

# Global and international business contexts assignment

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Furthermore, Tunisian wine production developed into a larger scale with the coming of the French in 1881 as they established several large vineyards, and again in 1956 after the country gained their independence. Despite the countries wine growing area still being relatively small, the soil and Mediterranean climate make it ideal for producing wine. The importance of having the right temperature to make high quality wines is stressed in Boyd's report who refers to it as a 'necessity as opposed to an 'optional extra' (Boyd, 2009).

Tunisian infrastructure is also constantly improving; with over 20,000 kilometers of road, 6 airports and 2 modern highways (Nations Tunisia, NINA) the nation's transportation links are developing quickly. It's important to note that if the company decide to invest in Tunisia, strong transportation links to ensure logistic ease and boost competitiveness will be required. As already highlighted the need for skilled winemakers are already in place and with a minimum wage of only 286 TEND (\$207.25) a month (State Gob, 2012), the potential for business opportunities is there for all to see.

Additionally, foreign investments generate one-third of Tunisian exports and continues to be a significant source of growth (Bureau of Economic and Business Affairs, 2012), thus suggesting overseas investments in the country are likely to be beneficial. The demand for Tunisian wine comes largely from domestic consumers; this is evident in the fact that 70% (21 million bottles) of the 30 million bottles produced annually are sold within the country (Sommeliers, 2012). A further quarter of annual sales are to the countries tourist industry (Ballgame Dashiki, 2012) inferring there is a very little demand for

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Tunisian wine outside of the country, Thus, these demand conditions and lack of internationalization demand suggests there is a gap in the market for potential foreign investors to invest in the countries wine production and start selling the produce overseas. The idea of being the first to internationalist domestic demand for the wine would give the multinational corporation a first mover advantage and the risk may pay dividends In being the first to offer the wines to these new markets.

Nevertheless, this 'depends on country specific lead market potentials, market heartsickness and on the regime of the country specific regulation' (Bighead, 1998); thus, this belief in a first mover advantage requires a host of favorable factors and is deemed by some as a tremendous romance' (Spoon, 2012) that is quite simply, a myth. (TALK ABOUT BUYER SOPHISTICATION) not blessed with supplier that has the potential to create advantages for wine production.

With 13% of the nation's \$20 Billion annual GAP (FinanceMOW, 2013) the economy is heavily reliant on the agricultural sector. The country's manufacturing industry dominates the amounts exports, with 45% of goods accounted for (Nations Tunisia, NINA). Thus, these related industries can be used to share activities in the value chain and ultimately create a higher quality, more valuable product. For example, by outsourcing the glass bottles to a factory within the countries highly skilled manufacturing industry, potential investments will become far more competitive.

The benefits of the value chain are epitomized in Fearless (1996) Journal who explains how it creates 'opportunities for improvements that create value

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and economic sustainability. (TALK ABOUT COST EFFECTIVE INPUTS) In order to match the needs of the -runts vote industry a certain style and structure of management would be required. An ethnocentric approach may be best suited to meet Tunisian expectations, needs and cultural norms as it regards their values as superior.

This approach would require Tunisian expatriates who speak English and possess a good level of business knowledge to locate themselves within the country. This would ensure smooth communication due to the absence of language and cultural barriers. It's important to note that although a necessary approach, the process of recruiting expatriates with the right skill set would be an extremely time consuming and costly procedure. In addition to setting a fixed style of management, a strategy would also need to be implemented if the business were to commit to wine production in Tunisia.

A global strategy may be suitable here; this would look to create a consistent product, compete worldwide and integrate activities from production to the rest of the world (with the help of the ethnocentric approach). This is a result of building greater awareness and global demand for Tunisian wine as it's mainly sold domestically. Nevertheless, as highlighted in Pants' (2011) article, this global strategy carries a host of risks and uncertainties due to the 'high degree of integration of domestic and local markets' that may hinder the business.

Consequently, it would be wise to look into a different approach (such as multi-domestic) that may not take full advantage of the industry, but would carry less risk. The main domestic rival would be 'Union Central des

Cooperatives Vitriolic (CUBIC); this company are the leading Tunisian wine producer with the business accounting for 70% of national production, 85% of cantonal wine exports and own 10 of the 17 vineyards currently operating in the country (Euro Monitor, 2013).

These figures suggest there is at least one capable domestic rival who remain the dominant pillar in the market, nonetheless, CUBIC distribute the majority of their wines domestically with exports typically going to neighboring countries (France/North Africa); therefore, there still remains a gap in the market for a potential global strategy. The Tunisian government actively encourages foreign direct investment with a specific focus on export oriented FDA .

This ideology fits in well with wine production due to the potential to export the wine to new markets as part of a global strategy. The Tunisian investment code does, however, require that at least 70% of production is destined for the export market (State Gob, 2012) but do make exceptions for the agricultural sector (of which wine production would fall in to). As a result of the 2011 APIPA announcements the Gob, 2012), thus, this incentive would help maximize profits and improve the chance of going through with wine production in Tunisia.

Furthermore, the Tunisian overspent could influence a decision through a scheme which offers a subsidy between 8-25% of the total investment value (State Gob, 2012) as a further encouragement to bring business to the country. Nevertheless, the government can act as a challenge for potential investment due to the current state of Tunisian education. Despite large

investments from the government, the policies have failed, with the countries educational system finding itself in free fall since the early sass's (Tunis Times, 2013); Alphas (2013) states in his article that the 'public schools in

Tunisia are having trouble providing quality education' due to a lack of quality teaching available. The negative role the government can play is also evident in the recent 2011 legislation; this states foreign ownership of agricultural land is prohibited (despite the government actively promoting foreign investment in agricultural export projects) (State Gob, 2012). This poses a huge threat to the possibility of wine production in the country as it would require agricultural land, although, the problem may be solved with the availability to lease Tunisian land for p to 40 years at a time.

In addition, Tunisian law limits the number of expatriate employees allowed per company to four (State Gob, 2012), meaning the company may have to rethink a strategy that does not rely on expatriates (to help avoid language/ cultural barriers). Wine demand is currently at an all-time high with global demand set to rise by a 2% CARR to reach 20. 3 billion units next year (Euro Monitor, 2014); it's also widely believed that there could be a global wine shortage on the horizon due to booming demand and vineyard production on the decline (Roland, 2013).

This is costive news from an investment perspective with current levels of demand suggesting there would be very little chance of experiencing a shortage of sales. As a nation, Tunisia has a history of stability with only the occasional eruption of civil unrest. The latest and most severe case came in

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2010/11 when a series of galvanism protests led to a revolution and a change of constitution. As a result of this 'Arab Spring, Tunisia 'is now leading the way in terms of democratic development in North Africa' (BBC, 2014) amidst a 'new sense of optimism' (Lazier, 2014) under new prime minister Mimed Comma.

Furthermore, the country was ranked least corrupt with the best business climate in the Manager (Export Gob, 2011). Thus, the likelihood of political unrest in the near future is minimal and is not something that should be worried about if wine production is undertaken in the country. It's also crucial to note the importance of keeping up with new inventions/technological breakthroughs with regards to wine production. This could range from the chemistry involved in wine making to breakthroughs in barrel cleaning (affecting taste), all of which will need to be monitored in order to gain an advantage on competitors.