

Strategy formulation for a national branch of selected multinational IS/ICT company

Bachelor thesis

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Abstract

The topic of the bachelor thesis is “Strategy formulation for a national branch of selected multinational IS/ICT company”. Its goal is an evaluation of the business environment of the chosen branch of the multinational enterprise AB&C, examination of the subsidiary’s situation and formulation of a proper strategy for the branch based on its capabilities. The foundations for this analysis were PEST analysis, Porter five forces and value-chain analysis and SWOT analysis. The result of this thesis is the strategy a branch can implement to improve its current business situation and strengthen its competitive advantage.

Keywords

Multinational enterprises, Branch, PEST analysis, Porter’s five forces, Porter’s value chain, SWOT analysis

Abstrakt

Témou bakalárskej práce je “Strategická formulácia pre národnú pobočku vybranej IS/ICT nadnárodnej spoločnosti“. Jej cieľom je zhodnotenie business prostredia vo vybranej pobočke nadnárodnej spoločnosti AB&C, zistenie, v akej situácii sa pobočka nachádza a na základe možnosti pobočky vytvorenie správnej strategickej formulácie. Predmetom pre analyzovanie pobočky boli analýza PEST, Porterova analýza konkurenčného prostredia, Porterov hodnototvorný reťazec a SWOT analýza. Výsledkom tejto práce je vytvorenie stratégií ktoré môžu zlepšiť situáciu, v ktorej sa pobočka nachádza a pomôcť posilniť jej konkurenčnú výhodu.

Klíčová slova

Nadnárodné spoločnosti, Pobočka, PEST analýza, Porterov model piatich síl, Porterov hodnototvorný reťazec, SWOT analýza

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1 Introduction

“Best way to predict future is to create it” (B. Gates)

Nowadays, the emphasis in the business is to learn overcoming obstacles. It comes from the extreme pressure the companies are facing to gain a competitive advantage. One of the basic approaches to gain a competitive advantage is managing the company in a right way. Companies' strategic goals have to adapt to frequent changes in the external and internal environment resulting in constant improvement and innovation of products and services offered.

Therefore the most important task of strategy is to prepare the company for every situation that might occur in the future. The basis for the strategy are the results of the strategic analyses. The strategic analysis includes various methods for determining the core potential of the company and its relationship with the environment. This analysis is a key for evaluation of suitability of the current strategy or a need for a new one.

The worldwide trend of market liberalization has also affected the telecommunication and information technologies industries. The majority of the telecommunication networks are in private hands and the competition is not only on the nation but also on the international level. The multinational enterprises are becoming dominant players in the global market. They have subsidiaries across the globe, provide employment to thousands of people, bring products and services to areas not accessible before and are constantly looking for other sources of competitive advantages. Some of the factors determining their entry to a foreign market are language and culture, political and economic situation, government regulations, geographical location and infrastructure, cost of work but also talent management because they have to deal with cross-cultural differences.

However, if the local subsidiary loses its competitive advantage for the multinational company becomes too expensive, the company might move it to another country.

For this reason, we will focus on the strategic analysis of the Slovak subsidiary of the multinational company AB&C and a perspective of strengthening its position in the market. The partial aims of the thesis is to analyze the particular branch according to the theoretical knowledge obtained from literature. Based on the results of the analyses, propose a suitable solution leading to the improvement of the branch's situation in the market.

2 Objectives and Methodology

2.1 Objectives

The bachelor thesis deals with the strategic analysis of the company AB&C Slovakia in Bratislava which is a national branch of AB&C company. Similar to other branches, also this one has to fight for its competitive advantage in order not to be moved to other lower-cost countries.

The main objective of the thesis is to formulate strategic proposals for the selected company. We will focus on the analysis of the external and internal environment of the branch. The sources of the analyses include the information gathered during the moderated interviews with the employees of the branch. Based on the obtained data, we will propose a suitable solution for the branch leading to the improvement of the branch's situation in the market.

2.2 Methodology

The bachelor thesis is divided into two main parts – literature overview and practical part.

In the literature overview, we define terms like multinational company and its features evolution and motives for doing business internationally, forms of entry to the foreign market, relationships with branches and cultural differences within the company and the subsidiaries. We will also compare concepts of different authors and their points of view on this topic.

At the beginning of the result part of the thesis, the selected multinational company and its history will be introduced including the characteristics of the Slovak branch and its relationship with the headquarters.

The strategic analysis will use several methods and focus on the company's internal and external environment. Each part will describe the analytical tools appropriate for the given environment.

External environment analysis will focus on the analysis of macro and micro environment. The macro environment will be analyzed using the PEST analysis. The micro environment will be analyzed by Porter's five forces analysis.

Internal environment will be analyzed by using Porter's value-chain analysis.

At the end of this analytical part, the identified influences will be summarized and synthesized into SWOT matrix which will outline company's strengths and weaknesses according to the analysis of the internal environment and opportunities and threats according to the analysis of the external environment. Based on these factors there will be developed an appropriate set of strategies and provided suggestions and recommendations for the branch.

3 Literature overview

3.1 Multinational enterprises

3.1.1 Characteristic of multinational enterprises

Multinational enterprises are composed of geographically dispersed and culturally different entrepreneurial and non-entrepreneurial entities that are interconnected. The simplest division is among headquarters and subsidiaries. (DELOOF, JORISSEN, 2011, p. 157) Otherwise we can define multinational enterprise as an organization providing its products through the network of subsidiaries abroad, controlling corporate strategy of these subsidiaries and managing them from the global perspective. (ŠTRACH, 2009, p. 34) The multinational enterprise is a network of mutually interconnected entities where each entity has its tasks and resources. They are very wealthy and therefore very powerful. Such companies can influence government politics. They are even able to influence the development of global economics and international trade. (ZADRAŽILOVÁ, 2007, p. 22)

Globalization is closely tied to multinational enterprises. "We eat banana from Equator, we drink wine from France, we read books from Britain, we work for companies exporting products to Germany and Russia, we spend holiday in Thailand and we save money through funds investing in South Africa and Asia." (NORBERG, 2006, p. 12) Globalization represents growth of transactions and interconnection of countries, freer movement of products, ideas, investments, news, people or pollution. It is about removing communication and trade barriers and creating open and free global market.

3.1.2 Development of multinational enterprises

As all companies also the multinational enterprises undergo the evolution process. According to Paterson and Brock, we know four levels of development of the multinational enterprises. The first level is the time of international organizations emerging in the first half of the twentieth century. During the sixties there was a switch from the international organizations to global organizations leading to transnational organizations during the eighties and finally at the end of the nineties came the era of internal markets. (PATERSON, BROCK, 2002, p. 140) From this development we can see that the interconnection among subjects within the multinational enterprises is getting deeper and more intense. One of the causing factors is the development of the information technologies. The information technologies allow quick connection between firms whether they are transcontinental closing transactions online or fast transfers of funds. The Internet brings new ways of delivering products and services, online trading possibilities and communication with customers and suppliers. The introduction of the Internet has eliminated the geographical limitations.

3.1.3 Basic features of multinational enterprises

The basic characteristic features of such enterprises include:

- the key decisions for the company (finance, long term growth strategy, etc.) are made by headquarters,
- casual managerial decisions are made by subsidiaries,
- the ultimate goal of these companies is dominant market share and profit maximization,
- building business relationships with numerous partners from several countries,
- all subsidiaries have access to the enterprise knowledge base,
- important aspect is capital flows from subsidiary to subsidiary as required by the headquarters,
- the subsidiaries share a strategic plan developed by the headquarters in order to achieve the most efficient synchronization of activities of all subsidiaries. (BALÁŽ, 2005, p. 494,495)

3.1.4 Motives of entrepreneurial activities of international scale

The motives leading to going international are based on the conditions of the local and foreign markets and as well as on the internal conditions and relationships within the company. The factors affecting the internationalization are:

(SRŠŇOVÁ, FUZYOVÁ, 2003, p. 25)

- opening of the foreign markets,
- fast growing resources and development expenditures,
- products and technologies lifecycle shortening,
- huge capital necessities,
- transport conditions improving and decreasing of the associated costs,
- advancing of the information and communication technologies,
- tax optimizing.

The motives leading to doing business internationally could be divided into two groups. The first group consists of the motives primarily focused on profits. They are: (ŠUPÍN, 2006, p. 89)

- profit maximization,
- profit stabilization and optimization
- investment returns,
- sales efficiency,
- growth rate of sales, turnover, equity etc.

The second group of motives consist of all other goals:

- sustaining market share,
- building of the image and goodwill,

- improving of the customer services,
- developing new technologies,
- charity activities.

After all, these motives are also affected by profits. Therefore all motives must be examined and evaluated. The result would be an analysis evaluating the readiness of a company for internationalization and a rate of globalization in the particular industry the company operates at.

However, entering a foreign market brings specific risks. According to Kotler they are mainly: (KOTLER, KELLER, 2007, p. 707)

- the company does not understand the preferences of foreign customers and would not be able to offer attractive products,
- the company does not know the business culture of the foreign market and would not adapt to it,
- the company underestimates foreign regulations that would lead to future problems and unexpected expenses,
- the company does not realize their managers would not have sufficient international experience.

3.1.5 Forms of entry into international market

There are several possibilities to enter the international market:

- direct/indirect export and import,
- production without capital participation (international transfer of know-how),
- production with capital participation (foreign investments).

In case of the indirect export and import, the company participates in the international trade indirectly through a local business partner without any capital interconnection. Such company only sells or buys products and his business partner performs operations in the international market without the company's influence on it.

The direct export and import happens either in form of cooperation with a foreign partner or in form of a distribution contract with an independent mediator. The difference to the indirect export is in this case the company shows the interest to participate in the international trade.

The production without capital participation or the international transfer of know-how means that one subject provides specific know-how to another subject according to a contractual agreement. It might be:

- license agreement,
- franchising,
- management contract,
- refurbishing operations.

The license agreements allow subject to use intangible assets that are part of the intellectual property of another subject for a specific consideration.

The franchising is a similar contractual relationship where one subject provides know-how, brand, logo and products and in return it gets some percentage of profits from the other subject.

In case of refurbishing operations the subject provides necessary technological and organization know-how another subject who becomes its subcontractor.

Forms of the production with capital participation (foreign investment):

- green field investments,
- fusions and acquisitions,
- joint ventures,
- acquiring ownership in domestic company.

The green field investments represent companies built from the scratch. The acquisition means acquiring an existing local company by a foreign enterprise. The fusion stands for combining two companies into the one company. A foreign firm may enter a new market also by establishing foreign branches or subsidiaries.

Such foreign investments can have positive consequences on the national economy. Foreign companies often bring new capital, increase employment in the country, increase local labor qualification, provide new technologies and improve the public relations of the local country as a place to invest.

However, foreign companies can also hurt the national economy. They take profits to the headquarters and do not invest in the local companies. Importing materials from foreign subcontractors also hurts the national economy as the chain of supply does not exist in the local market. Moreover, the majority of the foreign companies optimizes their taxes and do not pay them in the local countries. They can also try to get control over the local company in order to destroy it and thus decrease the competition. (ZÁDRAŽILOVÁ, 2007, p. 18)

3.1.6 Structure of multinational enterprises

The multinational enterprises are usually in form of joint stock company with holding structure. According to Zádrazilová, such structure allows easier penetration to foreign markets avoiding the protective politics of foreign governments, management is more flexible in smaller organizations and the business risks are diluted among multiple subjects. Zádrazilová further differentiates between multinational and transnational enterprises. She considers the transnational enterprises to be more developer because they see the world as one market compared to the multinationals that focus on each individual market. Their global strategy, organization structure and management are based on these structures. (ZÁDRAŽILOVÁ, 2007, p. 22)

3.1.7 Criteria for being multinational company

- Structure criteria – the number of countries where the firm operates, the number of subsidiaries and foreign subjects, the national composition of the top management, the number of workers abroad,

- performance criteria - turnover abroad, profit, production abroad, market shares abroad,
- attitude criteria – management attitude to corporate philosophy and culture.

3.2 The relationship between headquarters and branch

3.2.1 Branch characteristic

The multinational companies provide their products and services in various countries through their foreign affiliates. This way enables them to control their business activities and manage them from a global perspective. (BLAŽEK, 2010, p. 18) The branches are also sources of knowledge that other entities within the organization might now have so they can be easily transmitted across the network. The companies operating under the parent company may have its own legal personality, generally in form of the limited liability company, or may be without legal personality i.e. being a part of the parent company fully-owned by such company. The associated branches are referred to as the affiliates. Affiliate is a separate legal entity that is affiliated with the parent company although it may not be visible at the first sight. (DVOŘÁČEK, 2006, p. 160)

3.2.2 Types of foreign branches

There are many types of foreign branches. They are divided by many criteria and authors.

According to the size of ownership, we recognize these types of affiliates:

- branch,
- associated company (subsidiary, affiliated company).

The branch is completely dependent on the headquarters of the foreign company. It usually also carries her name. The branch balance sheet is part of the overall balance sheet of the enterprise.

In case of a subsidiary (subsidiary, affiliate) the ownership of the parent company is at least 50 percent. The branch (associate, affiliate) has usually a different name than the parent company. The parent's company ownership in the affiliated company is within ten to fifteen percent. (DVOŘÁČEK, 2006, p. 160) (ŠTRACH, 2009, p. 36)

Birkinshaw and Morrison provide a different point of view on the branch typology because they distinguish the foreign branches based on their strategic role within organization. They classify branches to three types. The important factor is the organizational structure, its politics, the degree of integration and the relationship with the environment. Their types of branches according to Birkinshaw and Morrison are: (BIRKINSHAW, MORRISON, 1995, p. 729-734)

- The local implementer is a branch with a limited geographic scope, mostly focused on one country. It can be crucial in obtaining local customers.

- The specialized contributor is a branch which role is to assist with the operations for the other branches. The purpose is a high specialization in certain areas necessary for the operations of the other branches.
- The world mandate type of branch implements the strategy of the whole organization. Its responsibility can be global or local only. (“decentralized centralization” – branch manages global processes without involvement of the headquarters). In comparison with the previous type, this branch can be considered similar to the integrated player.

The branches may also specialize in different functions. Some branches can specialize on production while the others on sales.

3.2.3 Relationship between headquarters and foreign branch

There are many interactions between headquarters branch related to the flow of products and services, capital and knowledge within the organization. (ŠTRACH, 2009, p. 41) The relationship between headquarters and the branch was originally taken from the perspective of strategy at the highest level. It was characterized by the centralization. The degree of the centralization affects the size of business, the size of capital, the level of technology, the brand recognition, the patent rights, the geographical proximity, the local knowledge of management and the experience in the international market. Gradually, it was found that the various branches should play a freer role within a multinational company. If the branch is independent, there are mainly financial flows between it and the headquarters. The major interest of the headquarters is the amount of profit generated by the branch. If the results are satisfactory, the headquarters is the amount of profit generated by the branch. The centralized organization is characterized by the increased cooperation between business units within a multinational company. (BLAŽEK, 2010, p. 18) It prefers lower costs, firm rules and a high degree of order. The disadvantage of the centralization may be lower flexibility and the disadvantage of the decentralization may be a risk of chaos. (STÝBLO, 2010, p. 25) In the past the headquarters was the creator of knowledge and it distributed this knowledge through its network whereas now it is rather a recipient of the knowledge. It can create a global strategy according to the knowledge from the local markets but the branches create their own skills and competences according to the local environment.

The flows of products, capital and knowledge are not only basis of the relationship between the branch and the headquarter but also among the branches themselves. The product flows represent the mutual purchases of the finished products and providing of services within the multinational company. The transfer of products and services is sometimes used to influence the economic performance of the company and often to optimize the taxation. The capital flows include provision and circulation of the capital resources among the organizational units. The knowledge flows involve the employees transfer and exchange within the company as well as the exchange and sharing of the intellectual property. (ŠTRACH, 2009, p. 41)

All branches may not share the common goals. Despite the customers being different, there are different levels of political and inflationary risks. (GHERTMAN, 1996, p. 38) The basic and essential element in the relationship between the headquarters and the branch is the budget. Firstly, the branch estimates the budget based on the anticipated sales, costs and profit margins. Then the budget is examined by the headquarters with regards to the targets of the branch. Finally, this budget can be incorporated in the corporate budget. The branches are required to report regularly about their activities. The strategic management plan of the branches is created for three to five years ahead. The so-called administrative decisions are the result of the communication between the executive management of the headquarters and the branch directors. Such administrative decisions include budgets, branch competencies or the remuneration system. The operational decisions provide an area of independency for branches. (GHERTMAN, 1996, p. 40-43)

3.3 Culture and cultural differences

Culture is a way of thinking, perception and behavior people acquire in a particular social group. The national culture is a specific culture of the members of a nation. It is characterized by language, symbols, customs, rituals, celebrations, festivals, art and architecture.

The overall success of the multinational enterprises is also influenced by the national culture of the countries they conduct business activities in. As a result of the intensive global interconnection it is necessary to deeper understand different cultures. The national culture may subconsciously control the behavior of managers when dealing with foreign partners and might lead to unnecessary confusion. If we understand the culture, we can find out why people think and act differently than we would expect them from the perspective of our culture. (CEJTHAMR, DĚDINA, 2010, p. 262)

Each organization has its own organizational culture. It is a complex of values, attitudes and norms of behavior that are shared within the organization and reflected in the thinking, feeling and behavior of members of the organization.

There are many factors shaping the culture of the international company such as:

- mission, vision and objectives of the company,
- size and volume of foreign activities,
- choice of country and its culture,
- form of entry for the selected market – export, joint venture, direct investments.

There are three models of corporate culture in the international company:

- polycentric corporate culture – comes from local traditions, experience and national specificities,
- geocentric corporate culture – uses specific features of national cultures in the creation of a common culture,

- ethnocentric corporate culture – extends the basic elements of the parent company culture to all branches in the various countries. (POŠVÁR, 2004, p. 121)

The language used is also part of the organization structure. Although the language used in the branch does not have to be the official language of the headquarters, it is expected that the management will be able to use it.

3.4 Strategic business analysis

The basis for the formulation of the corporate strategy is the analysis of the relationship between the company and its surrounding. There are two theoretical approaches to strategy analysis - analysis focused on the external business environment and analysis focused on the internal business environment.

An external environment consists of two components: a general environment, also called macro environment, and sectorial environment, also called the micro environment. Alternatively, we can also include the international environment. The macro-environmental factors are political, legislative, economic, social, demographic, technological and ecological (i.e. PEST(E) analysis). The micro environment includes customers, competitors, suppliers and substitutes.

The analysis of the international environment looks at these factors from a global perspective. (SEDLÁČKOVÁ, BUCHTA, 2006, p. 16 - 30; KEŘKOVSKÝ, VYKYPĚL, 2006, p. 29 - 35)

The internal environment is composed of the actions helping the company with conducting its business activities. It is analyzed by Porter value-chain analysis.

This business analysis helps to understand the situation and relations between the elements of the external and the internal environment of the enterprise and determine the limits within which the company can move.

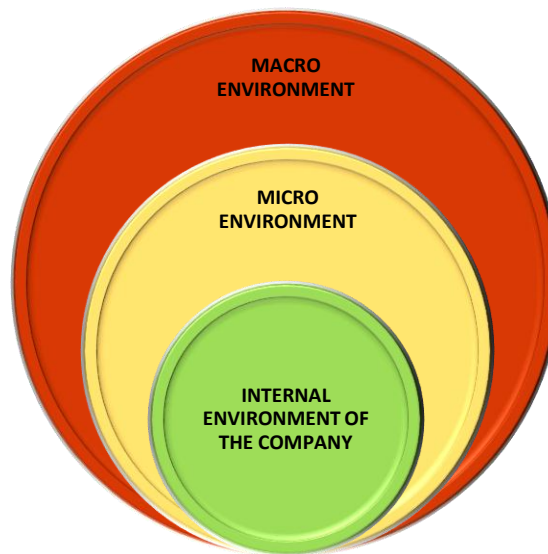


Fig. 1 Business environment
Source: MALLAYA, 2007.

3.5 Analysis of external environment of enterprises

3.5.1 Analysis of the macro environment

The macro environment includes influences and conditions arising outside the company. In practice, none of the companies (but a few large enterprises) has direct possibility to actively influence their macro environment. Therefore the senior management has to identify the forces coming from the external environment and analyze their impact on the business operations. Moreover, they have to find a proper response to them. The analysis of the macro environment is most often based on the legal and political, economic, social and demographic, technical and technological and ecological environment.

The terms policy and legislation stand for government, laws, courts, central bank, government agencies, institutions, associations, advocacy groups and others. Using the laws the government is able to limit the possibilities of the company and its surrounding. (KEŘKOVSKÝ, VYKYPĚL, 2006, p. 34) These factors might become sources of opportunities but also sources of limitations for the companies. The limitations might emerge in tax and anti-trust laws, export and import regulations, price politics, environmental protection and consumers and employees protection. The overall political situation, the membership in various organizations (European Union) also plays an important role for the company as it brings yet another set of opportunities and limitations.

The state of the economic environment and the degree of the development of the industry is crucial for the company. When assessing this, we focus on the key economic indicators. It is important to consider the GDP growth rate, the inflation

rate, debt and the interest rates, exchange rate and the overall monetary and fiscal policy of the country. (SEDLÁČKOVÁ, BUCHTA, 2006, p. 16 - 19)

It is also important to know the purchasing power of the population. The economic environment is significantly tied to the political environment and many policy measures have major impact on the economy of the company. Therefore, the role of the state and its politics plays a key role in shaping of the economic environment.

The social and demographic factors describe the size and structure of the population, the cultural values and lifestyle, the living standards and education of the population, the labor force and mobility. Understanding the social and demographic factors allow better understanding of the customer. (KEŘKOVSKÝ, VYKYPĚL, 2006, p. 33 - 35) The modern trend in this area dictates to "Think globally, act locally".

The technological environment has the biggest impact on the society development. It is the technological advancement that has led to the globalization. Among the indicators of the technological advancement of the country are the percentage of the GDP spent on the research and development, the number of international patents, the number of scientists, used computers, speed of implementation of new technologies, speed moral obsolescence of technology and so on. An enterprise should monitor technological changes around them to allow the new elements to respond quickly to innovate its products and services and thus be able to better compete with competitors. Equally important is to follow the safety standards.

Hand in hand with the technological development and global economic growth is the environment and public health protection. We have to deal with the regulation of emissions, disasters prevention, noise, lack of renewable and non-renewable resources and use of the alternative energy sources. On the other side, it can also be an opportunity for the companies to gain a competitive advantage. (VYKYPĚL, KEŘKOVSKÝ, 2006, p. 31 - 32)

For the company that wants to expand beyond its home country, it is important to become familiar with the national specifics of the foreign country. The company has to determine whether there are import quotas, tariff barriers or whether the government promotes a protectionist or a liberal trade politics. When entering the foreign market, the company must comply with all technical standards, norms and the overall culture of the country. (SEDLÁČKOVÁ, BUCHTA, 2006, p. 25 - 27)

However, it is not uncommon for the company to contribute to the change of the customers' behavior and habits through its products and services and thus to some extent to the change of the values of the people in the foreign country.

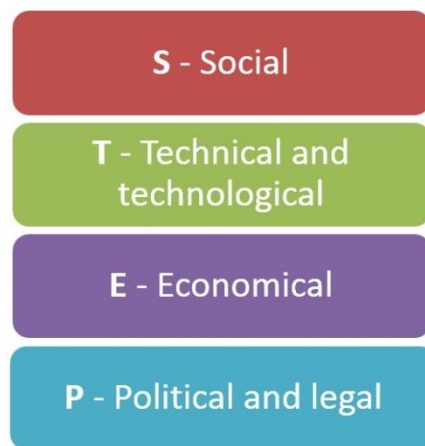


Fig. 2 PEST analysis
Source: POŠVÁR, ERBES, 2008.

3.5.2 Analysis of micro environment

In the company micro environment, the focus is on customers, suppliers, competitors and substitutes. For micro environmental analysis we can use the Porter's five forces analysis model consisting of five factors – bargaining power of customers, bargaining power of suppliers, threat of entry of new competitors, threat of substitutes, rivalry of companies operating in the same market. (KEŘKOVSKÝ, VYKYPĚL, 2006, p. 35 - 36)

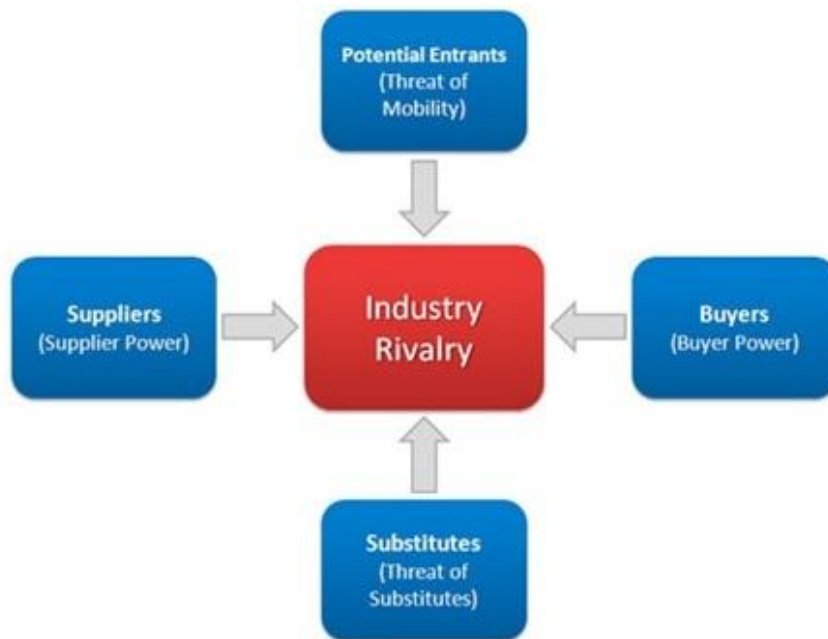


Fig. 3 Analyzing of micro environment – Porter’s five forces
Source: THOMPSON, MARTIN, 2005.

The wishes, needs and expectations of customers should be guidance for the enterprises. The well-known Bata’s motto “Our customer is our master” becomes even more important if customers have great bargaining power. A strong customer is one whose potential loss would mean a notable decline in sales. (SEDLÁČKOVÁ, BUCHTA, 2006, p. 54) The customer can very easily leave for the competition what exacerbates relations with competitors. In addition to characterizing the customers from the geographic and demographic point of view, it is necessary to identify the factors influencing their decision to buy. (VKYPĚL, KEŘKOVSKÝ, 2006, p. 39)

The term suppliers cover providers of raw materials, energy, technology, labor et cetera. (VYKYPĚL, KEŘKOVSKY, 2006, p. 41) The company expects quality and reasonably priced products and services from the suppliers. In case of scarcity of the suitable suppliers in the market, the bargaining power is on their side. Their power increases with their size and shortage of their inputs. This might pose a potential thread of inflated costs for the company. (SEDLÁČKOVÁ, BUCHTA, 2006, p. 54)

Other threats for the company are represented by the current and potential future competitors and their products and services. Therefore the company has to pay attention to how strong the competition is, whether any of the competitors has the dominant market share, how difficult it is to enter the market and what the barriers to enter the market are.

The most common entry barriers are:

- political and legislative interventions – licenses, import and export quotas, tariffs,

- high capital intensity – high level of investments necessary to enter the market,
- technical and technological requirements – the shortage of qualified labor might be a problem in the industries operating with the newest, state of art technology,
- cost advantage – presence of the multinational companies with lot of capital that have no problem relocating the production plants to lower cost countries makes the entry to the market difficult,
- brand loyalty – it is very difficult habits and attitudes of the consumers who are already faithful to one brand. For the new player on the market it means additional expenses for the advertisement campaign, discounts, bonuses and supplementary services.

Besides the competition, the company has to also look for the competitive product and evaluate whether it is easy to replace its own products by the substitutes from the competition. Among the main factors increasing the threat of the substitution belong:

- price of the substitute products – The lower price will cause an outflow of consumers,
- interchangeability – when there is a greater number of interchangeable products in the market, it is important to attract the customers by marketing and advertising,
- switching costs – costs that are necessary for the transition from the original consumer product/service to the substitution variation. If these costs are low, the threat of substitution is high and vice versa.

In general, the competitive threat of substitute products is low for the company if their price is high, their quality is lower and the switching costs are high.

3.6 Analysis of the internal environment of the company

The analysis of the internal environment of the enterprise focuses on the examination of the key business activities and resources as well as the ability of the enterprise to use such resources. The complex analysis of the internal resources helps identifying the strengths of the company and therefore creates the opportunity to use this information as a potential competitive advantage. At the same time it also reveals the ability of the company to quickly respond to the threats and opportunities that come from external environment.

The internal environment of the company consists of tangible, intangible, human and financial resources that can be divided into five factors: research and development factors, marketing and distribution factors, production and production management factors, business and labor resources factors, financial and budgetary factors. (VYKYPĚL, KEŘKOVSKY, 2006, p. 53, 65)

3.7 SWOT analysis

The conclusion of the strategic analysis is a synthesis of the obtained information and its classification based on the strengths and weaknesses, opportunities and threats. The main competitive advantage of the company and the key success factors can be determined accordingly. The most frequently used analysis to achieve these results is SWOT analysis.

SWOT analysis divides the company's strengths, weaknesses, opportunities and threats into four quadrants and numbers according to their importance. The sources of this analysis might be not only the partial analyses of the company but also benchmarking with the competitors in the market, employees interviews or brainstorming sessions. The strengths and weaknesses deal with the aspects of the internal environment of the company like the employees, technology, management, finance and organizational hierarchy. On the other hand, the opportunities and threats deal with the aspects of the external environment like the market trends, political and economic situation. The results of SWOT analysis should be used to elimination of the weaknesses and threats by exploiting of the strengths and the opportunities.

"SWOT analysis is a simple but powerful tool for sizing up company's resource strengths and competitive deficiencies, its market opportunities, and the external threats to its future well-being." (GAMBLE, THOMPSON, 2011, p. 74)

SWOT analysis will be based on the results of the previous external analyses and the immediate surroundings of the company. SWOT analysis combines and connects the results and based on them evaluates the strengths, weaknesses and opportunities and threats for the company.

Based on combination of the identified strengths and weaknesses of the company and opportunities and threats of surrounding area we can create different variants of strategic advance to the next future. We combine between:

- SO strategy – we use the strengts of the utilization of opportunities that were identified in the external environment,
- WO strategy – we try to eliminate weaknesses by employing opportunities from the environment,
- ST strategy – strengths will be used to eliminate threats from the outside environment,
- WT strategy – it is a type of defense strategy which focuses on the enterprise to eliminate weaknesses and to avoid threats. With this combination the company fighting for their existence. (POŠVÁR, 2004, p. 42)

One advantage of this method is its relative simplicity and speed of preparation. Each company may prepare a SWOT matrix without massive financial time and costs. In SWOT analysis is important to avoid subjective perspective of the person who prepares the SWOT matrix. If one worker prepare SWOT analysis there may occur overestimate of strengths or underestimating the weaknesses and threats. Therefore, it should be the treatment of SWOT share analysis and the most competent employees across the enterprise.

Internal factors	Strengths	Weaknesses
	1. 2. 3.	1. 2. 3.
External factors		
Opportunities	SO – strategies	WO - strategies
1. 2. 3.	maxi-maxi	mini-maxi
Threats	SW – strategies	WT - strategies
1. 2. 3.	maxi-mini	mini-mini

Fig. 5 SWOT matrix
Source: POŠVÁR, ERBES, 2008.

4 Practical part

4.1.1 Introduction of the multinational company AB&C

The company was founded in 1885 in New York. It was supposed to serve as a national telephone network provider. After seven years the company network spread to Chicago and in 1915 also to Saint Francisco. The first transatlantic connection was opened in 1927. In 1982 the US Department of Justice recognized the company as a monopoly and seven regional companies had to separate from the parent company in 1984. In 2005, one of the subsidiaries purchased the parent company and since its name was well-known to the public it was renamed as AB&C.

The most important invention for the company was the invention of the telephone in 1876. The patent for a telephone usage has been the most profitable patent in history. UNIX operating system, developed by AB&C, was also a revolutionary OS in that time. Many of the current operation systems are based on this platform. During its development a new programming language C was developed which later evolved to famous C++. Among the other important innovations is also the invention of a transistor in 1947 what has become a foundation of every modern electronic device.

AB&C is currently the world's largest provider of the telephone connection as well as the largest mobile operator in the United States. Furthermore, it also provides Internet access and television streaming. In 2010, AB&C was the seventh largest company in the USA. The company offers employment for more than 300 000 employees in sixty countries in the world and holds more than 9 000 patents

The company was also an exclusive distributor of the multimedia mobile phone iPhone from Apple at its introduction in the US market.

4.1.2 Reasons for entering the international markets

The history of motives for entering the foreign markets dates back to the times of Graham Bell. It is associated with the company inventions where many of them caused a worldwide revolution in the telecommunications. Besides the ones already mentioned above, the other notable inventions include fax, music recording and playback, video transmission over the telephone line and the laser discovery. The Internet emerged also thanks to their telecommunication network. The global usage of their patents helped with easier penetration to the foreign markets. The company licensed its products and services to many commercial companies, government agencies and universities. By providing very sophisticated services with the telecommunication technologies the company reached a very important position in the local and foreign markets. This ultimately led to a monopoly. Subsequent divesture of the monopoly became another incentive to penetrate the foreign markets and maximize the profits.

4.1.3 Forms of entry to the international markets

AB&C decided to penetrate the international markets in the form of participation in the foreign branches. The Slovak branch is in form of Limited Liability Company. The advantage of such form is the ability to continuously implement the strategy and culture of the parent company in all branches in the world.

4.2 Presentation of the company in Bratislava

AB&C has been operating in Slovakia through its branches for over fifteen years. It provides network services for large multinational companies in various parts of the globe in the field of data, voice and video. Since their openings, the branches have grown into the global customer centers. Nowadays, more than 3000 employees work today at four centres – one in Košice and three in Bratislava. The centres have become a part of the global network of the customer centers the company operates in the United Kingdom, Singapore, Japan and Australia.

Basic information

Branch name: AB&C Slovakia, LLC

Date of entry into business register: 19 July, 1999

Legal form: Limited Liability Company

Equity: 2,769,701 €

Tab. 1 Trend in the chosen indicators in years 2011 – 2013

Indicator/year	2011	2012	2013
Sales (in Euros)	71 535 698	89 696 075	104 362 165
Expenditures (in Euros)	68 762 712	88 304 523	102 855 084
P/L for period=Net income (in Euros)	2 497 579	1 338 696	1 238 458
Total assets (in Euros)	34 741 082	37 161 966	40 625 900
ROE using P/L before tax (%)	30,21	14,45	15,21
ROA using P/L before tax (%)	9,68	4,85	5,13
Solvency ratio (Asset based) (%)	32,03	33,55	33,74

Source: Based on the information provided in the interview and Amadeus database (Bureau van Dijk, 2015)

The table above shows the key economic indicators of the branch for past three years. The amount of sales has been increasing steadily from 2011 as the company served more and more customers. However, this is not reflected in profits as we can

see the expenditures has grown as well. The reason behind it is that the branch had to invest in additional workforce, equipment and facilities as reflected in the increase of the total assets. The ROE indicator reveals that the profit in 2011 was 30.21 per cent of the equity, in 2012 it decreased to 14.45 per cent and in 2013 it improved a bit to 15.21 per cent. The ROA indicator shows that in 2011 1 Euro of assets generated 9.6 per cent of profits, in 2012 it decreased to 4.85 per cent and in 2013 it also improved to 5.13 per cent. The solvency ratio remained roughly the same in the past three years. The more detailed analysis of the economic results is not possible due to limited amount of available information.

The reason for the establishment of the Slovak center was the centralization of the various services in the EMEA region to a single place. The EMEA region is the second largest market for the company after the United States. Slovak Republic offers several advantages – skilled workforce, attractive location in the heart of the rapidly growing central and Eastern European market economy open to investors and the presence of many international companies in the field of Information Technologies – IBM, Lenovo, Samsung and Dell. The subsidiary focuses on the solution implementations therefore we can classify it as the Specialized Contributor according to Morrison. (JURÍNOVÁ, VAVROVÁ, 2013)

4.2.1 Vision and Mission

The mission is to exploit technical innovations for the benefit of AB&C and its customers by implementing next-generation technologies and network advancements in AB&C's services and operations. To maintain branch's leadership in this arena, the branch focuses on the future and aggressively pursues innovations. The vision is to design and create a new global network, processes, and service platforms that maximize automation, allowing for a reallocation of human resources to more complex and productive work.

4.2.2 Branch responsibilities

- Implementation of the networking solutions worldwide,
- procurement and sale of the network equipment,
- billing and invoicing,
- consulting services.

Currently we live in the age of technologies where the volumes of data are growing very rapidly. The main goal of the customers is to have a reliable and fast network to transmit the information quickly and at the lowest costs. The most important attributes they are seeking are the flexibility – the solutions are uniquely tailored to their needs, reliability – the hardware malfunction does not affect the transmission of their information, security – guarantee that their data will not be accessible by the third parties and promptness – the speed at which their needs will be served by the company.

Reaching these goals is very expensive for the customers. They do not have enough capacity, they lack the technical know-how and as a final consumer pay higher prices. Therefore they prefer paying another company for these services – outsourcing the entire management of their computer networks to companies like AB&C. Right now the trend

is to use cloud solutions instead of dedicated networks. The cloud solution means that the customers do not have their own network infrastructure but only the connection to the cloud. Subsequently, the customers pay a fee and the cloud provides all the networking services they require. The advantage for them is that the provider has to take care of the whole network infrastructure, its management and maintenance. Because the cloud solutions are very expensive for the providers, the market is segmented based on the size of the customers and their needs to large, medium and small enterprises. Most of the company's customers are large enterprises like governments, banks and corporations therefore the Slovak branch also focuses only on providing its services to such large enterprises.

4.3 Relationship between branch and headquarters

AB&C is a global company focused on providing standardized services for the global market and does not provide any typical local services. The headquarters defines and establishes the overall strategy of the company and decides on the activities of the various branches and their interactions, it controls their staffing levels, evaluates the performance and acts if the branches do not achieve the desired results. Their performance is examined through the thorough reporting system. The headquarters makes most of the decisions that affect the profitability of the branch, taking into account the external factors employees of the branch cannot influence such as prices of the input materials. The company uses balanced scorecards for evaluation of the branch which combines many quantitative and qualitative indicators like customer satisfaction, lead times or management methods. On the other hand, the operational decisions are made in the branch and the branch manager is fully responsible for the results and consequences of these decisions.

The company uses bottom-up planning approach. This means that the branch creates an initial plan that is then proposed to the headquarters. The headquarters examines the plan together with the plans from the other branches and compares them to their own plans. If the plan is not aligned with the headquarters' plan, the process of iterations and negotiations is followed until the compromise is not achieved. The disadvantage of this approach is that it might be very tedious and time-consuming if the plans are reworked multiple times.

The branches play an important role in the value chain of the multinational company and therefore have a strong position derived from their ability to disrupt the whole value chain. However, the headquarters may transfer the source of the strong position to another center what limits their bargaining power. They operate on the principle of "profit centers" and are evaluated by the generated profit creating a closed accounting circuit. The expenses incurred between the branches are accounted for in intercorporate prices. The global activities of the company are highly integrated in order to achieve profits in all countries.

4.4 Organizational culture model

The top management considers organizational culture as one of the strategic management process instruments. Although they mainly on the performance and economic indicators, they very well recognize that it is the employees who make the excellent results.

The branch acts as a one big team where values of mutual trust, support and open communication are appraised. The awareness of the mission, vision and goals of the branch are well-known to all employees. Therefore the majority of the employees perceive reaching the objectives as not only the success of the branch but also their personal achievement. The role of the top management is to ensure the open communication and knowledge sharing across the departments to eliminate the possibility of intradepartmental competition that might hurt the company.

The quality of service and customer satisfaction are the main goals of the branch. To ensure the employees have the best knowledge available, the management promotes continuing education and personal development of their employees. Independence and personal growth are highly valued.

Externally, the company presents its culture by maintaining good relations with the public and building an image of the responsible citizen. It cooperates with universities, offers grants and internships. Building brand recognition is achieved by associating its corporate logos and symbols with these activities.

Also the employees are actively involved in shaping the corporate culture through various corporate events and social gatherings such as workshops and seminars, informal meetings with employees from the other branches, representative balls and sport events. The company provides various additional benefits for their employees like result-based bonuses telephones and personal computers, language courses and extended health care.

The company tightly cooperates with the headquarters in the US, which advocates ethnocentric corporate culture. The influence of the American culture is reflected in the fact that all employees in the branch call each other only by their first names. The meetings begin with going straight to the point, omitting any introductory sentences to warm-up the discussion. When the discussions about the implementation of the solutions involve the employees of the parent company, the meetings must adapt to their time zone. The official corporate language is English and no other language is accepted. This makes the communication very effective and eliminates the problem of misunderstanding due to improper translation. It is very simple to cooperate with any other branch within the company as all use the same standards set by the headquarters. However, this might also be a disadvantage when the branch needs to quickly adapt to the change in the market. As everything needs to be consulted and approved by the headquarters, the whole process takes relatively long time and the branch may lose its competitive advantage.

4.5 Analysis of the external environment of the branch

4.5.1 PEST analysis

Political factors

Since the independence of the Slovak Republic in 1993, the right-wing political parties regularly compete with their left-wing counterparts. However, it was the right-wing oriented parties who significantly helped Slovakia with joining the European Union and the Schengen area. This facilitated considerably further export and import of the goods otherwise impacted by quotas and tariffs. The introduction of a flat tax simplified the previously very complicated taxation system and has encouraged the business activities what could be observed as an influx of the foreign investors to Slovakia. The volatility of the political scene culminated in 2011. The distrust of voters against the right-wing government, supported by scandals as Gorilla or Sasanka, was demonstrated by the elections in March 2012, when the left-wing party Smer-SD sovereignly won. It had to take certain restrictive measures to counter the effects of the economic crisis which slowed down the economic activity of the country.

The renowned rating agency Standard & Poor's appreciated the Slovak consolidation after the crisis in 2014. It has improved the country's rating outlook from stable to positive. Improving the rating outlook means that the agency considers the current activities of the government in the consolidation of the public finances to be successful. The government should continue reducing costs, improving the tax collection and limiting the tax evasion. In spite of declining popularity of the ruling party, the agency expects the government to be able to fulfill the fiscal criteria it has set. However, the challenges for Slovakia in form of high unemployment, low incomes and the overall employment levels still remain. The agency estimates that the debt of public sector to decline also in 2015 but the prognosis does not include the external factors affecting the economy as the European Union sanctions against Russia that might hit Slovak economy dependent on Russian energy imports. (PRAVDA.SK, 2014)

The issues bothering foreign investors in Slovakia are high degree of bureaucracy in employment, relatively frequent changes in the Labor Code, high social security deductions inflating the cost of work compared to the other countries in Central and Eastern Europe and currently implemented tax licenses. Also Slovakia has been ranked as the sixth worst country in the perception of corruption by Transparency International in the EU in 2014. (TRANSPARENCY INTERNATIONAL SLOVENSKO, 2015)

On the other hand, Slovakia still offers a lot of positive for conducting business. The majority of the foreign investors said that they are not considering moving their companies to lower cost countries in Asia. The only activities they might consider moving are the basic operations, not the activities with higher added value. (JURÍNOVÁ, VAVROVÁ, 2013)

Economic

In assessing the quality of the business environment, the World Bank's Doing Business 2013 research ranked Slovakia 46th out of 185 evaluated economies, the best result of the V4 countries. However, the recent years have brought reduction in the dynamics of the business environment improvement as no major legislative changes had occurred to move Slovakia higher in the rankings.

Based on the mentioned information, the Ministry of Economy of the Slovak Republic prepared a study "SR ranking improvement in World Bank's Doing Business research GAP analysis", focused on comparison of the current position of the Slovak Republic in the World Bank's ranking and its potential.

From the economic indicators, we would like to concentrate on the GDP and unemployment.

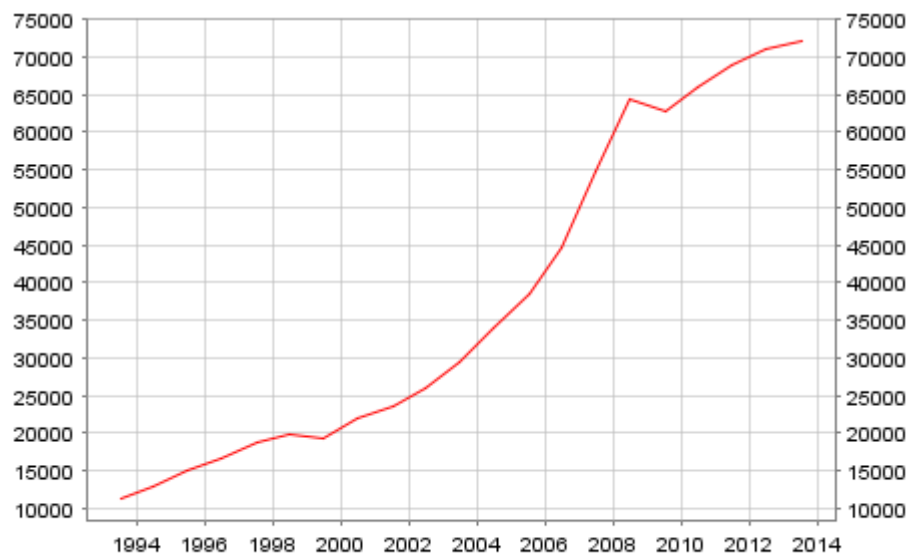


Fig. 6 GDP trend in the current prices in millions of EURO
Source: European Central Bank – Gross domestic product at market price.

As the graph reveals, the economic crisis culminated in 2009. The decline of GDP was caused by the decrease in foreign demand for Slovak products. Slovak companies were forced to decrease productions what led to the increase of unemployment and subsequent decrease in the domestic demand. The situation started to change in 2010. Since the Slovak branch of the company serves the global customers, the negative trend in the Slovak economy did not have a direct impact on its performance

One of the very important factors is also unemployment. The unemployment rate is constantly very high in Slovakia as described by the Graph 2. The graph also clearly shows the spike in the unemployment rate in the crisis year 2009. In 2010, the unemployment exceeded 14 percent. It is projected that the unemployment rate will decrease in the near future correlated with the positive economic outlook



Fig. 7 Trend in the unemployment rate [%] in Slovakia
Sources: European Central Bank, Standardised unemployment.

Last but not least from the factors that affect Slovak economy is the development of the infrastructure. It can be observed when comparing the employment in the various regions. Western and northwestern regions with good infrastructure, mainly the highway connections, have lower rates of unemployment than southern and southeastern regions lacking such infrastructure

The local unemployment trend is very critical for the analyzed branch of the company. The actual unemployment rate in Bratislava is 6.16 percent. There are also several universities in Bratislava which supply the labor market with educated workforce and the very well-developed highway connection also brings talents from other parts of Slovakia.

Social factors

In social factors analysis, the demographic situation of the country, population density, living standards, consumer habits and the education of people is often assessed but the analyzed branch is not much affected by these factors. As already said, the branch provides network services to medium and large enterprises in Europe, Africa, Middle East and Americas. The detailed knowledge of some of these factors is therefore not essential. The factors that largely influenced the branch are the education of the population in terms of recruiting skilled labor and the demographic position.

An important reason why the multinational company decided to establish its center in Slovakia is the long term positive experience with Slovaks combined with an acceptable level of costs. The decision to place a branch in Bratislava was influenced by sufficiently trained local people, their good knowledge of foreign languages and still very acceptable level of desired salaries.

Also the geographic location of Slovakia caused that many global companies use Bratislava as a basis for their shared services centers – SSCs. Very often global companies operate in the “follow the sun” system what makes Bratislava’s time zone an ideal option. Local employees can cover Asia in the morning and Americas in the afternoon.

Technological factors

Slovakia offers a well-developed infrastructure including the telecommunication network. This was one of the reasons for the location of the branch offices in this country. Further development in the IT will bring even more customers and job opportunities to this branch.

The main working tools of the workers in the branch are personal computers and phones. The communication with customers is virtual over the phone or by e-mail through Microsoft Outlook. Since the customers and the work teams are from different parts of the world, the meetings are done by videoconferencing, the personal meetings are very rare. There’s also a unified communication network among all employees globally. Everyone is connected to a corporate communicator – instant messenger. They are able to quickly communicate with each other, share each other’s calendar to see the availability for the meeting and are allowed to work from home.

Video conferencing and virtual communication limits the need of the employees to physically travel to their workplace what saves their time and the environment.

4.5.2 Porter’s five forces

Due to the fact that Slovak branch is only one element in the multinational company and is working with already contracted customers and suppliers, for the sake of this analysis we will also mention the whole company

Bargaining power of customers

The strength of the bargaining power of customers depends on their ability to impose conditions when purchasing goods and services. It is a big when the customers are able to negotiate lower prices and higher quality products and small, on the contrary, when the customers give the company an opportunity to raise prices and achieve higher profits. The customers are strong if the industry is composed of a large number of small businesses because they can quickly change the supplier.

The Slovak branch of a multinational company serves customers in Europe, Africa, Middle East and North and South America. Its customers include medium and large corporations, banks and governments, for instance Siemens, Ericsson or IBM. The provided services are related to the telecommunications and networking, building and managing complex virtual private networks, procurement and delivery of the network equipment and billing and invoicing the customers. Here the bargaining power of the customer depends on the size of the customer himself and also on the size of the contract. On the other hand, the bargaining power of customers is also limited by the fact that there are not many companies able to meet the requirements of such large customers.

The multinational company has about seventy percent of stable customers who have been with the company for many years. They know the company's style of work, the lead times for meeting their requirements and are used to a certain standard the company provides. They already know the right contact people in the company to deal with their demands. By switching to a different supplier, they would lose these benefits of long-term cooperation. The company has big bargaining power over these customers because they manage their networks for a long period of time and know their needs the most. Besides these customers, there is approximately thirty percent of the new customers who can switch to the competition in case of dissatisfaction without losing such benefits.

The major customers, IBM and the US government, have a long term and profound relationship with the company. Given their great size, these clients have substantial bargaining power and their demands are met in most cases.

All work for the branch is provided by the company. It chases the customers and creates business opportunities that are delegated to the branch. On one hand the branch does not have to put any efforts to get new opportunities, on the other hand if the company loses the customer or the opportunity, the branch cannot divert it anyhow. However, the branch is under the constant threat that if the amount of expenses increases, it might be moved to lower-cost countries.

Bargaining power of suppliers

The bargaining power of suppliers is a threat when they are able to raise prices of their products and services or reduce their quality. Weak suppliers give customers an opportunity to reduce the input prices and demand higher quality. The suppliers are strong if their product has only few substitutes and is very important for buyers. Their products are highly specialized and it is too expensive for the buyers to switch to a new supplier. In such cases, the suppliers have little interest to decrease price or increase quality.

Cisco is the main supplier of the network components for the company. The bargaining power is not substantial because there are plenty of available substitutes in the market from other suppliers like Juniper. However, combining products from various suppliers is more complicated and creates additional overhead for the company. Because the products have substitutes in the market, the suppliers are motivated to increase the quality and decrease the costs of their products. They also tend to provide additional services such as the redemption of the used material, extended warranty and priority services.

Since the company procurement is centralized, it has great bargaining power. However, the branch does not have a contractual relationship with its suppliers compared to the company resulting in inability to deal with suppliers' related issues effectively.

Threat of the new entrants to the market

The potential competitors are the companies currently not operating in the industry but able to enter the market and compete with the established companies. The

threat of entry to the market depends on the market entry barriers and the competitors' reaction to new entrants. However, it is very difficult to change habits of the consumers already loyal to one brand. For a new company it means increased expenditure on the marketing campaign, price discounts and bonuses and additional or special services for the customers. Therefore entering a new market occupied by large multinational enterprises becomes fairly difficult and capital intense activity. Moreover such activities can be discovered by the competition.

Therefore the company is not particularly afraid of the new competition in the market. The current trend is to decrease the competition by acquiring smaller companies in form of acquisitions.

The multinational company regularly analyzes the market and anticipates the possibility of a new competition mainly from the existing companies like Hewlett-Packard. The branch provides only one piece of service to the customers from the whole portfolio therefore its competitors might be mainly the shared service centers of the companies already in the market.

Threat of the substitutes

A substitute is a product or a service that could replace an existing product or a service. If the price of the substitute is low, the switching costs for the customers remain also low and the quality of the substitute is high, the threat of the substitution of the existing product becomes more important.

The company provides network solutions for the large enterprises. Even if the price of its products was comparable or lower with the competitors, the switching costs and the lead times would be very high for the customers.

Rivalry of the companies in the market

The company focuses on the large enterprises as customers and therefore its competitors are other multinational enterprises in the market offering the similar services. It is not threatened by small local companies because they do not have the capacity to serve such large clients. Big competitive advantage of the Slovak branch is its focus on the customers from Europe, Middle East, Africa and Americas because the competition is generally focused only on Europe. Such competitors are Hewlett-Packard, Orange Business Services and Accenture. They all provide similar services and focus on large customers aiming to beat their rivals or keep the market position. The ways to achieve this are quality, price, warranty, marketing, services and innovations. The strategic stakes are very high. If one of the competitors does not satisfy the customer, the customer leaves what is a signal for others that something went wrong. It is the satisfied customers who help the company keep its position on the market.

The branch does not sense the rivalry from the competitors because it is not involved in getting new customers. It is more affected by rivalry in the field of getting qualified labor as many of the competitors have their centers located in Bratislava and compete among themselves also for the qualified labor. They have built expensive data centers and need skilled employees who can operate them. Since there is

a shortage of IT engineers in the labor market, the companies take such employees from each other by providing higher salaries and better benefits than their competitors.

4.5.3 External environment analysis summary

The previous part described the factors of the external environment affecting the Slovak branch using PEST and Porter's analysis. PEST analysis factors included social, economic, political and technological factors. On the other hand, Porter's five forces included analysis of bargaining power of customers, suppliers, current competitors and new entrants and substitutes.

The PEST analysis reveals that the major negative impact for the company comes from political and economic factors. Even though Slovak economy recovers from the crisis, there are many problems still remaining such as high unemployment and social security deductions increasing the total price of work, high level of bureaucracy and corruption, low incomes and frequent legislative changes. The GDP is slowly increasing but the dynamics of business environment stagnates. The uneven development of the infrastructure influences the unemployment rate in the regions.

The study of the social factors indicates that global companies favor Slovakia due to its geographic location and solid language knowledge of Slovaks to open their shared service center there. The branch is also affected by the shortage of the qualified labor in IT.

Porter's analysis of the competitive environment yields more positive results. The branch serves stable clients who are accustomed to certain level of service and do not want to lose the benefits coming from their long-term relationship. It does not have to chase new customers, neither can it prevent their leaving. It is similar with the suppliers where it does not have competency to solve problems with them but they are motivated to increase the quality, lower the prices and offer additional services because there are also other suppliers in the market who the company can choose from.

The local branch advantage is that it serves customers not only from Europe but also from Africa, Middle East and Americas while the competitors focus on Europe. The competition is only in the field of hiring qualified employees.

The positive outlook is also with substitutes for the customers where the branch focuses on the large enterprises and the switching costs to other companies for its customers would be very costly and time consuming. The threat of new entrants in the market is relatively small as the potential entrants require relatively high amount of capital to enter the industry and such activities can be observed by the company.

Based on the analysis of the external environment we can say that opportunities for the branch are favorable economic conditions, further development of the infrastructure, education and IT sector and potential expansion in branch's competencies. The threats for the branch are the possible supply-chain problems, hostile business environment – high bureaucracy, corruption, dependency on headquarters performance and potential outsourcing to other low-cost countries.

4.6 Analysis of the internal environment

4.6.1 Porter's value chain

There are four basic areas forming the value of the final product for the multinational company:

- sales – acquiring new clients and contracts,
- technical solution – project and technical solution of the contract,
- solution implementation – the solution implementation itself,
- service assurance – customer care and proactive monitoring.

The sale is the most important area as everything derives from it. It is the first point of contact with the customer. The personnel are a key. The customers get their first impression about the company based on the communication with its sales representatives. After identifying the requirements of the customer, the sales representative sends the contract and the requirements to the technical solutioning department. They create a solution and it is then offered to the customer. The customer reviews the solution and either accepts it or it is further adjusted to his needs. The final solution is sent to the solution implementation teams that are located in the Slovak branch of the multinational company who take care of implementing what was agreed between the customer and the company. The final part of the chain is the service assurance focused on the after implementation services such as repairs and maintenance and equipment renewal. Proactive monitoring approach is deployed in this area meaning that the company does not passively react to service malfunction reports from the customers but rather proactively monitor the network to identify the malfunctions and eliminate them.

The value chain model describes the internal environment of the company based on the analyses of two kinds of activities running in the company. The first kind of activities are the primary activities dealing with the main business activity of the company. The second kind of activities are the support activities providing support to the primary activities.

1. Primary activities

1.1. Inbound logistics – Activities dealing with gathering the inputs.

The type of services provided by the analyzed branch does not place it among the production companies. Therefore there are no traditional procurement activities common in the production companies.

Once the branch receives the technical solution from the solutioning department, it analyzes the solution and involves all necessary parties to form an implementation team. The implementation team works with the customer towards the implementation schedule. The required hardware is ordered and the installation is scheduled. The inbound logistics activities also include opening the customer's account where all information required for invoicing are stored.

1.2. Operations – Activities dealing with transformation of inputs to outputs.

After inbound logistics activities, the branch starts the operational activities dealing with implementation of the solution. The technical implementation of the networking solution itself is carried out by multiple engineers. One of them is always a local “on-site” engineer physically installing the hardware on the customer site. His counterparts are the remote engineers located in Slovakia performing the logical part of the installation like network configuration. The information between them is exchanged via the phone and the Internet.

The final part of the implementation is the end-user testing performed by them as well as the customer.

1.3. Outbound logistics – activities dealing with the outputs

Once the customer confirms successful implementation, the account manager sends him an invoice. Slovak branch also assigns a life-cycle manager to the customer who takes care of the customers’ requests and sends the customer to the next center which provides maintenance and monitoring.

1.4. Marketing and sales

The marketing and sales activities are not provided by Slovak branch but by other branches within the company.

1.5. Maintenance services

As mentioned above, the maintenance and monitoring services are provided another branch within the company.

2. Support activities

2.1. Branch infrastructure

The analyzed branch is comprised mainly of the branch management, human resources, legal and accounting departments and the employees.

The head of the branch is the country manager who makes the strategic decisions. The disadvantage is that all strategic decisions have to be consulted with the headquarters what makes the branch unable to react promptly to the market changes. The branch management forms goals and plans for the branch that can be divided into investment and operational. The investment goals are focused on the development of the branch meanwhile the operational goals are focused on the production effectiveness.

The employees are divided in the departments and according to their functions. The team is usually comprised of up to ten people with one direct A-line team manager. The B-line area managers are responsible for up to five A-line managers and are also located in the branch offices. The C-line director managers are located in the US and above them are the vice presidents for each department and finally the company’s chief executive officer.

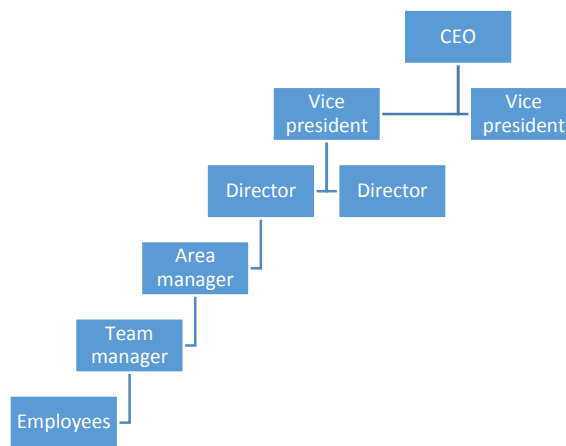


Fig. 8 Branch organizational structure

The problem-solving process is based on the cross-functional teams. When the branch receives the project it assigns an implementation team and once the implementation is completed, the team is dissolved and re-assigned to different projects.

The whole branch is interconnected by one accounting software. The financial management is the responsibility of the accounting department who also prepares the financial reports, tracks incomes and expenses and provides financial forecasts for the future. The profits flow to the headquarters as well as the headquarters provides the necessary financing for the branches.

2.2. Human Resource management

In need of new workforce, the branch acts independently and takes care of the hiring process either by itself or with help of the personal agencies. After the successful interviews including the HR personnel and the team manager, new employees are trained for their position. Apart from their work duties, they are also trained for independency and responsibility for their results. They have standardized jobs what stands for using the same methods of operations for predictable results and simple output control. Based on the key daily indicators, they are able to make operational decisions keeping the projects within control and on the schedule. Furthermore, there are regular audits and performance evaluations of the employees on all levels. Such control mechanisms help identifying and preventing threats like delays in delivery on time.

Currently there are roughly 2400 employees in three centres in Bratislava and 600 employees in one center in Košice. There has been an increasing trend in number of employees since the establishment of the branch in Slovakia with steady growth of about 100 employees per year in

the last five years. The global economic crisis had only little impact on the hiring process as the branch conducts its operations worldwide.

All employees are appraised by monthly salaries and an annual bonus for the company results in the past year. There are also other benefits offered to the employees like home office, life insurance or cultural events allowances.

However, the employees hired via the personal agencies feel in disadvantage because they do not have such extensive benefits as the employees hired by the company itself.

One of the problems the branch faces with the employees is that Slovakia is considered to be a low-cost country with low wages and therefore has problems with paying top talents who are then leaving to higher-paying competitors. Also the benefits are adjusted to the local market and some of the benefits available in other countries are limited here like the number of days working from home.

2.3. Technology development

Every value-added activity requires certain technology no matter if it is production or non-production activity. The technology can be concentrated on product, process or input resource. The technology development is the responsibility of another branch within the company, not Slovak one. It studies new technologies, certifies and distributes them to other branches worldwide. The analyzed branch is related to the technology development only as an end-user of the new technologies and processes.

2.4. Procurement

Whole procurement process of the multinational company is performed by the Slovak branch. Based on the technical solution, the procurement team orders the required equipment from the list of approved suppliers. The competitive advantages are the already agreed prices for each component with the suppliers and quantity discounts. Therefore the procurement does not need to send requests for quotations for each order and can forecast the delivery times based on the past experience. Such centralized department also eliminates the additional overhead if each branch had its own procurement department. The ordered equipment is delivered straight to the customer what saves transportation costs.

As already mentioned the main supplier of the network equipment is Cisco with ninety percent share of the total supplies, Juniper is the second largest supplier with nine percent share of the supplies. The rest one percent of the suppliers is comprised of various local suppliers of standardized products like cables that can be ordered from the local suppliers to save the costs. Apart from that, the branch does not utilize any other supplier of the network components due to the compatibility problems and increased costs discussed earlier.

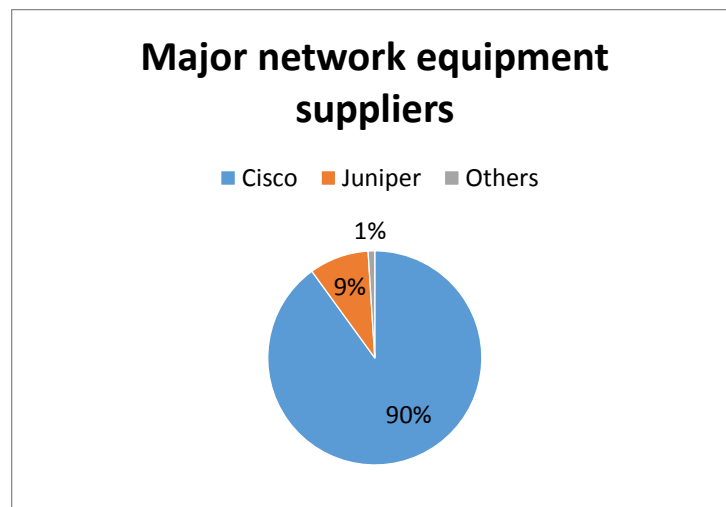


Fig. 9 Major suppliers of network equipment for the branch
Source: Company data.

4.6.2 Porter's value chain analysis

Based on the information provided by the branch and according to Porter's value chain analysis we can define the following strengths and weaknesses.

Strengths:

- Quality – the branch belongs to the world-leader in the telecommunications and networking industry working with the state-of-art technologies and processes guaranteeing high level of quality in the products and services provided,
- history – the branch has more than fifteen years of experience in the market and lot of satisfied customers,
- employees – the location close to the universities and in the center of Europe enables the branch to employ highly-skilled professionals with high work attitude,
- stability – the branch is part of a multinational company providing enough financial stability and liquidity,
- location – Slovakia has a very-well geographic location as well as Bratislava and Košice have universities and well-developed infrastructure,
- labour costs – Slovakia belongs to low-cost countries.

Weaknesses:

- Adaptability – the changes are slowly implemented as they need to be approved by the headquarters,
- talents retention – the low-cost perception of the branch makes it difficult to pay and retain talents,
- difference in employees compensation – employees hired via personal agencies have different compensation benefits than the root employees hired via the branch itself.

4.7 SWOT analyses

We will apply SWOT analysis to characterize the strengths, weaknesses, opportunities and threats for the branch. This analysis includes the factors relevant to the subsidiary. According to the moderated discussion with one of the managers of the subsidiary, we assigned weights to each category of the SWOT analysis based on the pair comparison. The pair comparison stands for a comparison in pairs based on the subjective opinions of competent people who are the subject matter experts and the result is one option from the pair that has a bigger weight. This way every pair is compared with each other and the individual weights are described in percentages.

In the following part results of pair comparison will be shown.

Tab. 2 Piar comparison of strengths

Criteria	SW	KH	LLC	IAC	EOS	AL	Q	HPS	Number of criteria	Weight of criteria
Skilled workforce (SW)		1	0	1	0	0	0	1	3	11,1 %
Know how (KH)	0		0	0	0	0	0	1	1	3,7 %
Low labour costs (LLC)	1	1		1	1	1	0	1	6	22,2 %
Individual approach to customer (IAC)	0	1	0		0	0	0	1	2	7,4 %
Economy of scale (EOS)	1	1	0	1		1	0	1	4	14,8 %
Attractive location (AL)	1	1	0	1	0		0	0	3	11,1 %
Quality (Q)	1	1	1	1	1	1		1	7	25,9 %
History of service (HS)	0	0	0	0	0	0	1		1	3,7 %
Together									27	100 %

The biggest strength is low-cost labor what is also case of Slovak branch. Another strength is savings from economies of scales emerging from concentration of many functions at one place.

Tab. 3 Pair comparison of weaknesses

Criteria	LC	OTT	HS	IC	DPT	MPD	DLT	Number of criteria	Weight of criteria
Limited competency (LC)		0	0	1	0	0	0	1	4,8 %
Outflow of top talents (OTT)	1		1	0	1	0	0	3	14,3 %
High specialization (HS)	1	0		1	0	0	1	3	14,3 %
Irregularities in compensations (IC)	0	1	0		0	0	1	2	9,5 %
Deficiency of people in the team (DPT)	1	0	1	1		1	1	5	23,8 %
Managing the project deadlines (MPD)	1	1	1	1	0		1	5	23,8 %
Deficiency of local technicians (DLT)	1	1	0	0	0	0		2	9,5 %
Together								21	100 %

The two biggest weaknesses are deficiency of people in teams and difficult managing of project deadlines which also influence each other. Due to difficulties in managing the deadlines among branch employees, local technicians, customers and suppliers there is huge time stress.

Tab. 4 Pair comparison of opportunities

Criteria	AEC	DIE	DIT	CEB	Number of criteria	Weight of criteria
Appropriate economic conditions (AEC)		1	0	0	1	16,7 %
Development of infrastructure and education (DIE)	0		0	1	1	16,7 %
Development of information technology (DIT)	1	1		1	3	50 %
Competenci extension of the brach (CEB)	1	0	0		1	16,7 %
Together					6	100 %

The information technologies development requires constant need of modernization of existing solutions and installation of new technologies. It is the biggest opportunity for the further development of the company and thus the branch as well.

Tab. 5 Pair comparison of threats

Criteria	ABE	DPMC	PSCH	OLEC	Number of criteria	Weight of criteria
Adverse business environment (ABE)		0	0	1	1	16,7 %
Dependence on the performance of mot. company (DPMC)	1		0	0	1	16,7 %
Problems in the supply chain (PSCH)	1	1		1	3	50 %
Outsourcing to less expensive countries (OLEC)	0	1	0		1	16,7 %
Together					6	100 %

The biggest threat is problems in the supply chain. They are caused by the fact that the communication does not flow directly between the branch and the supplier but through the headquarters. This way the problems cannot be addressed at the moment they arise.

Tab. 6 SWOT analysis – results from pair comparison

Strengths	Weaknesses
Quality - 25,9 % Low labor costs - 22,2 % Savings from economies of scales - 14.8 % Qualified labor force - 11,1 % Attractive location - 11.1 % Individual customer approach - 7.4 % Know – how - 3,7 % History of services provided - 3,7 %	Project deadlines management – 23,8 % Lack of human resources – 23,8 % Loss of top talents – 14,3 % High specialization – 14,3 % Different compensation systems – 9,5 % Lack of local technicians – 9,5 % Limited competencies of the subsidiary – 4,8 %
Opportunities	Threats
IT development – 50 % Favorable economic conditions – 16,7 % Development of infrastructure and education – 16,7 % Expansion of competencies of the subsidiary – 16,7 %	Supply-chain problems – 50 % Unfavorable business environment – 16,7 % Dependency on the headquarters performance – 16,7 % Outsourcing to lower cost countries – 16,7 %

Source: Author according to the analyses of the internal and external environment of the subsidiary and subsequent pair comparison of the factors affecting the subsidiary.

- Results of the analysis of the internal environment

Among the most important strengths of the subsidiary belong high quality of the provided services and low labor costs. These were also the main reasons why AB&C opened its subsidiary in Slovakia.

Other strength represents the savings from economies of scale where multiple operations are performed from a single location. The subsidiary provides services to many geographical regions including Europe, Africa, Middle East and Americas what brings savings as the resources are collocated and shared in one location.

With equal weights, the strengths are also qualified labor force and attractive location. The education level and language abilities are very high among the employees. The subsidiary is located in the city with several universities providing prospective employees with high level of knowledge. It is also interconnected with these institutions and offers grants and internships. The attractive location in the heart of Europe allows versatile communication in major time zones.

The implementations' customization to fit the customers' needs is also a competitive advantage for the branch. It's a result of more than fifteen years of experience of the branch and its know-how. The access to the corporate knowledge base and the knowledge sharing and transfer among all branches worldwide is priceless.

The first most problematic issue of the branch is the coordination and management of project deadlines from all involved parties. It is caused by many organizational units out of control of the subsidiary involved in the whole supply chain process.

The second most problematic issue belongs to the lack of the human resources. It is caused by the fact that the employees are working on several projects at once.

The other weaknesses in the list sharing the same weight are the loss of top talents and high specialization. The loss of the top talents is driven by the subsidiary's goal to keep low cost as the competitive advantage and refusal of raising the compensation for these people. The high specialization causes low ability to extend or replace the over-utilized resources.

The decrease in motivation and productivity is also leveraged by the difference in compensation systems between branch and agency employees.

The lack of local technicians available at given time and given location belongs to the weak side of the implementations.

The least important weakness is the limited authority (autonomy) of the subsidiary. The relationship between the branch and the headquarters is very strict. The subsidiary cannot make any strategic decision without the approval of the headquarters. This decreases its flexibility.

- Results of the analysis of the external environment

The main opportunity for the branch is the future development of the IT industry. It is assumed that it will bring more customers and business opportunities.

Another opportunity lies in the favorable economic conditions. The existence of the flat tax has simplified the accounting process. It is a motive for foreign investments and further development of the subsidiary together with the growth of GDP.

Other possible opportunities are the infrastructure and education development and an expansion of competencies of the branch. The high level of infrastructural development with the high-speed Internet, stable electric power supply and signal coverage fuels the growth of the branch. On the other hand, delegating more competencies from headquarters towards the branch means also possible expansion of the subsidiary.

As the biggest threat has been identified the supply chain problems. We put this factor into the threats because the suppliers are the exclusive partners of the headquarters. The branch does not have any contractual relationship with them, it does not negotiate prices, lead time or margins. Since they are external factors to the branch, it is not able to effectively solve any defects in supplier or possible defaults of the suppliers.

Other threats with similar weights are the unfavorable business environment, dependency on the headquarters performance and outsourcing to lower cost countries.

The unfavorable business environment includes frequent legislative changes in the Labor code and other laws, high degree of corruption and immense bureaucracy affecting subsidiary's operations and competitiveness.

Dependency on the headquarters performance signifies that the final performance of the subsidiary is tightly tied to the performance of the projects and the projects are supplied by the headquarters and other subsidiaries. This is considered again as the external factor because the subsidiary has no direct control over it.

The last but not least is the always present threat of being outsourced to other lower cost countries once the subsidiary's expenses grow enough to lose this competitive advantage.

4.8 Strategy formulation

- Fortifying the strengths and exploiting the opportunities

Increase of the branch authority

In order to continue providing quality services, the company needs to keep increasing its productivity and efficiency of operations. Every customer needs to be approached individually to achieve maximal customer satisfaction and retaining the competitive advantage. The company needs qualified workforce with no language barriers. Its big advantage is that it can utilize the know-how from the mother company. Although the company has been operating in the Slovak market for more than fifteen years with no major complaints from customers' side, it would grow faster if it had more authority in the decision making process.

Given that the Slovak branch has been showing excellent performance results, the operational overhead expenses are adequate and the post-crisis economic situation in Slovakia improves, the company headquarters considers this branch as the center of excellence. Therefore it could lead to further outsourcing of some of the headquarters responsibilities and decision making competencies to the Slovak subsidiary. The branch might be given authority to deal with the suppliers directly and solve the problems immediately as they appear. Since the branch procures the equipment, it has the best knowledge about what the major problems are and what can be done with them. The benefits would be shorter lead times as the problems are solved instantly, financial savings and increased customers' satisfaction in the long run.

Divesting more competencies might subsequently lead to additional capital and headcount requirements for the subsidiary. Combined with its attractive location and the expected growth in the IT industry in general, the perspective for the Slovak branch appears to be favorable for the future.

- Eliminating threats through utilizing strengths

Supply chain problem reporting

Major source of the threats is the supply chain and the possible problems arising from it. The branch might encounter late delivery of critical components, insufficient quality of the equipment or inappropriate communication from suppliers' side. Such problems would lead to delay or even failure in the project delivery and subsequent customers' dissatisfaction. It is therefore essential to try to eliminate them as much as possible.

Since it is the branch that is responsible for the whole procurement process for the entire company, it has the most thorough experience and know-how about the supply chain and is the most qualified to deal with these problems. However, it cannot engage with the suppliers directly as it is the competence of the headquarters.

Therefore, it would be helpful if the branch collected the data about the delivery times, number of devices, quality issues and miscommunication problems and report them back to the headquarters. This way the headquarters stays informed about the supply chain problems and can take action on them.

- Elimination of the weaknesses using opportunities

Continual employees' education

The rule that the employees are the key success factor applies also to the branch. Without skillful, well-educated employees, the company would not be able to deliver the complex solutions the customers require.

Because the technology evolves, the branch has to provide continual education to its workforce. This contributes to the competitiveness of the branch and eliminates the problem with high specialization when there is a risk that once the skilled employee gets sick or leaves, the branch is not able to replace him immediately.

The solution to it is to provide continual learning programs to the employees in multiple formats such as online or class room courses or self-paced tutorials. The employees can choose the format that suits them best and improve their knowledge. The management should support this education and ensure that each strategic employee has its backup in case of sudden absence.

- Elimination of the weaknesses and prevention of the threats

Financial penalizaion of the delays

One of the most stressful factors for the subsidiary is managing the project deadlines. Slovak branch is the last part of the chain when implementing the project. This leaves little time for the implementation as it happens very often that the projects got delayed during their processing by other subsidiarires even before they come to Slovak subsidiary. This is true for at least 70 percent of all projects. Due to this reason Slovak employees are permanently under the stress and the workload becomes difficult to manage.

One of the solutions would be suggesting the headquarters to penalize other organization units for not meeting the deadlines and causing delays. The threat of financial penalties makes other units act more responsible and punctual when dealing with timelines and the employees of the subsidiary will be evenly utilized.

That would solve also the other weakness of the subsidiary, the lack of employees in the teams. Because the employees prolong the time required to finish the project, they are not able to be assigned on the other projects. The actual deficiency in the number of employees is also worsened by the high level of specialization of the employees what makes their replacement in case of need very difficult.

This might be offset by hiring a backup resource for the most crucial employees who would not be fully utilized but have some spare capacity to take on other projects when the original employee is not available or sick for instance.

Equal compensation rules

There's a shortage of the skilled employees in the IT sector. Therefore the branch hires new employees in two ways – via the personal agencies or directly based on the recommendations of its employees.

The employees hired via the agencies do not get the same benefit package as the root employees hired directly. It is caused by the fact that the branch has the same expense per employee as with the root one but the personal agencies take part of profit. The agency employees feel discriminated because they get lower compensation for the same work. This situation has negative impact on the branch fluctuation.

To increase the motivation of the employees, the branch should either hire personnel via one channel (via agencies or directly) or eliminate the irregularities in compensations and benefits between the employees regardless of how they were hired. It is very difficult to assess the economic benefit of such solution but the impact on the stabilization of the working environment is undeniable.

Use of the shared calendars

One of the problems is that the local technicians have to be always present during the implementation of the solution to manipulate with hardware. These local technicians are outsourced via third-party vendor and are not branch employees. The branch deals with implementation of the solutions and therefore it requests from the vendor to provide a technician at a given time to a given place. The lead time for the vendor is ten days to provide the technician but it happens quite often that these requests are not fulfilled.

In such cases, the branch has to reschedule the implementation what is very difficult because the customer might not have another available time slot. Usually the customer provides a fixed date for the implementation that cannot be moved.

Therefore it would be beneficial if all the parties could agree on the implementation date beforehand. The problem is that the date is set by the customer long time in advance whereas the vendor can be approached only few days in advance because they don't know the availability of their technicians.

The solution would be to integrate the working calendars of the technicians in the given regions directly with the branch employees. This way the branch employee would see the availability of the technician instantly and schedule the implementation accordingly. By sharing the calendars, the level of administration overhead would decrease between the branch and the vendor leading to costs reductions and more efficient cooperation.

This solution is relatively simple and very cheap to implement because the communication between the branch and the vendor is done via Microsoft Outlook emails which already has the sharing calendars function already built-in. The implementation of this solution would require a mutual agreement and only logical change in the network settings.

There are two alternatives how to approach this – either the vendor provides the branch with the list of technicians in each region and the branch employees would look into the calendars of the particular technician or the wiser alternative is that the vendor creates generic calendars for each region without the names of the technicians.

This eliminates the problem with actualization of the data as in the first alternative (in case the technician gets sick, leaves the company or new technician is assigned). Moreover, the branch can immediately determine whether there's still a free slot for the implementation in the given region at given moment as the vendor's responsibility will be to keep the calendars up to date and specify whether there's an implementation already scheduled or not and in case it is whether there's an availability for another.

The benefits of this solution would be instant as the branch will be able to determine the date of the implementation beforehand and adjust it to the customers' needs. The risk of technicians' unavailability would decrease, the professional image in the eyes of customer would improve as there will be fewer reschedules and deviations from the plans and the administration overhead connected with long negotiations with the vendor would reduce.

5 Discussion

In the previous chapter we have identified four strategies that could help improving branch competitiveness and its overall profitability. These strategies were based on the theoretical knowledge acquired from literature and from the information received via moderated interview with branch employees.

The first strategy comes from fortifying the strengths and exploiting the opportunities. We suggest increasing of the branch authority leading to more efficient decision making process. The issues arising during the implementation could be solved quickly what would reflect on the improvement on the customers' satisfaction.

The second strategy comes from eliminating threats through utilizing strengths. We suggest that the branch should collect and report the information related to supply chain problems to the headquarters so these issues could be addressed and prevented in the future.

The third strategy comes from eliminating of the weaknesses using opportunities. We suggest that the branch focuses on the continual employees' education in order to remain competitive and eliminate the risk of losing key personnel without having backup.

The fourth strategy comes from eliminating of the weaknesses and prevention of the threats. We suggest that the branch advocates the use of financial penalizations for the delays caused by other branches within the company. This would decrease the number of delays for each project and the overall pressure on the branch.

In order to motivate the employees, we also suggest having equal compensation rules where the employees are not discriminated whether they were hired via the agency or by the company.

To eliminate the risk of rescheduling important implementation, we suggest sharing the third-party technicians' calendars with the branch employees.

Although all of these strategies would lead be beneficial for the branch, we understand there might be some constraints for implementing them. As the most favourable strategy to implement, we propose sharing the third-party technicians' calendars with branch employees. This solution is the simplest to implement from technical, financial and time point of view. The benefits could be achieved almost immediately and the branch does not need to wait for the approval of the headquarters.

6 Conclusion

The aim of the bachelor thesis was to conduct a strategic analysis of the current situation of the branch of the multinational company and based on this information propose solutions to improve the branch's operations leading to the increase in the competitiveness and profitability of the entire multinational company.

In the theoretical part we drew information from the available literature listed in the sources and also partly from the acquired knowledge from the tertiary education. We obtained information for the practical part mainly from the moderated interview with the branch staff and from AB&C website.

Based on the findings in the theoretical part, we conducted a strategic analysis of AB&C Slovakia which consisted of PEST analysis of the external environment, Porter's five forces model analysis and Porter's value chain internal analysis. We have identified the branch's strengths, weakness, opportunities and threats from the above mentioned analyses and compiled SWOT analysis.

According to the information contained in SWOT analysis, we proposed four strategies leading to increased competitiveness of the branch and overall profitability of the multinational company. We have analyzed the impact of implementing these strategies and chose the one that could be implemented most quickly and least costly.

This thesis was written in cooperation with the branch employees, therefore we anticipate its practical usefulness. We believe the strategies proposed are beneficial to the branch but their successful execution depends on the branches' managers decisions.

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