

# Political legal environment essays examples

[Business](#), [Company](#)



## **Introduction**

[Author Name(s), First M. Last, Omit Titles and Degrees]

[Institutional Affiliation(s)]

[Include any grant/funding information and a complete correspondence address.]

## **Abstract**

PPQ Parts considers to develop a 4-year strategic management plan for expanding their facilities internationally and meeting certain goals. This paper will report the environmental scanning of current conditions in the area of expansion and will include economy, competition, and political stability. Additionally, it will address internal resource analysis. It will discuss the short-term and the long-term strategic goals, and the location considerations for implementation.

Keywords: [Click here to add keywords.]

### Introduction

Environmental scanning can be defined as ' the study and interpretation of the political, economic, social and technological events and trends which influence a business, an industry or even a total market (Kroon, 1995)The 4 year strategic management plan for the PPQ Parts considers an international expansion of outside United States. The ideal investment destination should be a country in EU. With an expansion in a European country, PPQ Parts will have the opportunity to approach big European automotive clients such as VW Group, Opel (a General Motors Co), BMW and other groups and hence increase its market share as planed to 9%. Slovakia is considered one of the

best European investment destinations mainly because of its political & economic stability which is also strengthened by the Euro currency. The environmental scan of Slovakia will include the political - legal environment, the economy and competition. PPQ Parts should also consider managerial and financial strengths and weaknesses. Furthermore, the company has to consider long term and short term goals.

The political - legal environment refers to the laws, the government and any other source of influence to the company either direct or indirect. Slovakia's political environment is considered stable. It is member of EU, NATO WTO etc and the system of government is parliamentary. A business friendly environment for investors has been achieved by the Slovak government after many comprehensive and deep structural reforms. A few of these main reforms were:

1. Reformed Social System
2. Reformed Act on Commercial Registry
3. Banking & Finance
4. Health Care System reform

## **Economy**

In recent years, Slovakia managed to perform structural reforms in order to become one of the best business investment countries within Europe.

Currently, Slovakia is a full member of the EU, NATO, OECD, Eurozone and Schengen Area. On January 1st 2009, Slovakia dropped the Slovak Koruna and adapted the Euro. The Euro adaption reduces the currency exchange risks. Slovakia's low inflation level in recent years prove a stable investment

environment (Table 1). Even though the Slovak economy experienced a significant growth in 2010, the unemployment continued to rise to 12.5% and reached 13.7% in 2011. This means that the availability of skilled and productive labour force has increased (Table 2).

Another positive factor on expanding PPQ Part at Slovakia is the ranking of the World Bank on ease of doing business. Slovakia's ranking is 46 for 2013.

The average monthly salary is still low compared to Western Europe. In 2011, the average gross wage was € 785 per month excluding obligatory social security contributions. The minimum monthly wage in 2012 is € 327.2. The company has to pay the social security costs for his employee of 35.2% on top of his salary. The employee pays for himself the social security costs of 13.4%.

## **Strengthens and Weaknesses**

The managerial strengths should be the confidence of the management on the expansion plan. Managerial personnel should be well educated to stick on the expansion plan. Furthermore, managerial staff should pass the confidence to the other employees and make sure that employees are aware of the expansion plans and the benefits from this expansion. It will be considered as a weakness the failure of the managerial personnel to explain and transfer the confidence to the company employees.

Financial strength is the long term plan of global expansion. The company will have presence in European market which will bring more jobs and more profit to the PPQ Parts company. Expansion to a stable European country with lower monthly salaries compared to United States, will increase the

margin profit of the company. Financial weakness should be considered the initial setup cost of the facilities in Slovakia. Additional financial weakness, could be the decision to expand to Slovakia which is in the middle of European financial crisis. For example, Peugeot Citroen group recently stopped the production line due to the lower demand.

## **Long- and Short-term Goals**

PPQ Parts expansion to Slovakia short term goals, should include the selection of the correct region area for the new facility, approach a registered and accredited consultant in the area who knows the laws and the regulations and finding the appropriate employees for the new facility.

Additionally, PPQ Parts should approach Slovak government and investigate possibilities of EU funding. Company should also look up for appropriate local supplies and establish good business relationship with them.

Long term goals are excellent motivators. Long term goal is the profitability of the expansion, the establishment in the European region as a reliable automotive parts partner and possibly a new expansion to Asia. Increase of profit margin to 13%, when the competition average is 6%, reveals important information about the company. A profit margin more than 10% shows a company that controls its costs and is able to respond to competition.

Establishing the expansion facilities to Slovakia the goal of 13% profit margin is considered feasible.

Slovakia is a leading car producer in Central Europe. A lot of car part makers are constantly selecting to move their operations to Slovakia, and specifically to the industrial parks near Bratislava, Trnava and Žilina. The reason is that the monthly salary cost is lowered compared to other European countries

such as Poland, Germany etc. Furthermore, the excellent geographic location of Slovakia which is close to the bigger markets of Germany, France, Italy and others helps the distribution of the automotive parts. Slovakian universities with strong presence in natural and technical sciences fields is a valuable source of educated personnel available for managerial positions. Current unemployment rate at 14%, implies that the company will be able to find low salary employees.

## **Conclusion**

In conclusion, PPQ Parts should consider Slovakia as the first global expansion because it is still considered a good place to do business (ranked 43rd by World Bank), but the company should also highly consider the timing and the European Crisis and forecast if they should wait or not. Regional analyses, and studies on the Slovakian investment environment should be performed. PPQ Parts has to know the managerial and financial strengths and weaknesses, and fully commit on the short- and long term goals in order to succeed on their global expansion.

## **References**

Country statistical profile: Slovak Republic 2013. (2013). Retrieved from OECD iLibrary: [http://www.oecd-ilibrary.org/economics/country-statistical-profile-slovak-republic\\_20752288-table-svk](http://www.oecd-ilibrary.org/economics/country-statistical-profile-slovak-republic_20752288-table-svk)

Ease of Doing Business in Slovak Republic. (2013). Retrieved from Doing Business : <http://www.doingbusiness.org/data/exploreeconomies/slovakia>

Kroon, J. (1995). General Management (2nd Edition). Pearson South Africa, 76.

Republic, S. O. (2013). Retrieved from Statistical Office of the Slovak Republic: <http://portal.statistics.sk/showdoc.do?docid=359>

Slovakia Country Report. (2013). Retrieved from Global Finance: <http://www.gfmag.com/gdp-data-country-reports/180-slovakia-gdp-country-report.html#axzz2qancAIDO>

Slovakia's Macroeconomic figures (Country statistical profile: Slovak Republic 2013, 2013)

Slovakia's Credit Ratings