimensions: *dynamics, complexity, diversity and friendliness* referred to by Lawless and Finch (1989) as the most critical dimensions of the business environment with respect to the strategic decisions of managers.

2 MEASUREMENT AND EVALUATION OF THE BUSINESS ENVIRONMENT IN THE CONTEXT OF GLOBALIZATION PROCESSES AND CRITERIA OF COMPETITIVENESS

Instead of focusing to results of competitiveness is scientific investigation of competitiveness aimed on the *factors / determinants* conducive to improving of competitiveness (Kadeřábková et al., 2003). The standard approach to the analysis of BE is a measure of its quality, resp. competitiveness through indexes. The best known include:

GCI – Global Competitiveness Index, which annually, since 2004, evaluates 12 pillars of competitiveness of BE by the World Economic Forum (WEF) in Competitiveness Global Report;

DBI - Doing Business index, used by World Bank (WB) to evaluate components of qualitative competitiveness of BE in 10 areas in 186 countries worldwide;

CPI – Corruption Perception Index from 1995 is used by TI - Transparency International to evaluate the corruption in 12 areas in 180 countries;

EFI - Index of Economic Freedom from 1995 is used by HF - Heritage Foundation from Washington to evaluate 10 components of BE in 179 countries.

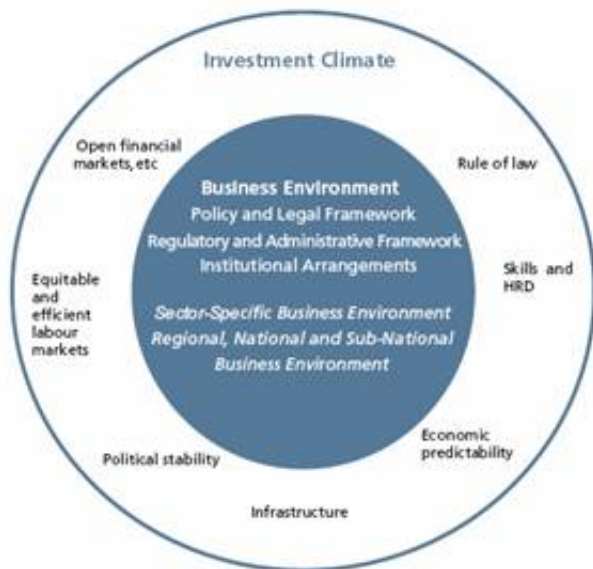


Figure 1 Structure of business environment

Source: Supporting Business Environment Reforms: Practical Guidance for Development Agencies [online]. Donor Committee for Enterprise Development, 2008, 48 s. Available on internet: <http://www.businessenvironment.org/dyn/be/besearch.home>

In spite of some differences in the number and definition of used indicators their common feature is the idea that the nation-state's competitiveness lies in what favourable conditions it can create for "their" enterprises in comparison with other countries (Šikula, 2008).

The aim of this part of the paper is the construction of self-assessment tool: *an index of global competitiveness of the business environment* (GIKPP) through which it will be possible to assess the status and competitiveness of the country, resp. groupings of countries around the world in an international business environment (IBE). *The objects of investigation (observational units)* are selected country, resp. groups of countries that have in a global economic environment crucial role. For the purposes of construction of GIKPP we use 4 countries/groupings of countries: EU-27, USA, Japan, BRICS (Brazil, Russia, India, China, South Africa). This structure allows countries to obtain relevant results of the evaluation and comparison of the state and development of IBE in the WE. Examined *statistical characteristics* are final values of presented international indices (in order of ranking evaluation) of analysed countries, resp. groupings of their partial evaluation GCI, DB, IEF, CPI in 2010.

The aim of design of GIKPP is to synthesize indices used on the global and national level (containing indicators of the business environment, which are necessary for its reporting ability) and on this basis to create own index, which will evaluate the ability to measure the quality and competitiveness of the business environment.

Composite GIKPP is constructed from the results of the evaluation (the order of countries in the world) by Doing Business (DB), Global Competitiveness Index (GCI), Index of Economic Freedom (IEF) and Corruption Perception Index (CPI) with the aim to identify the position of the investigated countries/groups of countries in competitiveness and quality of the business environment in WE.

$$\text{GIKPP} = \text{DBI (20\%)} + \text{GCI (30\%)} + \text{IEF (30\%)} + \text{CPI (20\%)} \quad (1)$$

Analysis of the quality and competitiveness of selected countries, respectively clusters via GIKPP consists of the following steps:

1. *step*: detection and quantification of score (rating) and the order of the selected countries, respectively groupings according to DB, GCI, IEF, CPI,

2. *step*: calculation of the average score for a group of countries (EU, BRICS) and ranking surveyed countries/groupings of countries according to various international assessments.

The final score and ranking of surveyed countries/groupings of countries according to various international indices (DB, GCI, IEF, CPI) are shown in Tables 1,2,3,4 and Figures 2,3,4,5,6.

3. step: GIKPP calculation based on formula (1) and on this basis the ranking of the investigated countries according to the quality and competitiveness of their IBE.

The resulting ranking of the countries surveyed / resp. groupings according to GIKPP is determined by the weighted sum of the order (Stankovičová–Vojtková, 2007, p. 18):

$$d_{ij} = \sum s_{ii} \cdot v_j ; \quad j = 1,2,3,4, \quad (2)$$

where integral indicator d_{ij} , used for countries/groupings ranking, is sum of orders multiplied by selected weights selected and is presented in Table 5 and Figure 6.

Table 1 Score and ranking of countries/groups of countries: DB (2010)

Grouping/ Country	score	ranking
USA	81,5	1
Japan	72,4	2
EU	61,4	3
BRICS	47,2	4

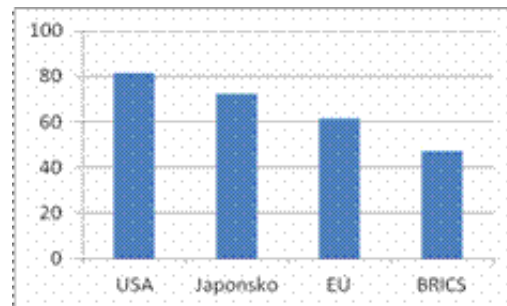


Figure 2 Ranking of countries/groups of countries: DB (2010)

Source: own calculation

Source: own calculation

Table 2 Countries/groups of countries GCI (2010)

Grouping/ Country	score	ranking
USA	5,59	1
Japan	5,37	2
EU	4,71	3
BRICS	4,44	4

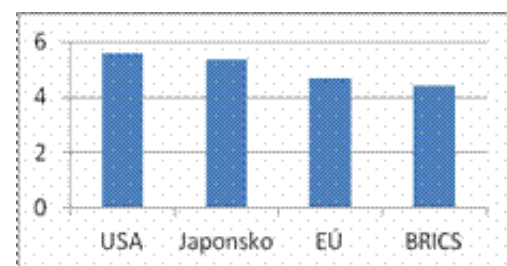


Figure 3 Countries/groups of countries by GCI (2010)

Source: own calculation

Source: own calculation

Table 3 Countries/groups of countries - IEF (2010)

Grouping/ Country	score	ranking
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USA	78	1
Japan	72,9	2
EU	69,6	3
BRICS	58,6	4

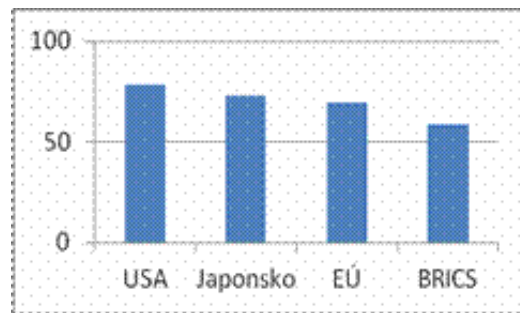


Figure 4 Countries/groups of countries IEF (2010)

Source: own calculation

Source: own calculation

Table 4 Countries/groups of countries - CPI (2010)

Grouping/ Country	score	ranking
USA	7,7	1
Japan	7,5	2
EU	6,4	3
BRICS	3,92	4

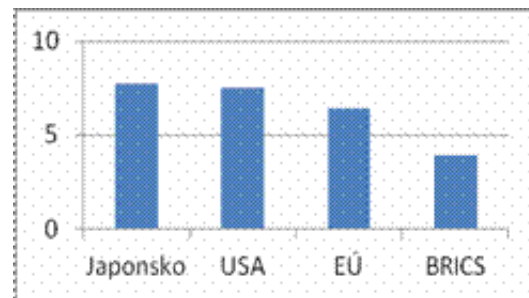


Figure 5 Countries/groups of countries - CPI (2010)

Source: own calculation

Source: own calculation

The resulting sequence of evaluated countries / groups of countries was significantly affected by their position in the sub-indices. In three of these indices (GCI, DB, IEF) was order of the U.S.A., Japan, EU and BRICS identical. The order is reflected in the sum of the order in which USA obtained a value of 5, Japan 7, EU 12 and BRICS 16. The different order of evaluation is at CPI.

For certain verification of assessment ability of GIKPP we make an easy probing of the impact of quality conditions IBE on the economic results in 2011 (Table 6). To determine the ranking of countries according to economic performance in 2011, we use the cumulative value of the increases of coefficients. BRICS countries are not listed due to the unavailability of relevant documents.

Ranking of countries/groupings based on GIKPP (2010)

	DB x 0,2	Rank		GCI x 0,3	Rank		IEF x 0,3	Rank		CPI x 0,2	Rank		GIKPP	Rank
													d_{ij}	
	Score			Score			Score			Score				

	DB			GCI			IEF			CPI					
USA	81,5	16,3	1	5,59	1,68	1	78	23,4	1	7,5	1,5	2	5	42,88	1
Japan	72,4	14,5	2	5,37	1,61	2	72,9	21,9	2	7,7	1,54	1	7	39,50	2
EU-27	61,4	12,3	3	4,71	1,41	3	69,6	20,9	3	6,4	1,28	3	12	35,35	3
BRICS	47,2	9,4	4	4,44	1,33	4	58,6	17,6	4	3,9	0,78	4	16	29,13	4

Legend: s_{ij} = rank (from 1 = object with the best value till 4= object with the worst value); v_i = weight indicators (sum of ranks). Rank = serial number (position)

Source: own calculation

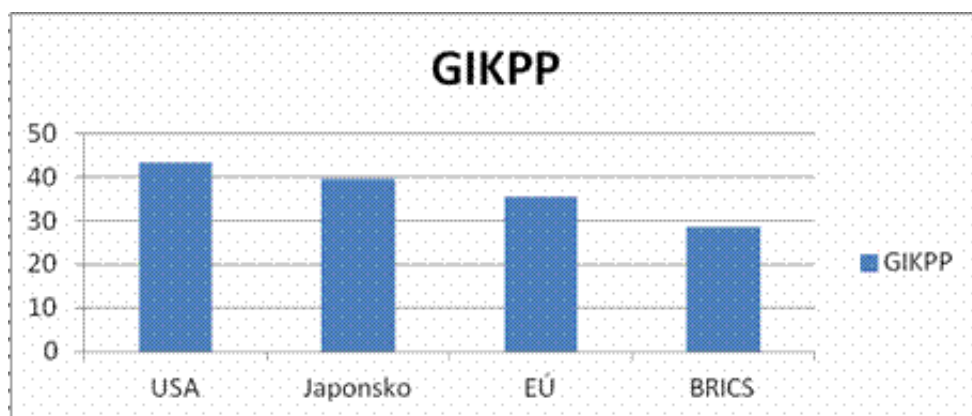


Figure 6 Ranking of countries/groups of countries based on GIKPP (2010)

Source: own calculation

Table 6 Economic results of USA, Japan and EU-27 in 2011

Countries /groups of countries	The coefficient of increase %; year 2011/2010 (2005)						Cumulated value of the coefficient of increase	Rank
	GDP (PPS)	Private consumption	Gross fix investments	Total domestic demand	Export	Import		
USA	1,7	2,3	3,4	1,6	6,7	4,7	20,4	1
Japan	-0,3	-0,2	-0,3	0,4	1,0	5,7	6,3	2
EU - 27*	1,0	1,0	1,0	1,0	1,1	1,1	6,2	3

Source: own calculation based on Hošoff, B.: USA and Japan between slowdown and hope for recovery. In OBADI, S.A. and coll. 2012. p. 81, 98*. Own calculation based on the data of Eurostat.

A simple method of sum of the increases coefficients of selected economic indicators presents the same order of their ranking with the ranking of GIKPP based on quality of BE. It is therefore possible to state that GIKPP has some explanatory power.

Based on GIKPP have the best conditions for the economic activities in 2010 the USA (Economy of USA in 2011 revived in contrasts with EU which is still in economic stagnation (Mothana a kol., 2012, p. 15)), followed by Japan and EU countries, the least favourable conditions for the business have BRICS countries, even they grew in GDP in 2011 (The growth of GDP in 2011 compared to 2010 based on WB was: Brazil 2,7%; Russia 4,3%; India 6,9% and China 9,3%).

When taking into consideration the structure of indexes and indicators, which are accumulated in GIKPP, all of them include characteristics of the business environment and the results obtained can be considered as a relevant picture of the state

of competitiveness and quality of IBE in the surveyed countries, respectively groups of countries.

CONCLUSIONS

a) Many of the characteristics of globalization have an impact on international business. The economic literature has progressed significantly with an examination of the components of the international business environment. Into its structure are generally classified culture, legal system, political risks, economic profile, tax regimes, geographic location, the exchange rate and barriers in IBE.

b) To measure the competitiveness of the international business environment, we have compiled a composite GIKPP from the evaluation results (ranking of the countries in the world) according to the Doing Business (DB), Global Competitiveness Index (GCI), Index of Economic Freedom (IEF) and Corruption Perception Index (CPI). We identified the position of the investigated countries / groups of countries in the competitiveness and quality of the business environment in the WE.

c) Based on the above methodology we set the order of the countries / groups of countries in the competitiveness of the business environment: USA, Japan, EU, BRICS.

The paper is part of the solution: Project. 035TUKE-4/2012 "Building multimedia classrooms to support distance education forms in the area of core competencies with an emphasis on entrepreneurial skills"

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Отримано 18.03.2013р.

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