**PETRO BARŠAUSKO KNYGOS „TRANSFER OF INTERNATIONAL MANAGEMENT PRINCIPLES TO CEECS“ ir JULIA G. DJAROVA STRAIPSNIO „FOREIGN INVESTMENT STRATEGIES AND THE ATTRACTIVENESS OF CENTRAL AND EASTERN EUROPE“ LYGINAMOJI LENTELĖ[1]**

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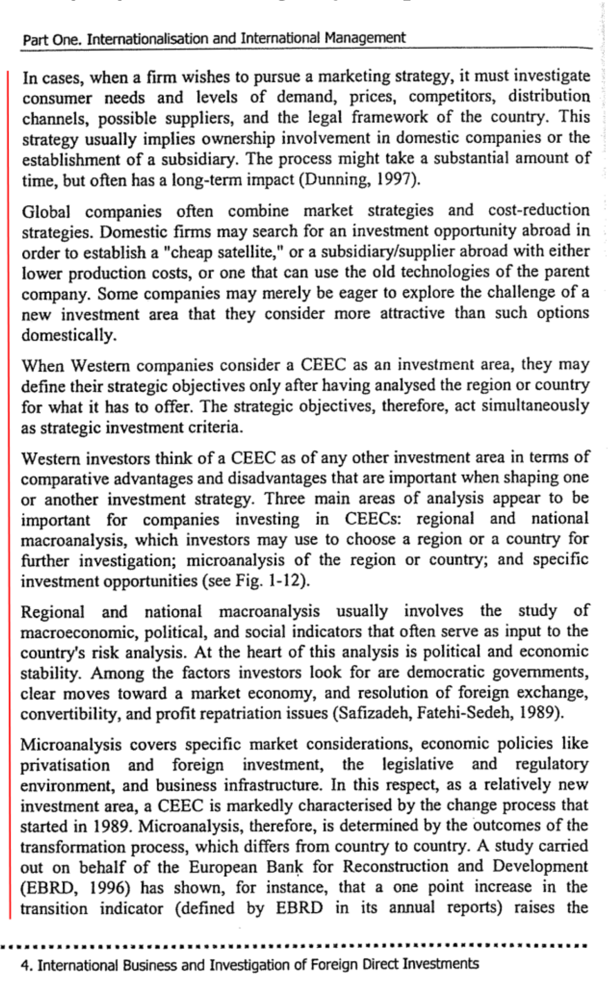
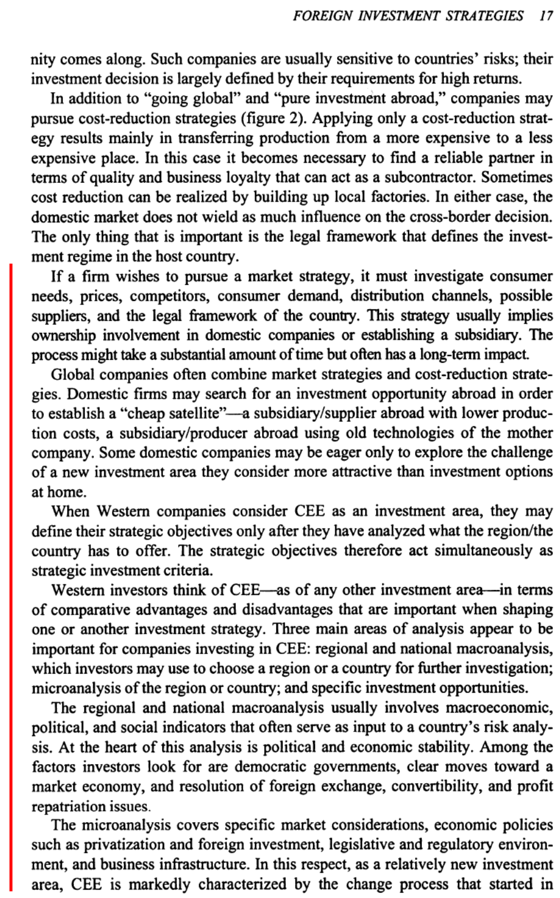
<tr><td colspan="2">Baršauskas, P. 2000. Transfer of International Management Principles to CEECs. 2nd ed. Stralsund: Nordic Academy of Informatization e. V. ISBN 3-00-007003-6.<br>Recenzentai:<br>J. Rothlauf, Taikomųjų mokslų universitetas (University of Applied Science, Stralsund, Germany);<br>A. Noack, Taikomųjų mokslų universitetas (University of Applied Science, Stralsund, Germany).</td><td colspan="2">5 leidinys:<br>Djarova, J. G. 1999. „Foreign Investment Strategies and the Attractiveness of Central and Eastern Europe“, International Studies of Management & Organization. 1999 (Spring), 29 (1): 14–33.</td></tr>
<tr><td></td><td>1 pav., Pavyzdys, 62 monografijos lapas<br><br>Part One. Internationalisation and International Management<br>In cases, when a firm wishes to pursue a marketing strategy, it must investigate consumer needs and levels of demand, prices, competitors, distribution channels, possible suppliers, and the legal framework of the country. This strategy usually implies ownership involvement in domestic companies or the establishment of a subsidiary. The process might take a substantial amount of time, but often has a long-term impact (Dunning, 1997).<br>Global companies often combine market strategies and cost-reduction strategies. Domestic firms may search for an investment opportunity abroad in order to establish a "cheap satellite," or a subsidiary/supplier abroad with either lower production costs, or one that can use the old technologies of the parent company. Some companies may merely be eager to explore the challenge of a new investment area that they consider more attractive than such options domestically.<br>When Western companies consider a CEEC as an investment area, they may define their strategic objectives only after having analysed the region or country for what it has to offer. The strategic objectives, therefore, act simultaneously as strategic investment criteria.<br>Western investors think of a CEEC as of any other investment area in terms of comparative advantages and disadvantages that are important when shaping one or another investment strategy. Three main areas of analysis appear to be important for companies investing in CEECs: regional and national macroanalysis, which investors may use to choose a region or a country for further investigation; microanalysis of the region or country; and specific investment opportunities (see Fig. 1-12).<br>Regional and national macroanalysis usually involves the study of macroeconomic, political, and social indicators that often serve as input to the country's risk analysis. At the heart of this analysis is political and economic stability. Among the factors investors look for are democratic governments, clear moves toward a market economy, and resolution of foreign exchange, convertibility, and profit repatriation issues (Safizadeh, Fatehi-Sedeh, 1989).<br>Microanalysis covers specific market considerations, economic policies like privatisation and foreign investment, the legislative and regulatory environment, and business infrastructure. In this respect, as a relatively new investment area, a CEEC is markedly characterised by the change process that started in 1989. Microanalysis, therefore, is determined by the outcomes of the transformation process, which differs from country to country. A study carried out on behalf of the European Bank for Reconstruction and Development (EBRD, 1996) has shown, for instance, that a one point increase in the transition indicator (defined by EBRD in its annual reports) raises the<br>62 4. International Business and Investigation of Foreign Direct Investments</td><td></td><td>2 pav., Pavyzdys, 17 straipsnio lapas<br><br>FOREIGN INVESTMENT STRATEGIES 17<br>nity comes along. Such companies are usually sensitive to countries’ risks; their investment decision is largely defined by their requirements for high returns.<br>In addition to “going global” and “pure investment abroad,” companies may pursue cost-reduction strategies (figure 2). Applying only a cost-reduction strategy results mainly in transferring production from a more expensive to a less expensive place. In this case it becomes necessary to find a reliable partner in terms of quality and business loyalty that can act as a subcontractor. Sometimes cost reduction can be realized by building up local factories. In either case, the domestic market does not wield as much influence on the cross-border decision. The only thing that is important is the legal framework that defines the investment regime in the host country.<br>If a firm wishes to pursue a market strategy, it must investigate consumer needs, prices, competitors, consumer demand, distribution channels, possible suppliers, and the legal framework of the country. This strategy usually implies ownership involvement in domestic companies or establishing a subsidiary. The process might take a substantial amount of time but often has a long-term impact.<br>Global companies often combine market strategies and cost-reduction strategies. Domestic firms may search for an investment opportunity abroad in order to establish a “cheap satellite”—a subsidiary/supplier abroad with lower production costs, a subsidiary/producer abroad using old technologies of the mother company. 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[1] Žymėjimas ir kitos pastabos:
1) lentelėje yra pateiktos P. Baršausko monografijos (kairėje pusėje) ir atitinkamo leidinio (dešinėje pusėje) dalys, kuriose buvo aptikta sutapčių. Leidinių dalys pateikiamos remiantis monografijos turinio tvarka;
2) pažodinės sutaptys yra nežymėtos, neišskirtos spalvomis, specialiu šriftu ar kitais būdais;
3) pavienių simbolių, skyrybos ženklų skirtumai nėra žymimi;
4) skirtumai, kurie yra susiję su numeracija ir teksto dalių tvarka, pavieniais ir panašią reikšmę turinčiais žodžiais ar jų junginiais, yra žymimi mėlyna spalva;
5) tekstų dalys, aptinkamos tik viename iš leidinių, yra žymimos geltona spalva;
6) nuorodos į kitų autorių tekstus P. Baršausko monografijoje yra žymimos raudona spalva.

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| 55 | Franchising is a relatively new form of commercial involvement by Western companies in CEEC markets. It tends to be primarily applied in the restaurant sector. Companies like McDonald's and Kentucky Fried Chicken have established CEEC units, operated by franchisees. It is important in a franchising arrangement to adapt to the country to be served and the supply infrastructure. The value comes from the formula for success of the international franchising companies, and this is to maintain the quality, wherever in the world they operate. Although the needs for such franchising units in CEECs are very high, their establishment is still limited, because of unreliable supply. This is especially true in CIS countries like Russia, where there is huge consumer demand, but a poor infrastructure to supply it. | 28-29 | Franchising is a relatively new form of commercial involvement by Western companies in CEE markets. It tends to be primarily applied in the restaurant sector. Companies like McDonald's and Kentucky Fried Chicken have established CEE units, operated by franchisees. It is important in a franchising ar-rangement to adapt to the country to be served and the supplying infrastructure. The value comes from the formula for success of the international franchising companies, and this is to maintain the quality wherever in the world they operate. Although the needs for such franchising units in CEE are very high, their establishment is still limited because of unreliable supply. This is especially true in countries like Russia and the CIS where there is huge consumer demand but a poor infrastructure to supply it. |
| 56-57 | Western companies study a region before investing in it. The result is that most of them first approached the countries of Central Europe (Hungary, the Czech Republic, and Poland), which have shown a faster pace in the transition process, and a more stable political environment (see Table 1-6 and Fig. 1-9). These are also the countries that tend to have historical and cultural links with Western Europe. Investors have a country or a regional approach. Companies with a regional approach are interested in finding a country (or more than one) in the region that can be their new production and/or distribution foundation for all the CEECs, and often, also for the former Soviet Union. Such is the approach of auto manufacturers, such as Ford, Volkswagen, and Daewoo. The principle in such cases entailed a search for location throughout all CEECs, and the final selection depended exclusively on the local attractiveness. | 31 | Western companies study the region before investing in it. The result is that most of them first approached the countries of Central Europe (Hungary, the Czech Republic, and Poland), which have shown a faster pace in the transition process and a more stable political environment. These are also the countries that tend to have historical and cultural links with Western Europe. Investors have a country or a regional approach. Companies with a regional approach are interested in finding a country (or more than one) in the region that can be their new production and/or distribution foundation for the entire CEE and often also for the former Soviet Union. Such is the approach of the car producers (Ford, Volkswagen, Daewoo). In this case, the search is in principle throughout all CEE, and the final selection depends exclusively on the local attractiveness. Investors with a country approach want to enter or expand on any market where the opportunity arises. They start with the fast developers among CEE countries and slowly widen their presence in the entire region. Such an approach is specific, for instance, for producers of food and personal products (Unilever, Nestle, Numico, Danone), oil companies (Shell), restaurant services (McDonald's, KFC), foreign-car distributors (almost all brands), and retailers (Macro, Ahold). |
| 57 | Investors with a country approach want to enter or expand on any market, wherever an opportunity arises. They start with the fast developers among CEECs, and slowly widen their presence in the entire region. Such an approach is specific, for instance, for producers of food and personal products (Unilever, Nestle, Numico, Danone), oil companies (Shell), restaurant services (McDonald's, Kentucky Fried Chicken), foreign-car distributors (almost all brands), and retailers (Macro, Ahold). | | |
| 62 | In cases, when a firm wishes to pursue a marketing strategy, it must investigate consumer needs and levels of demand, prices, competitors, distribution channels, possible suppliers, and the legal framework of the country. This strategy usually implies ownership involvement in domestic companies or the establishment of a subsidiary. The process might take a substantial amount of time, but often has a long-term impact (Dunning, 1997).<br>Global companies often combine market strategies and cost-reduction strategies. Domestic firms may search for an investment opportunity abroad in order to establish a "cheap satellite," or a subsidiary/supplier abroad with either lower production costs, or one that can use the old technologies of the parent company. Some companies may merely be eager to explore the challenge of a new investment area that they consider more attractive than such options domestically.<br>When Western companies consider a CEEC as an investment area, they may define their strategic objectives only after having analysed the region or country for what it has to offer. The strategic objectives, therefore, act simultaneously as strategic investment criteria.<br>Western investors think of a CEEC as of any other investment area in terms of comparative advantages and disadvantages that are important when shaping one or another investment strategy. Three main areas of analysis appear to be important for companies investing in CEECs: regional and national macroanalysis, which investors may use to choose a region or a country for further investigation; microanalysis of the region or country; and specific investment opportunities (see Fig. 1-12).<br>Regional and national macroanalysis usually involves the study of macroeconomic, political, and social indicators that often serve as input to the country's risk analysis. At the heart of this analysis is political and economic stability. Among the factors investors look for are democratic governments, clear moves toward a market economy, and resolution of foreign exchange, convertibility, and profit repatriation issues (Safizadeh, Fatehi-Sedeh, 1989). | 17 | If a firm wishes to pursue a market strategy, it must investigate consumer needs, prices, competitors, consumer demand, distribution channels, possible suppliers, and the legal framework of the country. This strategy usually implies ownership involvement in domestic companies or establishing a subsidiary. The process might take a substantial amount of time but often has a long-term impact.<br>Global companies often combine market strategies and cost-reduction strategies. Domestic firms may search for an investment opportunity abroad in order to establish a "cheap satellite" – a subsidiary/supplier abroad with lower production costs, a subsidiary/producer abroad using old technologies of the mother company. Some domestic companies may be eager only to explore the challenge of a new investment area they consider more attractive than investment options at home.<br>When Western companies consider CEE as an investment area, they may define their strategic objectives only after they have analyzed what the region/the country has to offer. The strategic objectives therefore act simultaneously as strategic investment criteria.<br>Western investors think of CEE – as of any other investment area – in terms of comparative advantages and disadvantages that are important when shaping one or another investment strategy. Three main areas of analysis appear to be important for companies investing in CEE: regional and national macroanalysis, which investors may use to choose a region or a country for further investigation; microanalysis of the region or country; and specific investment opportunities.<br>The regional and national macroanalysis usually involves macroeconomic, political, and social indicators that often serve as input to a country's risk analysis. At the heart of this analysis is political and economic stability. Among the factors investors look for are democratic governments, clear moves toward a market economy, and resolution of foreign exchange, convertibility, and profit repatriation issues. |

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| 65 | **Foreign Direct Investment and Business Expansion in CEECs. Example - Lithuania**<br>In preparation for a potential expansion to CEEC markets, foreign investors tend to consider two reasons early on. First, a CEEC location may offer the potential to recover former economic relationships within the region, including one with the former USSR. Second, manufacturing and labour capacities at CEECs tend to be at lower costs, which are ultimately reflected in product prices. Thus, Western companies have an opportunity to enter CEEC markets with low price strategy, combined with an offer of Westem-quality products. Cost-reduction objectives were already factors in East-West business relations prior to the changes in CEECs since 1989. Forms of co-production had ranked first in business relations since 1973. For Western partners, the reward lay mainly in cost advantages, while for the CEEC partners, a co-production operation was a means to adapt new products and implement new technologies. There was, however, another side to this coin, as well. At the time of investment, some of the CEEC partners were in relatively poor condition, and co-production operations were no more than a means for survival. Nonetheless, some such companies did survive, and continue operations among the best exporters to CEECs. Problems inherent to centrally planned economies were a real headache for Western partners, involved in East - West co-production. CEEC counterparts were restricted in their marketing strategies, which seriously curtailed any chance that they would become international. In the period of liberalised investment conditions in the CEECs, some Western companies moved on to forming joint ventures with their former co-production partners (Baršauskas, Schafir, Šarapovas, 2000b). | 22-23<br><br>23 | CEE can be a “springboard” to third markets for two main reasons. First, CEE may offer the potential to recover former economic relations within the region, including with the former Soviet Union. Second, the countries of CEE offer manufacturing and labor capacities for lower prices, and these are reflected in the prices of products. As a result, Western companies have the opportunity to enter third markets with low price strategy combined with Western-quality products. For instance, VW/Skoda opened up new low-price markets such as Greece and the rapidly expanding Eastern markets.<br><br>**Cost-reduction objectives of Western companies toward CEE countries**<br>Although still not so popular, cost-reduction objectives were already factors in East-West business relations before the changes in CEE countries since 1989. Forms of coproduction ranked first among the range of East-West forms of cooperation since 1973. Certainly, for the Western partners, the reward lay mainly in cost advantages, while for CEE countries, the coproduction operation was a means to adapt new products and to implement new technologies. This development had another effect: The CEE partners in coproduction agreements of that time are one of the most desirable enterprises for takeover by Western investors. Some of them are even in a condition to survive on their own. Some are also among the best exporters in CEE.<br>East-West coproduction in the times of the centrally planned economies was not such a threat for the Western partners involved. The CEE counterparts were restricted in their marketing strategies, which seriously curtailed any chance that they would become international competitors. In the period of liberalized investment conditions in the CEE countries, some Western companies moved to joint ventures with their partners in coproduction activities. The transition process in CEE made a number of Western companies consider what kind of strategic move to take with regard to their coproduction partners. |
| 90 | 5. As the CEEC emerged as an attractive market for investment, many Western firms have tried to forge various business relationships with local partner firms, including strategic alliances and joint ventures. Such investments can have a variety of purposes. Western firms may seek local production in order to reduce production costs and/or develop new markets. Or joint ventures may be formed to meet local regulatory requirements, where restrictions or local-content rules apply. | 14 | There has been a surge of academic interest in investment in Central and Eastern Europe (CEE). As the region emerged as an attractive market for investment, many Western firms have tried to forge various business relationships with local partner firms, including strategic alliances and joint ventures. Such investments can have a variety of purposes. Western firms may seek local production in order to reduce production costs and/or develop new markets. Or joint ventures may be formed to meet local regulatory requirements where restrictions or local-content rules do apply. |