Country Risk and Strategic Planning

Mark R. Chambers, Danielle Whitehurst, Katherine Branch, Ryan Clemons

MGT/448

February 22, 2012

Dr. Cristina Marine

Country Risk and Strategic Planning

The Alliance Traders board review of the team’s report generates other concerns about doing business in Iraq. These concerns will include answering questions on the political and regulatory risks for companies conducting business in Iraq. The board would like to know if there are any exchange and reparation of funds risks to include in the company’s exit strategy planning. Alliance Traders is just one of many companies competing in the oil trade business in Iraq so it is important to the board to know the competitive risks the company faces with its competitors. Another risk to consider is the taxation and double taxation risks involved when a foreign based company conducts business in another country. Considerations will be given to the market risks, distribution and supply chain risks, and the effects those will have on doing business. The report will also include an analysis of the physical and environmental challenges Alliance will face, entering and operating within the Iraqi borders, taking into consideration the social and cultural risks that comes with operating in a country that has more sectarian differences than it does ethnic based differences. The team will include in its report the best suggested methods in managing all the risks mentioned above and provide a summary of defining and clarifying the mission and the objectives of the Alliance Traders Corporation.

**Political and Regulatory Risks**

**Exchange and Reparation of Funds Risks**

**Competitive Risk Assessment**

**Taxation and Double Taxation Risks**

**Market Risks**

**Distribution and Supply Chain Risks**

**Physical and Cultural Risks**

**Risk Management**

**Summary of Strategic Planning Process**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| SWOTT Analysis of Iraq | | | | |
| Strengths | **Weakness** | **Opportunity** | **Threats** | **Trends** |
| Undeveloped Land | Culture/Beliefs | Improve Economy | Terrorism | Region Conflict |
| Large Oil Supply | Unstable Government | Improve U.S. Relations | High Conflict Risk | Strive for Support |
| Law Flexibility | Populace Living Standards | Increase Jobs | Possibility of War | Government Corruption |
| Cheap Labor | War-torn for Decades | Increase Global Supply of Oil | Populace Dissatisfaction | Bad decision-making |
| Weak Economy | Environment | Free Trade | Internal Sabotage |  |
| Desperate for Support | Technological Advancements | Increase Global Investment | Trade Barriers |  |
| Acceptable to Agreements | Education | Development of the Nation | Bordering Nations |  |

Based on the SWOTT analysis of Iraq, several factors have been identified that could hinder Alliance Traders success. The main external risk that Alliance Trader will face when operating in Iraq is conflict issues. The local populace has mixed feelings about the United States and their intentions in the Middle East. When developing an operation in Iraq, Alliance Trader will have to establish a relationship with the local tribal leaders and likely provide them with engineering support to improve their local infrastructures. Once this relationship is developed Alliance Trader can also encourage the hiring of individuals from these tribes.

Building a relationship with the Iraq government is also going to take a lot of work. Alliance Trader has developed several agreements that will support the development of Iraq and also allow Alliance Trader to operate freely. The first agreement that Alliance Trader is considering is the development of airports that will be open to minor government related travel and the export of oil by Alliance Trader. Once Alliance Trader has finished extraction in the area it will then had over all facilities and airfields to the Iraq government. The second agreement will address investing money into the development of the local economy and building a town with schools, hospitals, and housing. This effort will also increase the number of available individuals to consider for hiring. Additionally with the local populace observing Alliance Trader investing money into the local economy the populace will likely favor the operation. The third agreement will allow Alliance Trader to operate freely without taxation as long as Alliance Trader agrees to invest an agreed upon amount into Iraq’s economy. While there are still other agreements that are being considered for operation, information sharing, and investing the three listed above identify Alliance Traders current concerns for operation.

Based on information provided by Charles Hill, Alliance Trader has determined a worldwide area structure strategy will allow Alliance Trader to successfully manage its operations (Hill, 2009). By utilizing this strategy Alliance Trader can categorize its operations and exports to each region of focus worldwide. Through this method each region of export based out of Alliance Traders Iraq department will have specialized marketing agents, a production manager, and finance officers.

The mode and timing of entry are important to the success of Alliance Traders operations. Through an exporting mode of entry as defined by Charles Hill, Alliance Trader will be able to export its product globally drastically increasing sale volume (Hill, 2009). Although Alliance Trader is a late bloomer in the oil industry in Iraq; oil is a commodity that will never have a lack of demand. Through introducing new technology for oil extraction, Alliance Trader will be able to increase their profits drastically since operation cost will be significantly lower than other exporters in the region. Since operation cost will be lower than competitors, Alliance Trader will also sell its oil one cent cheaper than its competitors to encourage buying from Alliance Trader. Consumers buy in large volumes in the millions and this price difference will significantly reduce the cost for the customers. Additionally, other exporters extracting oil in Iraq will have to invest in new equipment to lower their overall cost of oil. By using the greenfield venture as explained by Charles Hill; Alliance Trader will establishing a new operation that will introduce new technology for oil extraction and build a culture that Alliance Trader wants to portray (Hill, 2009). Even though the process for operation is slower, building the operation from scratch will ensure Alliance Traders operation is done correctly.

To control and evaluate the success of Alliance Traders production in Iraq, output controls will be used by headquarters to measure the operations success. Output controls measures the production and sales toward set goals. According to Charles Hill, “profitability, productivity, growth, market share, and quality” are all forms of measurement through output control (Hill, 2009). Alliance Trader has also determined that using personal controls on the operational level will increase production and build local relationships. Through this method Alliance Traders goal is to encourage communication and ideas for improving methods for the organization. Since this is a new stepping stone for Alliance Trader building relationships is going to be the foundation of success.

**Conclusion**

References

Hill, C. W. L. (2009). *International business*. (7th ed.). New York, NY: McGraw-Hill Irwin.