

The Business Strategy and Supply Chain Management Performance in a Transitioning Economy

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Abstract- In transitioning economy country, doing business in international environment is hard. One of sample is Enove as multinational company focused on energy sectors in Tunisia, whereas the country is facing political instability, corruption, and emerging economy from arevolutionizing country. The options for them is to either relocate to another country, and practically abandoning their current business or to stay in Tunisia, embracing all factors of advantage and disadvantage. The advantage for Enove in Tunisia is that its labor is well trained and has low labor cost. The disadvantages are that Tunisia's government is filled with corruption. This study shows after analyzing the SWOT and PESTEL factors of both options, Enove is better off to stay in Tunisia. Enove can still thrive without engaging in corruption and do cost cutting by not opening new manufacturing facility, but divide their inventories for both foreign and domestic customers. Enove should also take the chance of becoming Tunisia's pioneering producer and getting the first mover's advantage there.

Keywords- International Business, Supply Chain Management, Transition economics, Emerging country.

1. Introduction

Political revolution has huge effect toward a country. Political revolution not only affects the governmental system and bureaucracy, but also affects the economic system of a nation. A change in terms of rules and regulation for example, can affect how entrepreneurs do their business. Political climate and stability affect how entrepreneurs make their decision for their companies. In this case, we will take a closer look toward Tunisia. Tunisia is the initiator of Arab Spring, a series of revolutions that happened in Arab world in order to change a governmental system. In Tunisia itself, the revolution is known as Jasmine Revolution. The background of the Jasmine

revolution starts from now-former president Zine al-Abidine Ben Ali, to whom he inherited his position from the predeceasing president Habib Bourguiba. Bourguiba believes that governmental, political and economical systems should not be affected by any religions. In Tunisia's case, many Islamic parties tend to impose their religious laws towards economic system. In January 2014, the Tunisian government approved to adopt a new political constitution in which, protects the rights and the interests of their citizen. Additionally, a temporary government is held until political election is held later on November of the same year. This event makes Tunisian become optimistic towards the future and the economic prosperity of their country, reflected by their GDP growth. However, many believe that another religion-based party will win the election thus affect the economic ordinance. Tunisia's current situation can be viewed, in this case, from Enove's point of view. Enove or Energies Nouvelles et Environment is a subdivision of Groupe Bismuth, a family owned business responsible for selling products such as cosmetics and toiletries. Enove itself, as a part of Groupe Bismuth, is responsible to manufacture and distribute industrial batteries used for road signs, electric fence, and railway signs for example. There are several problems faced by Enove. First problem, Enove is facing difficulty toward Tunisia's location and infrastructure. Tunisia continues to invest in infrastructure, and development projects remained a priority. According to American Chamber of Commerce, Tunisian port scored 50, which is accordingly, is below world standard. For example, the volume of merchandise that moved through all of Tunisia's ports combined was at 30 million tones each year. The capacity of the seven ports was likely not

sufficient to handle the amount of traffic for the country to be competitive with other low-cost countries in East and Southeast Asia that Tunisia aspired to compete with. Labor is the second problem faced by Enove. Tunisia's labour pool was viewed as well-educated, hard working, and easy to develop according to America Chamber of Commerce. However, the survey also revealed something that troubling. It is found that higher education had resulted in a range of unemployable people; students going through the motion of schooling, but failing to become very knowledgeable. For example, Enove has trouble finding chemist and others specialized profession. The third problem faced by Enove is political instability and corruption that to some extent affect their international trade opportunity. Enove were concerned that a conservative, religion-based government would gain control. For the three years since the Jasmine Revolution, the Islamist party Ennahda had control of the interim government, a time during which economic growth flatlined, corruption flourished, women's rights were curtailed, and entrepreneurship activity is viewed as capitalistic activity thus reined-in. Assuming that Enove's owner, Bismuth, wants to stay in Tunisia. These are the problems faced by them. If the decision happens as it is, to stay in Tunisia, there are also many companies other than Enove hoping that the result of election at the end of the year will bring goods to them. With Bismuth is trying to think how to handle ENOVE up against the social and economic instability, including corruption and bribery caused by the aftermath of Jasmine revolution in Tunisia as a sample of as an emerging and experiencing an economic transition, thus the research will find the advantages and disadvantages of starting or expanding business in the emerging market of Tunisia, the impact of the political situations to ENOVE and other businesses in Tunisia, and analyze the business strategies of international corporation in merging market such as Tunisia.

2. Theoretical Framework

2.1. Political Instability

According to [1], political instability might lead to governmental failure. To understand this, we might want to know how government works. Governmental failure can arise because a government is made up of too many parties or individuals, each with their own economic objectives. In political market place, there are four

groups of decisionmakers, those are: Voters, firms, politicians and bureaucrats. Voters evaluate politicians' policy proposals benefit from public good and services, and pay some of the taxes. Firms also evaluate politician's policy proposal, benefit from good and services and also pay taxes. Politicians are the elected persons in the federal, state, and local governments. Bureaucrats are public servants who work in government departments. Bureaucrats provide public good and services and try to get largest possible budget for their departments. Those are four groups of decision makers [1]. The question of what impact that people and firms of Tunisia will receive because of pending political election is entirely left to the equilibrium [2]. Political equilibrium is the balance of forces in the political marketplace that determines the outcome of all the public choices that people make. Voters or society in general and firms give their demand to the government and the government, politicians and bureaucrats, response with supply making it a whole equilibrium. Ideally, the political equilibrium will achieve allocate efficiency and serve the social interest, but such outcome is not guaranteed.

2.2. Corruption

Corruption is considered as public action that violates property rights. Public action to violate property rights occurs when public officials, such as politicians and government bureaucrats, extort income, resources, or the property itself from property holders. No society is freed from corruption because corruption has rooted deep down in a country's society [3]. Economic evidence suggests that high levels of corruption significantly reduce the foreign direct investment, level of international trade, and economic growth in a country. By drawing off profits, corrupt politicians, bureaucrats and government officials reduce the returns to business investment and, hence, reduce the incentive of both domestic and foreign business investors to invest in that country [3]. In U.S. the foreign corrupt practices act was passed during 1970s following the revelations that U.S. companies had bribed government officials in foreign countries in attempt to win lucrative contracts. In 1997, trades and finance ministers from the member states of the Organization for Economic Cooperation and Development (OECD), an association of world's 30 most powerful economies, adapted the convention on Combating Bribery of Foreign Officials in international business transactions. However, both OECD Convention and US law are limited with

language that allows for exceptions known as facilitating or expediting payments (grease money or speed money). The explanation for this exception to general anti bribery provisions is that while grease payments are, technically, bribes, they are distinguishable and less offensive than bribes used to obtain or maintain business, since they merely facilitate performance of duties that the recipients are already obligated to perform [3].

2.2.1 International Business Strategies

Depending on a firm's target market, there are four main strategies that a firm can pursue to achieve the goal: localization strategy, transnational strategy, global Standardization strategy and international strategy. Localization strategy basically focuses on making profits by customizing a firm's good and services to fit local tastes and preferences in different national market. Transnational strategy focus on simultaneously achieve low costs through location economies, economies of scale, and learning effects; differentiate their product offering across geographic markets to account for local differences. The focus of global standardization strategy is to increase profitability and profit growth by reducing cost productions using economies of scale, learning effects and location economies. The difference between global standardization and international strategy is the level of customization. International strategy takes products created for local markets then selling them internationally with minimal local customization. The eclectic theory stated that firms undertake foreign direct investment when the features of a particular location combined with ownership and internalization advantages to make a location appealing for investment. location advantage is the advantage of locating particular economic activity in a specific location because of the characteristic of the environment. For example, we can see that companies from Middle East are taking advantages from their natural resources. [4]

It is necessary to open a warehouse or storage outside facilitating area to provide necessary service for costumers and clients. Next step is how the firm manages to minimize overproduction, inventory cost, shipping time & cost. These factors, if not manageable, might hurt a firm's financial cashflow. By combining JIT Manufacturing and Weighted Average Forecasting, a firm can reduce a lot of cost. According to [4], JIT Manufacturing or Just In Time is a method of production, originally

invented in Japan, in which inventory is kept to a minimum and inputs to the production process arrive exactly when they are needed. JIT drastically reduce the costs associated with large inventories. It also helps reduce wasteful expenses because defective materials and components are spotted quickly during production. On the other hand, under traditional system, defective materials and components are discovered only after finished finalized good.

2.2.2 Cost Leadership Strategy for Labor Cost

According to [1], firms decide how much labor they need, and so, the lower the wage rate, the higher quantity they need. [5] associated the increase of low labor with the increase of profit margins. As one of the competitive advantage, the development of low cost production enables the firm to compete against other companies with the same or lower price. There are many companies in the world that produces their goods in third world countries like Vietnam, China and Hong Kong as the part of low cost strategy. The reason so, is because the labor costs involved are lower than the west [6].

Reduction of production costs by taking advantages of lower wages in another country is often to keep a company's product essentially low-priced. It is important, especially when the cost of labors contributes greatly to total production cost. But the lower the wage rates of labor force, is equal to the lower level of productivity [4]. Rising wages may impact a company's margin of profit. In labor-rich markets like China, workers' wages have been climbing at a fast clip through the 2000s. Between 2000 and 2014, the average wage bill in China's manufacturing sector, as well as overall average wages, increased at a 13.7 percent annual rate. In contrast, the hourly compensation of manufacturing workers in the United States increased at a 2.9-percent annual rate during the same period, or 0.6 percentage points faster than growth in consumer prices.

2.2.3. Labor Training in Tunisia

According to Foreign Investor's Guide To [7], public Operators such as Tunisian Agency for Vocational (ATFP) Training provide training for labors to make them more skilled. There are 212 training centers comprising 451 specializations, covering all economic sectors, located throughout Tunisia. According to Investor's Guide

To [7], Laws and regulations foster continued training within a company. To this end, support mechanisms are in place to encourage training. Companies that participate in this national effort may receive financial assistance from the state in two forms: Basic training assistance, consisting of a defrayment of 50% of the costs of training; and continued training assistance comprising: a rebate on professional training taxes (for non-exporting businesses), financial support under the National Program for Continuing Education and payment of up to 25% of the cost of training to encourage technological mastery, up to 250,000 TND.

3. Research Method

Primary data obtained direct from the original source (without second media intermediary). Primary data could be individual subject opinion or a group opinion, observation of a physical object, event or activity, and result of examination. Methods used for primary data including interview method and survey method. Secondary data obtained by the researcher indirect from the intermediary media (obtained and noted by others). Secondary data generally is evidence, note or a historical report that already composed in files (documentary data) published and unpublished. Secondary data can be used for following reasons: problem comprehension, problem explanation, and problem solving alternative and problem solution. Problem comprehension. For example a particular company provides a company profile or problem inside the company, which will be used as a research problem. Problem explanation secondary data really useful to clarify problem and become more operational in researching because it based on a secondary data provided. Problem solving alternative before making a decision, sometimes we need few alternatives. Secondary data will be useful to show few other alternatives, which support the problem solving. Problem solution secondary data will give the solution of the problem. Sometimes only by a secondary data will give you the solution of the problem. This paper uses secondary data. There are three main data used for this paper, those are: provided case study journal, supporting case study journal, and study literature or textbooks. SWOT analysis and PESTEL analysis is used in this research. The analysis of organizational strength and weaknesses (essentially an internal focus) can be brought together with the analysis of the market (an external focus) to create

SWOT or Strength, Weakness, Opportunity and Threat analysis. The purpose of SWOT is twofold. First, it seeks to identify the most significant factors, both internal and external, affecting the organization and its market. It provides a quick, executive summary of the key issues. Second, by looking at where the strengths and weaknesses align with opportunities and threats it can help strategy formulation. The organization can begin to see where its strengths might be best deployed, both offensively and defensively, as well as where its weakness leaves it vulnerable to market change or competitor action [8]. There are four factors from SWOT analysis; those are Strength, Weakness, Opportunities and Threats. Each of these is further explained below. First, A company's resource strength represents its competitive assets and determines whether its competitive power in the marketplace will be impressively strong or disappointingly weak. Second, a resource weakness or competitive liability is something a company lacks or does poorly or a condition that puts it at a disadvantage in the marketplace. Third, market opportunities are identified potential growth and profit in the marketplace. The best kinds of opportunities are relevant to a company's financial and organizational resource and capabilities. Fourth, threats are external factors that might impact a company's profitability and competitiveness [9]. PESTEL is an abbreviation for five different factors that will a company's strategy. P stands for Political, E for Economic, S for Social, T for Technological, E for Environmental and L for Legal. PESTEL analysis gives a bird's eye view of the whole environment of a subject from many different angles that is particularly useful when a company want to formulate an idea or strategy. There are two main purpose of PESTEL analysis. First, it is used as the backbone of strategic management that not only defines what a company should do, but also accounts for an organization's goals and the strategies stringed to them. This makes PESTEL analysis different than SWOT or Porter five forces analysis that have aim to just understand the market. Second, PESTEL analysis is used as a framework or tool used by marketers to analyse and monitor the macro environmental (external marketing environment) factors that have an impact on an organization. The result of which is used to identify threats and weaknesses, which is used in a [10]. There are six external environmental factors that form a PESTEL analysis. First factor is Political factors; these are all about how and to

what degree a government intervenes in the economy. Political factors include tax policies, Fiscal policy, trade tariffs etc. that a government may levy around the fiscal year and it may affect the business environment (economic environment) to a great extent. The second factor is Economic factors. Economic factors have a significant impact on how an organization does business and also how profitable they are. Economic factors include a country's economic growth, interest rates, exchange rates, inflation, disposable income of consumers and businesses, etc. The third factor is Social factors. This is also known as socio-cultural factors, which are the areas that involve the shared belief and attitudes of the population. Social factors include population growth, age distribution, health consciousness, cultural trends, demographics, population analytics etc. The fourth factor is Technological factors. These factors pertain to innovations in technology that may affect the operations of the industry and the market favorably or unfavorably. Technological factors include automation, research and development and the amount of technological awareness that a market possess. The fifth factor is the Legal factors. Legal factors include health and safety, equal opportunities, advertising standards, consumer rights and laws, product labeling and product safety. The sixth factor is the Environmental factors. This factor has only really come to the forefront in the last fifteen years or so. Environmental factors of a business environmental analysis include but are not limited to climate, weather, geographical location, global changes in climate, environmental offsets etc.

4. Discussion

4.1. SWOT Analysis to ENOVE Expands in Tunisia

This discussion will be presented SWOT Analysis of ENOVE to expand into Tunisian market. SWOT analysis is important to be conducted because it can measure how strong ENOVE to enter Tunisia related with the internal and external circumstance in Tunisia and in the company itself [8]. The strengths found in this research are: Tunisia offered a large pool of low-cost labor right on Europe's southern doorstep. These labors are well educated, hard working and easy to develop in accordance to AmCham survey. Access to capital advantage; Low price for production factors. The Weaknesses found in this research are: Even though the labors are well educated, hard working and easy to develop, they

are not primarily trained in the field with the greatest demand in Tunisia. Hence, resulting in high number of unemployment in Tunisia. Tunisia was the birthplace of the Arab Spring, the series of political revolutions that started in 2010. The revolution gave birth to unstable political frameworks and corrupts government officials/agencies. The Opportunities found in this research are: The economic viability in Tunisia will generate new foreign interest in the region, thereby leading to increased economic development, entrepreneurship, and investment in Tunisian industry. It is opportunity for ENOVE to draw countless other companies, both domestic and foreign, to establish operation in Tunisia. First mover advantage; if Enove stay long enough in emerging market, there will be a chance they will become one of industry's pioneer. The Threats found in this research are: Company's businesses and logistic activities are interrupted by corrupted government officials/agencies. The interruption results on Enove having to delay shipment schedule to client. The pending of political election and the result in Tunisia will surely impact Enove. Threat of terrorism was increased due to the rise of extreme political conservatism.

4.2. PESTEL Analysis to ENOVE Expands in Tunisia

PESTEL is used to give analysis of the whole environment of a subject from many different angles that is particularly useful when a company want to formulate an idea or strategy.

4.3. Political

The current situation of Tunisian government is unstable due the after effect of political revolution. In addition, the probable rise of Islamic party might hinder economic activity. These facts affect how foreign investors decide to or not to invest in Tunisia. Tunisia achieved independence from France in 1956 with Habib Bourguiba as Prime Minister. A year later, Tunisia was declared a republic, with Bourguiba as the first President. From independence in 1956 until the 2011 revolution, the government and the Constitutional Democratic Rally (RCD), formerly Neo Destour and the Socialist Destourian Party were effectively one, banning all the opposition force. It is also worth mentioning that from 1964 throughout 1986, Habib Bourguiba won all the elections with 100% votes, many viewed as being rigged. Bourguiba was declared unfit for leading

Tunisia because of health reasons and succeeded by Ben Ali. During the national election in 2011, there are many parties participating in the election; many are formerly banned parties that partake in the election. However, many see as the election is owned to fight by two biggest parties in Tunisia: the Islamic party of Ennahdha led by Rached Ghannouchi and The Congress for Republic party (CPR) led by Moncef Marzouki. The aftermath of the election shows that Ennahdha won 90 Assembly seats and CPR won 30 seats. The rest of the seats are shared between Ettakol led by Hechmi Haamadi and Progressive Democratic Party (PDP) led by a woman, Maya Jribi. Democratization of Tunisia creates chance for people of Tunisia to create their own political party. People who were shut down and enemy of the former regime mainly assemble many of these parties. There are more than 81 parties in Tunisia with different belief like socialism or even communism, some of them are: Current of Love, Hizbut Tahrir, Pirate Party, Socialist Party and The Communist Party of Tunisia. (Global Security, n.d.).

4.4. Economy

Despite the recently recovering from revolution, it can be seen that Tunisia is economically improved. [11] provided information that Tunisia's GDP significantly increased from 2005 to 2010. This can be seen as prospective factor as the GDP indicates the increase of life quality in Tunisia. Still from the same research, [11] show that there's a significant increase of foreign business in Tunisia from 2006 to 2014 even though there's a slight decrease from 2010 to 2012 due to the revolution. In 2006, Tunisia's GDP is \$32.273 billion to which rose into new peak at \$44.857 billion in 2008. With slight decrease in 2009 at \$43.455 billion, Tunisia reached another peak in 2011 at \$45.811 billion. With another slight decrease in 2012 at \$45.044 billion, Tunisia reached yet another peak of GDP rise in 2014 with \$47.603 billion. However, the numbers plummeted in 2015 to \$43.015 billion due to world crisis. Tunisia's population grew from 10,102,477 people in 2005 to 11,253,554 in 2015. From those years, 39,78% people are in labor force in 2005 and reached new low in 2011 at 38,45% but rose to 40,44% in 2015. The decrease of labor force participation in 2011 is correspondent to 18,33% of unemployment rate in the same year, from 12,9% unemployment rate in 2005. However, the latest unemployment rate shows a decrease to 15,15% in 2015. Tunisia's inflation rate went as low

as 2.018% in 2005 and rose to 4.491% in 2006 and since then has been going up and down with the highest 4.91% in 2008 and the lowest in 2007 with 3.47%. It reached 5.799%, just above the rule of thumb, in 2013 and fell short to 3.8% in 2016. The sharp rise from 3.544% in 2011 to 5.799% in 2013 might correspond to the increase of CPI from 103,544 in 2011 to 115,117 in 2013.

4.5. Social

Represented by the labor force of Tunisia, the labor force is well educated, hard working and easy to develop in accordance to American Chamber of Commerce survey. This shows that people of Tunisia are socially eager to build Tunisia into a healthy, functioning country. These labors however, need further training to become solid and reliable work force that helps to build Tunisia. Even though Tunisia is not an Islamic government that uses Sharia law, by numbers, 99% of Tunisian people are Moslem while the other 1% is shared between Christian, Jewish and other religions. Foreign investors are advised to learn, understand and respect Tunisian major religion. Cultural risk is another risk of starting or expanding business in emerging country.

4.6. Technology

Not much can be said about Tunisian technology advances, but in regard to the data provided by [11] Tunisian government has priorities in hope to restore the stability in Tunisia. Those priorities are to establish security, simplify bureaucracy, increase FDI incentives, improve education and improve infrastructure. These priorities are important. To establish security means to establish the Tunisian government against external or internal threats. Simplifying bureaucracy might lead to lowering the level of corruption in Tunisia. Increasing FDI incentives attracts foreign investors. Improving education leads to the discovery of technological advances in the future that might help Tunisia's economy and know-how. However, the most important is to improve infrastructure because the infrastructures in Tunisia are not up to international standard despite the fact that there are so many trades in Tunisia.

4.7. Legal

The factor that complicates and makes difficult economic activity in Tunisia is corruption. Many companies including Enove are faced with the

fact that at some point their business activities are encountered with corruption. This is one of the risks of starting or expanding business in emerging economy. However, Tunisian government is planning to simplify bureaucracy, as provided by [11], to reduce corruption. In the meantime, companies should not participate in corruption because that will encourage corruptors to make more money from corrupting [12]. The Sharia courts were abolished in 1956 and since then Tunisia has implemented civil law adopted from French law as before, Tunisia was under the colonialism of French. However, since then, there is much opposition against the law that wants to change the law back to Sharia law. One of the biggest opposition came from Tunisia's biggest Islamic party Ennahda. Just like before the Jasmine Revolution, Tunisia's judicial court system is not independent. The court judges are appointed by the executive power (the President) to which was recommended by Supreme Judicial Council. There is a worrying possibility that the president controls Supreme Judicial Council, as there are no specified criteria and procedures for the appointment of both Judges and Supreme Judicial Council. Aftermath, the national election was won by Islamic party Ennahda. However, the party's attempt to bring back Sharia law as the constituent law was heavily rejected. This failure appears to be the result of fierce opposition from secular forces not only in the Constituent Assembly itself, but also in the streets of the country in the form of public protests [7].

4.8. Environment

Tunisia is a country with the strategic location between Middle East, Africa and Europe. Naturally, Tunisia is the bridge between Europe and Africa, between the East and the West. Location of Tunisia is very beneficial either for domestic or foreign businesses. Due to the proximity of the EU and other surrounding markets, the Maghreb and Middle East, where in comparison to competing neighboring economies, Tunisia's location results in lower transportation costs and faster delivery to market.

4.9. Labor

According to [13], Labor is one of the most important of the production function theory, being very vital to understand the maximum output an economy could be done. Labor of Tunisia is composed of well-educated people, who went to school, and finish their education up to bachelor degree. The

problem is, they are not educated in a field with the greatest demand [11]. For example, in the need of specialized occupation like a chemist, not many Tunisian labors are capable to fulfill the position. On the other hand, however, to fill the cheaply working labors are not a problem at all. In fact, ENOVE has no problem to fulfill the position. There are many, low cost, skilled labor that are able to do their jobs properly. In accordance to American Chamber of Commerce in [7], the labor force scored highly, or above average at being easy to recruit, highly productive, easy to develop, well educated and hard working. These are the qualities carried by the labor force of Tunisia. Related to the Principles of Labor Learning and Training [14], these labors can be developed further from what they are now. Easy to develop and well educated are two most important factors of labor development. Being easy to develop means they have enough left of space to be trained and developed properly. Being well-educated means they are capable to learn new things and are not hard to teach about new knowledge. Being a hardworking is also a plus as they are eager to work, to learn, and to be better. The first principle said that the new labors or trainee must be motivated to learn. Being hard working is the first sign that, they are motivated to learn. Another motivation might be the wage. In order to receive wage, they should be able to work. In order to work they should be able to learn. The second principle said that labors or trainees must be able to learn. Learning is capable of Tunisian labor because they are well educated being able to fulfill the complexity of learning new materials. Being well educated also makes sure that what is taught during training is absorbed that can be applied to work. The third principle is that learning must be reinforced. Learning and developing labors takes time. That is why Enove also invest in time to train, again and again, their labors to meet standard. The fourth, fifth, sixth and seventh principle, provided materials, meaningful materials, well communicated materials and materials must be relevant to the job respectively are up to Enove and Bismuth. If they are capable to fulfill these principles, they are able to build and develop their labor force.

4.10. Labor Development With Governmental Help

To fulfill specialized need in particular field, like for example a chemist, government of Tunisia is facilitating their local entrepreneurs by opening l'Agence Tunisienne de Formation

Professionnelle (AFTP) or Tunisian Agency for Vocational Training. The purpose of the training is to meet the market demand of specialized field. The government supports the training facilities with 212 training facilities and 451 specializations. Surely Bismuth and Enove can send their most skilled workers to be trained to fulfill their needs. In addition to that, by opening facilities for training, the government is also opening opportunities for foreign businesses to invest in Tunisia because, labor-wise, the government is committed to help. The primary strength of Tunisian labors relies on the fact that most of them are cheap which is attractive for manufacturing companies [15]. supported, that the lower the wage rates the higher amount of workers a company needs to work for them. Tunisian labor force is composed of well educated and cheap labor, Tunisia can be another option for producing goods and services. Another plus points are that Tunisia is located just below European continent making it reachable for European foreign investors.

4.11. Political instability

ENOVE face the biggest challenge in the country, which is political instability. Tunisia was the epicenter of the Arab Spring phenomenon and Jasmine Revolution. Nevertheless, the persistence of official corruption, tensions between political secularists and Islamists, the repeated targeting of Tunisia for terrorist attacks, and the threat to security posed by conflict in neighboring Libya create the potential for political regression. In business-economic point of view, the reign of Islamic conservative party of Enhada caused fears in Tunisian economy. The party reined capitalistic nature of business, reducing women's right and flourishing corruption.

4.12. Political Equilibrium

Using the study In theory, the relationship between the people, including companies and government works like demand and supply. The people and companies voted political representatives to which benefits them to express their demands. In return, the presumably chosen politicians, governors and officials create beneficial laws and regulations as means of supply to the people. That mechanism creates the equilibrium between the people and the government. The people of Tunisia express their demands for better economy. Meaning, they want economy to flourish, women rights are granted (as it increases the labor

force in general) and capitalism are allowed as it benefits the companies [15]. However, if the Islamic party of Enhada wins the election it is sure that these demands will not be fulfilled in which results in economic drawbacks. Reining capitalistic activity, which is closely related to socialism, will not be attractive for foreign investment. Ref. [16] study found that under socialism, incentives either play a minimal role or are ignored totally. A centrally planned economy without market prices or profits, where property is owned by the state, is a system without an effective incentive mechanism to direct economic activity. Ref. [17] found that international companies prefer to invest in a democratic capitalistic environment, as making profit is their point. This will also discourage local companies to flourish, as it will make them less profitable. In relation to capitalism, the flourish of corruption will also affect local businesses and the opportunity of international companies. Government officials and agents will be asking for bribe money to grant the permit or license of doing businesses.

4.13. Economic Adaptability

Should the in-charge government choose to be socio-totalitarian, it is sure that any entrepreneurial activity will be restrained, women's right cut and so on. If the government choose to be democratic and in the same time persisting that "a government and economy free of religious influences would be more beneficial for the profitability of business" [11], then it can be assumed that Tunisian economy will have prospectus growth. Whichever the government is led to be, for these difference and reasons, business strategies must be flexible enough to adapt to different legal system [4].

4.14. Location and Infrastructure

Tunisia is a country with the strategic location between Middle East, Africa and Europe. Naturally, Tunisia is the bridge between Europe and Africa, between the East and the West. Location of Tunisia is very beneficial either for domestic or foreign businesses. Due to the proximity of the EU and others surrounding markets, the Maghreb and Middle East, where in comparison to competing neighboring economies, Tunisia's location results in lower transportation costs and faster delivery to market. Tunisian infrastructures are equipped with land, air and water transportations. However, these means of transportations only served the domestic needs of business and trading. If there is

an increase of international trades between Tunisia and the surrounding countries, Tunisia needs to upgrade their infrastructure.

4.15. Global Standardization and Internationalization

Since Enove, mostly, shipped their goods outside of Tunisia, it is best to say that Enove has international customers. Using the Global Standardization strategy [3], opening a warehouse in foreign soil is one favorable strategy because it reduces cost, improve networking hub, and expand the market reach for the product. However, in actuality, Enove's strategy is somewhere between global standardization and internationalization. Because, even though Enove's manufacturing capability is at home in Tunisia and they create industry standard products, their logistical hub as per opening a new warehouse is suggested to be in a foreign soil. At the same time, Enove is also selling cosmetics and toiletries by L'oreal. In that certain sense, Enove partakes in L'oreal's internationalization strategy. While L'oreal do their R&D at home, Enove acts as L'oreal's marketing and sales hub in Tunisia. The level of customization done by L'oreal for Tunisian market might have to do with the pricing. For example, cosmetic products and toiletries sold in Tunisia might be different, cheaper than products sold in France and Europe.

4.16. Opening Warehouse

What Enove is facing during shipment to their customer is that the goods are often stuck in harbors for weeks, leading them to almost losing two major customers. With that reason per se, it is wise for Enove to open a small warehouse consolidation point between their customers and the company. The idea is supported [18] that state: if the distance or have the condition between the supplier and the customer are problematic, it is wise to consolidate to open a small warehouse. Unfortunately, it is not known who and where is the majority location Enove's customers. The purpose of the warehouse is to put Enove's inventory on a foreign soil with more reliable infrastructure and logistic. This method is considerably cheaper than setting up a new production facility. The trick is to invest the minimum amount as possible in products at just the right time to avoid stock outs.

4.17. Managing Warehouse

Renting up new warehouse still add considerable cost to Enove's cashflow, it is suitable to minimize

over production and inventory cost. Enove can use JIT Manufacturing and Moving Average Forecasting.

4.18. JIT Manufacturing

As stated [4], by using JIT manufacturing Enove can reduce their inventory to minimum, making only what is needed. Also, by using JIT manufacturing Enove can reduce wasteful expenses regarding defected components. This method can help Enove to keep their cash flow healthy. The question is, how Enove could know how much to produce to keep their inventory minimum? Enove can use forecasting in which discussed in the next section.

4.19. Corruption Problem

Corruption is a common problem faced by poor developing countries. In Tunisia, corruption is a prevalent problem especially on government officials in many levels. The reason per se is because Tunisia had just survived revolution to which gave birth to new government. Previously, under the order of Ben Ali corruption is deep rooted within the government. What Enove and every other company are facing is the fact that port officials justified to receive bribes as means of extra income to their poor wages. The question is, if the wages are increased, will there and decrease on the level of corruption? Study done, supported this idea. Their study concluded that the impact of government wages on corruption is fairly equivalent to the level per capita income. Also, higher government wages only reduce corruption in low-income countries. Government wages may not be an efficient policy tool to reduce corruption in upper middle- or high-income countries with a relatively high level of corruption.

4.20. Managerial Implication of Corruption in Tunisia

Economic evidence suggests that high levels of corruption significantly reduce the foreign direct investment, level of international trade, and economic growth in a country. By drawing off profits, corrupt politicians, bureaucrats and government officials reduce the returns to business investment and, hence, reduce the incentive of both domestic and foreign business investors to invest in that country [3].

4.21. Managerial Implementation of Corruption in Tunisia

ENOVE, who have to deal with corruption wants a governmental system to which, freed from corruption. By doing what is good, by not paying bribery, Enove is trying their best to respect the anti corruption law and as well honoring themselves by doing their noblesse oblige, in another sense, doing what is right. Also if they paid the bribery, it means they also support the system of corruption itself. In contradiction, some laws like U.S. Anti Corruption law and OECD Anti Corruption law stated that grease money, the one that is paid to make the bureaucracy quicker is fine. The reason is because grease money does not hurt the economy in a whole [3] them.

4.22. Access To Capital

Access to capital means companies who invest their money on emerging market can enjoy more competitive price of production rather than anywhere. Production factor like labor cost is one of the most attractive for investors. [6], said that the reason why there are so many companies choose to move their production to Vietnam, China and Hong Kong is because the price of labor is cheaper than the west. Tunisia has a pool of low labor cost. This can be used as main reason why to invest in Tunisia, especially when the location is close to Europe. The government can help investing companies to train, find and manage their needed labors.

4.23. Cultural Risk

Culture is the sum total of beliefs, rules, techniques, institutions, and artifacts that characterize human population [19]. A disadvantage of trying to do business in emerging economies is the challenge in overcoming cultural risks [5]. Cultural perspectives, rituals and product usage vary around the world and when new economies emerge, they may have different expectations than ones in which a business is established. These challenges increase for smaller companies with fewer employees and resources [20].

4.24. Limited Protection

Emerging countries often have less evolved legal and ethical protections, forcing businesses to risk encounters with criminals or crooked law enforcement agents [5]. Stealing or scrupulous business transactions are common, but violence and even murder can happen in some countries. In

Tunisia's case we can see there are risks of corruption and bribery, terrorism, rising of socialism, which hinders the practice of business and so on.

5. Conclusion

Practicing International business in a vastly moving globalization is not a walk in the park for any company. Enove is facing political instability, corruption, and emerging economy from a revolutionizing country. There are two options on what they should do next regarding the current situation in Tunisia. One, they should relocate to another country, meaning, abandoning their current business and open a fresh start. Two, they stay in Tunisia, embracing all factors of advantage and disadvantage. Tunisian labors are consisted of well-educated people that can be trained to meet market needs. Applying and evaluating labors using Principles of Learning and Training can increase labor quality. In addition to that, the government of Tunisia is willing to invest their money on training facilities and company who wants to train labor force because it brings good to Tunisia. Tunisian labors are low cost. This can be advantage for emerging economies and prospective asset for companies who wants to invest in Tunisia. Many companies are looking for low labor cost to compete in the market especially with Asian market. Political equilibrium is the balance of what the people of Tunisia wants and what the government can do about it. To reach prosperous society, government should be able to fulfill what the people wants. In this case, women's right should be granted, activity of entrepreneurship should not be reined and government should be able to control the level of corruption. Should the government cannot or does not want to adapt with society to reach the prosperity, then entrepreneurship activities, companies and labors should adapt. Enove should put their inventories on a warehouse in a foreign soil. The goal is to make ease of transporting the goods to the customers. To manage the warehouse, Enove can use JIT manufacturing and inventory planning of forecasting. Corruption is a deep-rooted problem in a society especially in emerging countries. Corruption is destroying economic practicability of a company; therefore the government should be able to control the level of corruption. Corruption is viewed as an alternative income for the low paid government workers, but study says that increasing the wage alone is not enough to combat that. In

addition, government should implement laws and effective bureaucracy to combat corruption. There are advantages and disadvantages of starting or expanding business in an emerging economy like Tunisia. The advantages are access to capital to which, production factors are cheap and first mover advantage in which there is a chance that a company can be a pioneer in a growing market. The advantages are cultural risk which may happen to foreign company investing in a foreign soil and limited protection of government.

6. Research Limitations

There are several limitations that in a way cannot make the writer proceed thoroughly to give recommendations towards Enove. Those are: It is not known who are Enove's customers or from which country the customers came from. This is important, as opening a warehouse should be relatively close to Enove's customers on foreign soil. It is not stated how much is the output that Enove can produce in a particular time. The implication is that Forecasting cannot be done using areal data but only based on random assumptions.

7. Recommendations

The result of this research stated that Enove should stay in Tunisia. There are several reasons, in accordance to this research why Enove should stay in Tunisia. First, the obvious reason as stated by Bismuth is moving and relocating would be costly. Second, while facing political instability including governmental corruption, Enove can adapt in accordance to the emerging government. Rather than opening a costly new manufacturing facility, Enove should divide their inventories for both foreign and domestic customers. The foreign is placed in a consolidated warehouse closer to Enove's customers. Enove should make advantage of low labor cost in Tunisia. In that sense, Enove still can compete with their Asian competitor of manufacturing low cost goods. Enove should take the chance of becoming Tunisia's pioneering producer, meaning, and first mover's advantage. If Enove move to low-cost countries like China or Vietnam, Enove should start from scratch. In regard to corruption, Enove should not practice bribery because it supports corruption, endangers Enove's reputability and ethically wrong. It is recommended for Tunisian government to apply values such as strict laws, enforcement without fear

or favor, tough punishment from the Courts, and effective government administration similar on how Singapore combat corruptions. Tunisian government bureaucracy and economy should not be affected by any kind of religion. The government should be able to control religious involvement in a governmental body. Tunisian government should allow the activity of entrepreneurship, grants human rights to women, and control the level of corruption. The goal is to increase the economic growth to reach social prosperity regardless of the election outcome.

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