The External Environment Of Turkey

For Morrisons to globally expand into Turkey there will need to be research and analyses done. As a consultant will investigate the external environment of turkey, the external environment will look at political, cultural, legal, and ethical risks.

Political refers to the system that a government upholds. The political system is split into two, the first is, is the government collectivism or individualism, and the second is does it abide by a democratic or totalitarian government. Turkey currently has a collectivist state this means they have a political system that strongly believes in the groups and collective goals rather than people's individual goals. This is a strong belief that society’s needs are more important and come before individual needs. Collectivism believes that society is or should be made up into groups. Turkey also has a totalitarian government, this is when the president, Erdogan has complete control. This means in Turkey individual's rights to freedom of expression, free media, and regular elections are not given to citizens. Collectivism and Totalitarian will badly affect Morrison's business activities, there will likely be very restrictive rules, they will lack freedom of expression along with the freedom of trade. In Totalitarian states, it is very common to experience corruption and unfair business practices. Morrisons will also be affected by the right to free media, this means their advertising may be affected, consumers may not see exactly what Morrisons want them to see.

There is political unrest in Turkey, there was an attempted coup d’état on the 15th July 2016. This was against state institutions, the government, and President Erdogan. This was carried out by the Turkish armed forces. Political uncertainty in Turkey will be a huge factor in whether to invest.

The economic system refers closely to the political ideology of the country. Turkey's economic freedom score is 65.4, this makes the economy the 58th freest in the 2018 index (Heritage.org, 2018). Turkey has a mixed economy, these are found between market and command economies. A mixed economy means Turkey has sectors that are privately owned and will experience a free-market mechanism however other sectors are state-owned. Trouble state-owned businesses tend to be taken into from the government, as the government sees them as important to the national interest. An example for this given by McGraw & Hill (2017) is in 2008 the U.S government took an 80% stake in AIG to stop financial institutions from collapsing, the theory being that if AIG did collapse, it would have very serious consequences for the entire financial system. Mixed economies will be beneficial to Morrisons as it allows healthy competition between businesses with regulations in place this is to protect the society referring to the collectivist state. It promotes a stable economy as the government being there to intervene and help provides a sense of security not only to the sellers but also to the buyers. The main disadvantage for mixed economies is there tend to be monopolies. Where there is only one producer of a certain product is allowed.

An important factor to analyze for Morrisons is the legal system in Turkey. These are the rules, laws, and regulations that are in place for the country. The legal system will affect the attractiveness of a country. As it will regulate all business practices, how business transactions are carried out, and the rights of the businesses involved in these transactions. Like the

economic system, the legal system also links closely and is influenced by the political system. There are three main different types of legal systems, these are; common law, civil law, and theocratic law. The legal system Turkey abides by is civil law. Civil laws are a set of laws that are organized and handled into codes. These codes are disregarded by law courts when they interpret civil law. McGraw & Hill (2017) state a civil law system tends to be less adversarial than a common law system because the judges rely on detailed legal codes rather than interpreting tradition, precedent, and custom. Civil law judges tend to have less flexibility than common law judges. Civil law judges can only apply the law. Finish civil law.

Cultural factors have a significant impact on international businesses. Hofstede, Namenwirth & Weber define culture as a system of values and norms that are shared among a group of people and that when taken together constitute a design for living. Values are said to be what a group of people believes to be right and good norms are said to be rules and guidelines that provide guidance for the way we behave. Culture contains the functions of political, economic, and social factors, religion, education, and language. Turkey's dominant religion is Islam. Islam currently has around 1.8 billion adherents, making it the second-largest religion in the world. There has been a social movement called Islamic fundamentalism in the past three decades. To the media, it is associated with militants and terrorists. There have been conflicts in Algeria, the killing of tourists in Egypt, and the attack in September 2011 on The World Trade Centre. However, this is a small minority of this group who have taken the religion to further their own political agendas. Keeping this in mind, Morrisons must be wary that now in Muslim countries these fundamentalists are fighting to gain and achieve the political power of the country, they are aiming to make Islamic law the law of the land. These fundamentalists have been successful in countries such as Iran where they have had political power since 1979. Morrisons need to understand the Islamic culture, and while most Muslim countries are accepting and welcoming of international business these businesses must behave in a way that consists of Islamic ethics, customs, and business practices. Morrisons need to be aware and respect Islam when operating their business in Turkey. It could be very difficult to work with different religions in the respect they are all very different. Morrisons need to respect Ramadan, Syariah law, and prayer times. If Morrisons ignore these, they are likely to be very unwelcome. Thinking about Morrisons products, they will need to introduce haram products this is where Muslims cannot use these products as it is forbidden by Allah.

Another factor of culture is language barriers, this is important as not only is it the way we communicate but also how we perceive things. This can be spoken or unspoken. Unspoken refers to nonverbal ways to communicate such as raising eyebrows, hugging, and handshakes. Different cultures will perceive these nonverbal communications in different ways. For example, given by McGraw & Hill (2017), making a circle with the thumb and the forefinger is a friendly gesture in the United States, but it is a vulgar sexual invitation in Greece and Turkey. Morrisons need to be aware of nonverbal communication methods when operating their business in Turkey. They need to understand the Turkish culture and how their actions will be perceived, especially when dealing with staff and consumers. BBC (2014) states Turkey’s official language is Turkish, which is spoken by 90% of the population. Minority languages are Kurdish spoken by 6%, 1.2% speak Arabic, and Circassian 0.09%. It is important for Morrison to understand each of these languages and be aware that there can be tension between the different cultures. Morrisons will gain an advantage in learning the local languages. International businesses that struggle with the local language may face difficulties of improper transactions. Also, when conducting business in Turkey, Morrisons need to be careful of translation between the languages, one meaning in English will not mean the same in Turkish. An example that has

affected another business is Pepsi in Germany used the slogan “Come Alive with Pepsi” however the literal translation in Germany meant “Come out the grave with Pepsi” This is an important factor as it is important not to offend anyone and this can affect their business.

Another cultural factor is education, education is where citizens will learn languages, skills, and knowledge that is required to live in modern-day society. Educated citizens give a business a competitive advantage as this gives them a greater pool of skilled and knowledgeable workers. The educational levels of a country will be a good indication of whether to sell your products into that country as it will give an insight on what products may sell. For example, a country that is poorly educated and illiterate is unlikely to be a popular market for books. According to Statista (2015), Turkey’s adult literacy rate is 95.6% in 2015, this has been increasing since 2005 where the literacy rate was 88.23%. These results show that Turkey’s citizens are very literate and educated. This could give Morrisons a skilled and knowledgeable workforce. However, managers should be aware of cross-cultural literacy, they should be fully informed about practices that are used in another culture. If they do not use or adapt these practices they are not likely to succeed.

Any ethical risks that exist in a country come from the political systems, law, economic and cultural development. When it comes to international business what is seen as ethical in one country may be seen as very unethical in another country. Unethical practices tend to be employment practices, human rights, corruption, and environmental regulations.

Employment practices raise the question of are working conditions are the same in each nation? For example for Morrison’s what conditions are ethical to Scotland may not be ethical in Turkey. Working 12 hour days with low pay and not protection against chemicals might be common in countries that are less developed but this does not make it ethical for multinational companies to exploit this behavior. An example of this is given by McGraw & Hill (2017) In the Mid-1990’s Nike found itself in the center of a storm of protests when news reports revealed that working conditions at many of its subcontractors were very poor, typical of the allegations were those detailed at 48 hours programs that aired in 1996. Nike was accused of poor working conditions and poor pay and was under fire from many protests, demonstrations, and boycotts. However, Nike had not broken any laws but it was seen as unethical and raised many questions and they were seen to have exploited their workforce. Morrison’s should insure while operating their business in Turkey that they are not exploiting their workforce and are providing safe working conditions. This will keep Morrison’s a well and respected organization, as if any protests or boycotts are seen against them this will affect their reputation.

In some nations, basic human rights are overlooked. Some countries still face freedom issues such as freedom of speech, freedom of movement, and political repression. This is the case in Turkey where linking back to the political system where they have a totalitarian state they do not have some basic rights given to them. This should be recognized by Morrison when thinking about expanding into Turkey. After the 2016 coup attempt around 150 journalists and many media workers were sentenced to jail, due to them expressing themselves and reporting on the coup this shows Turkey does not practice freedom of speech.

Corruption has been a major issue in many nations and continues to happen. There are many corrupt government officials in some nations and international businesses use this to gain an advantage. Turkey is a very corrupt nation. According to Transparency International (2018), Turkey is the 81st nation scoring a 40 out of a 100. However, this number has been declining in

recent years as in 2013 it showed a score of 50 out of 100.

Business Opportunities & Issues

Conducting international business in Turkey will provide them with many opportunities for growth. Selling their existing products into new markets is an opportunity for them to internationally expand their business. This is a good strategy for growth as reaches markets they do not already compete in which results in reaching a higher volume of consumers.

Another opportunity is franchising. This is an agreement where Morrisons (the franchiser) will allow a Turkish company (the franchisee) to use their brand name and sell their products and services. The Turkish company operates according to the franchiser. The franchiser would provide training and advertising to the franchisee. This is a good way to globally expand as the Turkish franchisee will understand the culture and how to sell products there.

Another opportunity is through joint ventures and strategic alliances. This is a good method for businesses that want to expand into a foreign country but lack the skills and knowledge to do so. This is where Morrisons would join with a firm that already operates in Turkey, this is an agreement between the two firms. This is where they work together, bring resources together, and together try to achieve the goals of all partners. This will improve marketing efforts, improve products and the Turkish firm may already have a strong consumer base. Joint ventures may be beneficial to Morrisons as there are already big supermarkets competing such as BIM A.S, Migros Ticaret A.S, Yildiz Holdings, A101, and CarrefourSA. Morrisons on its own may struggle to start out with as they do not have an existing consumer base or a reputation in the Turkish market to uphold. Morrisons joining another firm in Turkey will allow them to use that firm's existing knowledge on Turkish markets.

In Turkey, they have a cheaper workforce than European countries where these countries have tighter government regulations. They have poor work laws and there tends to be no pressure from the government. It is also said that Turkish citizens are quite skilled. This is an opportunity to cut costs for Morrisons expanding into Turkey. Saving money with a cheap labor force than in the UK.

Morrisons also can reach a bigger market. The UK’s population is currently 66.02 million in 2017 and Turkey's population is 79.81 million in 2017. Internationally expanding into Turkey will reach a larger market with a larger consumer base, and more people willing to spend money. Turkey is also a huge holiday place for UK citizens, this will result in UK citizens using Morrisons in Turkey.

However, with all these opportunities there are some issues that will be faced as well. Turkey is ranked in the low to medium income group. This means consumer buying may not be high in Turkey. They will not have the money to spend on items they want where they will spend the money on items they need.

Turkey's GDP per capita is 10,540.62 USD in 2017. A low GDP shows a troubled or poor economy. A low GDP means the country has a low gross domestic product output and then this is divided by the total population.

In recent years £1 bought 4/5 Turkish Lira, however, we have seen it rise to 9 Lira for £1. The Turkish currency is currently at a record low and this is because of inflation. The current has declined since January resulting in losing a third value against the US dollar. The Lira is the worst-performing currency in 2018. Turkey's inflation rate is at the highest it’s been since August 2003. In March 2018 it was at the lowest of the year at 10.23, in September 2018 it has shot up to 24.52. Turkey is currently in a poor situation for exchange rates and inflation rates.

Unemployment in Turkey was at 10.6% in August 2017 and then declined to its lowest in April 2018 at 9.6%. However, unemployment has now increased to 10.8% in July 2018. This means unemployment in Turkey is relatively high this can affect Morrisons as it can result in lower consumer spending.

Conclusion

In conclusion, Turkey’s macro environment will have a very strong influence over businesses. The political state of totalitarian and collectivism will affect the business in many ways, and the population with lack freedom and speech. Culture is a huge factor affecting businesses such as Morrisons in Turkey, there are many different aspects of cultures such as religion, language, and education differences. Morrisons must deeply understand the macro-environment before deciding whether to invest or not. This report analyses the opportunities and risks of expanding into Turkey. There are many opportunities such as bigger markets and more consumers however the risks may outweigh the opportunities. There are high risks conducting business in Turkey such as the unemployment rates, inflation rates, and exchange rates.

Recommendations

If Morrisons do plan to invest in Turkey I suggest the foreign market entry strategy they use is franchising. There are low risks and the franchisee will have knowledge of the Turkish market. However, I do not recommend that Morrisons invest in Turkey, I believe the risks are much greater than the opportunities. The attractiveness of this country is very poor, the main attractiveness of Turkey is the large population and market and cheaper labor force. However, I believe the unstable economy, the military coup, and the currency crisis do not make Turkey a stable and reliable country to invest in. I also believe there are too many risks with their economic and political systems and cultural factors. There are so many risks to competing in Turkey that I do not think it will be a good opportunity for Morrisons and I recommend they look at another country to invest in too.