

Methods, Goals, and Organizing for the Business Planning for Selection of the Entrance Strategy on the Selected Foreign Market.

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ABSTRACT

Under conditions of evident globalization of the worldwide economy (especially the phenomenon of globalization of the markets), today's companies stand tall before the challenge to seek new alternatives for entrance on the foreign market. The goal for seeking new opportunities for participation on the market implies increase of sales and profit, better service towards the clients, access to factors for reducing the costs, developing economies of scale, etc. For a successful placement on a foreign market it is necessary for the methods, goals and the organizing of business planning to be clearly defined and sustained. They are determined from the various political, economic, and legal systems, as well as the national culture, and the determining of the internal factors of the company through acquiring data from a SWOT analysis.

(Keywords: globalization, business planning, growth, business policy, international markets)

INTRODUCTION

The business planning methods for selection of a strategy for entrance on the selected foreign market refer to the manners of penetrating the market which have a development component and are based on introducing the existing products on a new market. Most of the time, it is a matter of a geographic expansion of the market (globalization and internationalization of the horizon through treating the regions as a single market) where a regional, national and international expansion may occur.

The methods (i.e., manners of business planning) of a company as a basic manner of achieving the goals, the mission, and vision of the company, result in preparation of a strategy for selection of a most suited model for entrance in the selected foreign market. Also, the companies following the

growth strategy according to D. Gjurichin¹ can be recognized according to the following:

- Their growth rate is faster than the growth of the market where they sell their products;
- They mostly realize profit higher than the average;
- They eliminate the danger of competition in their industry in the short-run or the long-run through the prices;
- They develop new products, new markets, new processes, new functions of the old products in continuity; and
- Instead of the adaptable approach in the environment, they make continuous effort of creating change, in something new which did not exist.

The enterprise as an open system must cooperate with the surrounding environment in order to exist and survive. It cannot be isolated from the surrounding environment, but it must be adapted and changed according to it, in order to function effectively and efficiently in realizing its goals. Here, the manager is responsible for using the resources effectively and efficiently.

The organizational effectiveness is a degree to which the enterprise realizes the set goals and refers to the successful relationships of the enterprise itself with the external surrounding environment through an offer of products and services which are valuable to the consumers. The organizational efficiency is based on the quantity of resources which is needed for the production of a certain range in the production.

¹ D. Gjurichin, Management and Strategy, Center for publishing activity, EF Belgrade, 2006, page 283.

Changes in the Business Planning

The managers and the other heads of departments must make plans within the framework of the incompletely defined surroundings. Often, it is very hard to identify or evaluate the unknown influences because at that moment they do not have any influence. This is where the political changes, the social restructuring, the creation of new markets, the new behaviour rules, the indirect competition, and the unforeseen government regulations come in. In a great number of cases, all these occurrences can be forecasted and compensated for, but only if the planners and participants in the process of decision making are detected in advanced.

Recently, the planning developed in a more complex process, which through various techniques, models and approaches is continuously upgraded. One of those forms is the approach through the so called Management by Objectives (MBO). Tasks are set with the management by objectives on every level internally in the company.

All enterprises are concentrated on realizing the goals which must be the primary interest for the management. MBO causes the management to concentrate its attention to the goals and the end results. The efficient management is interested in formulating and realizing the measurable goals. The basic goals need to be transferred to specific goals which can be realized and significant for the everyday activities of the enterprise².

Goals as Part of the Business Policy

Goals represent part of the defined company business policy and they are related to the vision, understood as an economic strategic orientation for the company, and the mission, understood as specification of the clear vision of what the company wishes to achieve in future. The goals are the end result of the planned activity with the assistance of which the vision and mission of the company are realized. They are products of the business planning which is based on the company's business philosophy. Setting goals is related to reaching decisions that define a future condition, desired result from focused planned activities. In defining the current as well as the future business activity of the enterprise, which

²L. Koneska, mentioned paper, page

arises from the set objective, the following three-dimensional approach is often mentioned:

- 1) identifying customer groups – whose needs need to be satisfied;
- 2) identifying needs – what are those needs that need to be satisfied;
- 3) identifying alternative technologies for manufacturing certain products and services – in what manner can the customer needs be satisfied.³

In order for the enterprise to realize the vision, objectives and mission, appropriate methods must be applied in order to organize the entire process.

The organization is a second function of management and is significant to the overall business planning in general, and especially when realizing a strategic goal of a company such as entry into a foreign market. This refers to defining the operation, grouping operations, defining and delegating responsibilities and creating relations between the managers and workers. The organization increases the management efficiency, reduces the confusion and misunderstandings during the operation, and promotes coordination in the company, with the purpose of most efficiently realizing the objectives.⁴

Organization is a process that defines the operation, establishes organizational units and defines authority relations.²¹ Organization is defined as a manner of establishing effective personal behaviour relations, so that people can work together efficiently and achieve personal satisfaction in executing the chosen tasks under given circumstances of the surroundings with the intention of realizing a certain goal.²²

³ B. Naumovska, Strategijski menadžment, EURM, Skopje, 2008, 130-134.

⁴ Defining organization is difficult due to the similarities that exist between the organization and the system, due to which organization is not a specific physical entity thus there are many types of organizations. That is why when defining the organization the general elements must be taken into account. Thus organizations are: 1) goal oriented; 2) a psychological system, people work in groups; 3) technical system, people use knowledge and techniques; and 4) integration of structured units, people coordinate their efforts."²⁵ (L.Koneska, mentioned paper, p.)

The choice of a model for entry into a foreign market is a significant issue within the defined corporate strategy. Thus, company managers, when planning their activities, pay special attention to this. The basis for choosing models arises from theoretical knowledge of the economical science and economical practice and their role consists of realizing financial performance of companies in these markets. Theory offers the following international models for entry into foreign markets:

- 1) **Export:** it is related with defined marketing and distribution of products and it is characterized with high expenses, low control;
- 2) **Licensing:** it is characterized with low costs, low risk, small control and low profit;
- 3) **Strategic unions:** these have shared expenses, shared resources, shared risk, integration problems (for example, two corporate cultures);
- 4) **Mergers:** they mean fast access to new markets, high costs, complex negotiations, problems when merging with domestic operations;
- 5) **New branches:** in complete ownership, as a model they are complex, often expensive, take time, high risk, maximal control, potential above average profit.

Franchising has a special place in theory and practice and it has developed into the following types:

- Distribution agreement (right to distribution) whereby the producer authorizes the dealer to sell their product. This right to distribution normally exclusively refers to a certain territory;
- Chain business agreement – the franchise buyer operates under the protected name of the franchise seller and is a member of a separate group of dealers that forms the operation of the franchise provider and
- Agreement for manufacturing or manufacturing facilities – the franchise seller provides the franchise buyer with the essential ingredients or formula for producing the respective product.

Today, modern type of franchising is in a so-called business format. This type of franchising not only improves the right to use the name and sell the products of the franchiser, but it also includes the complete transfer of the manner of managing the

business that has been developed by the franchiser. More precisely, the franchiser transfers to their franchisee, the entire manner of operation, technical expertise, marketing systems, training methods, management methods and all important information related to the business. The franchiser trains the new franchisee how they must operate and provides them with support during the entire term of the franchise agreement.⁵

When determining the model for entry into a foreign market, the basis is the goal of each company to provide a service to its consumers. Thus, logic dictates that the company should be organized in such a manner that supports the people that provide the service to the consumer. The framework that supports this change in the philosophy is based on the service triangle – framework that supports the market oriented management model by describing the relations between systems, the service strategy and the people with the consumer at the centre of the triangle which is interacting with each group⁶.

Forecasting as a Prerequisite for the Business Planning Success, with focus on the Research of Circumstance for Entry into a Foreign Market and Reaching a decision Regarding that Goal

The first step of business planning that has the goal of expanding the business to a foreign market is the forecast of future occurrences related to the realization of the set goal.

As there are notions close to forecasting, several definitions of this term can be provided which are used in economic theory⁷ as follows:

- 1) Although forecasting as a process and activity has been used for a long time in the economic research, the issue about what it is, is still not definitely clear;

⁵ P. Jovanovski, *Finansiski menadgment*, Skopje, 2005, p. 285.

⁶ S. Jovanovska et al., *Marketing na uslužni dejnosti*, EURM, Skopje, 2006 p. 315.

⁷ “Scientific forecast is especially important for planning development and operation at the enterprise, because it increase the exactness and reduces the risk when preparing the planed decisions.”⁴²

2) In certain cases, the forecasting is defined as a service, as a report of unknown events, as an activity for assessing the unknown variables, as an analysis of variously set data and information, or that it is made in a form of report;

3) According to the concept approach, the goal used for the forecast is a basis for a quality and rational preparation and decision making, a means for future management or the purpose for reducing the risks while preparing and bringing strategic and tactical decisions.

L. Koneska, starting from the stated attempts to give a more complex, more essential and a definition with greater content of the notion of forecasting which includes the following elements:

- *notion*, that the forecasting is a thought process, and at the same time an expert activity;
- *content*, the operation factors, which according to their nature and location can be internal and external and the outcome of the desired course of action in the future operation environment which was forecasted;
- *meaning*, for the reduction of the uncertainty and the risk during the preparing and bringing of decisions, i.e. system and means for decision making.

The content of the forecasting can be explained in a more narrow sense (subject of the forecasting are the operation factors) and the wider sense of the word (the outcome of the desired course of action). The forecasting of the future operation environment is a prerequisite for forecasting the outcome of the desired course of action. By noticing the future surrounding, the outcome of the desired course of actions can be formulated in the future environment forecasted in this way.

There are multiple explanations which can answer the question what is the function of the forecasting, what its purpose is and what is the desired outcome.

The first and foremost goal of the forecasting is to decrease the risk and the uncertainty in the preparation and reaching of planned and other decisions.

The second goal of the forecasting is to promote and raise the scientific level of the management, planning, the decision-making and informing.

The third goal of the forecasting is to help the milestone assessment in the economic processes.

The fourth goal is to help enterprises in the formulation of goals and the selection of optimum development direction.

The fifth goal of the forecasting is to make future more transparent and visible.

The sixth goal of the forecasting is to make objective the preparation of short-, medium- and long-term planned decision, as a manner of establishing harmonic proportions in the material production.

The forecasting is an element of the business planning which is directed towards realization of the company key goal for entrance on the foreign market. The data on the mutual relation between the forecasting and planning can be grouped in four groups as follows:

- The forecasting and planning are complementary activities;
- The forecasting is an integral part of the planning;
- The forecasting incorporates planning within itself;
- The forecasting is one of the planning phases.

Namely, the company on the foreign market faces diversity of products and services, market divergence, as well as people of various cultures. This imposes a need for change of the organizational structure, but also, successful forecasting of the challenges imposed by the new ambient present on the selected foreign market. The pronounced unstable conditions for operation on the market, the presence of risk and uncertainty and the need for quality information on the operation should also be added to this.

In a situation with clearly defined goal – entry on a foreign market, the economic forecasting may encounter certain difficulties due to certain irregularities (but also, existence of so called, chronic ambiguity) in the movement of the factors.

Namely, in order to forecast the situation for entry on a foreign market, numerous factors need to be explored, as well as limiting factors need to be defined; all with the purpose of facilitating the forecasting. Even in a situation of clearly determined relevant and limiting factors, the measurement of particular factors may still be a problem since some economic relations are not linear. The cause-effect relations are not always constant and make the long-term forecasting difficult.

One of the important steps for efficient and coordinated planning is the making of assumptions, which means making assumptions for the considered plan and reaching consent for their usage between the manager and the planner.

The planned assumptions are defined as a result of the forecasting of the environment in which the plan is expected to work. They include assumptions or prognoses for the future and already known conditions which shall affect the working of the plan.

The efficient assumption-making in the planning process consists of three parts:

1. Selection of really relevant assumptions.
2. Making alternative assumptions for the planning.
3. Assumption verification⁸.

The knowledge that one of the goals of the presence on the foreign market is increasing of the company profit, imposes the need to forecast sales i.e. the anticipated sales of a product, price and precisely determined time period.

CONCLUSION

The forecast has the function to place a framework for the future balance sheet of the company as a result of the assumptions for the future sales on the foreign market. The data and the information from the market serve as a basis for forecasting, and the prognoses serve as a basis for plan development. Also, the forecasting is needed for anticipating changes, in contrary, if changes occur when they are not anticipated, the results may be fatal. Each enterprise prepares itself for changes by means of planning which involves forecasting, the setting of

⁸ L. Koneska, referred paper, page,

goals is based on forecasting and determination of the ways in which such goals shall be achieved.

The costs, as well as all policy types have the purpose to optimize the profit from the expected sales. Although there are enterprises which can allow to devote a little attention to the sales (for example, the waterworks in a small city, or a co-operator for long-term supplies within the Ministry of Defence, which have a low possibility to be cancelled), the enterprises which can neglect the market are very rear, even the farmers which have subsidized price and guaranteed market for a particular product can hardly ignore the influences that appear on the market, because they can influence on the following year. Many companies often wrongfully believe that the forecasting of the sales is too expensive, and do not see the various low-cost available data sources⁹

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⁹ Ibid, page.

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