

### III

## **Two-Way Comparison: Validating the “Recombinant DNA of Civilizations” Framework Against Market Intelligence Reports, and Analyzing Market Intelligence Reports Against the Framework**

*“What is called foreknowledge cannot be elicited from spirits, nor from Gods, not by analogy with past events, nor from calculations. It must be obtained from men who know the situation.”*  
-- Sun Tzu (500 B.C.)

#### **ABSTRACT**

Offers an analysis of five market intelligence reports with two main objectives: first, to examine the content of these infrequently studied reports; and second, to validate the theoretical meta-taxonomy of civilizations and their subsystems, proposed in Chapter 3. Presents evidence to suggest that different intelligence reports reflect isolated emphases, and that a coherent view of foreign markets requires an integration of several views.

## INTRODUCTION

In Chapter 1, we exposed the ill-defined use of the term “foreign market(s)” in the international business (IB) literature. This motivated Chapter 2, where we jumped up one level of analysis to investigate markets in their broader civilizational context, by asking the so-called “elements question:” What are the elements of civilizations and their subsystems? In response to this question we developed a theoretically-grounded meta-taxonomy that contains the following elements, or recombinant DNA: actors and relations, institutions, technologies, ecological context, and knowledge. Yet to come, in Chapter 6, we will show that firms learn to overcome the challenges of embeddedness and emergent uncertainty in the foreign market context, by cobbling together three main strategies: increasing the supply of local knowledge, decreasing the demand for local knowledge, and reducing the consequence of a local knowledge deficit.

In this third Chapter, we have two principal objectives. The first objective is to re-visit the “elements question.” In Chapter 2, we tackled the elements question from a single-pronged theoretical perspective. Recall that we used cluster analysis to synthesize prior theory, and to propose a broad, integrative meta-taxonomy of the elements of civilizations and their subsystems, including their market subsystems. In the present chapter, we extend this analysis to a double-pronged approach, by enhancing the earlier abstract theoretical view with detailed empirical data. Thus, the objective is to strengthen the meta-taxonomy, so that is defensible equally from theoretical and empirical perspectives. The empirical data that we use comes from five “market intelligence reports,” i.e. factual publications prepared by organizations that analyze foreign markets.

The second objective is to examine and compare the content of the five market intelligence reports. This objective addresses the research question: How accurately do market intelligence reports represent the multi-faceted aspects and attributes of foreign markets? It also provides insight into the use of market intelligence information by foreign entrants to increase their supply of local knowledge prior to entry. This objective is not only of interest to practitioners who manage intelligence gathering functions, but also to scholars, because currently the IB literature has little to say about the content of foreign market intelligence reports. In fact, in a search of the Journal of International

Business Studies, and the Journal of World Business, not a single study could be identified that offers a comparative analysis of different sources of intelligence information.

Thus, by applying the meta-taxonomy to examine and compare the contents of the foreign intelligence reports, this chapter makes contributions both to science and to practice. The scientific contribution is to validate the descriptive power and construct validity of the meta-taxonomy against empirical data; and in doing so, to strengthen the answer to the “elements question” that was proposed theoretically in Chapter 2. The pragmatic contribution is a richer conception of the substance and content of the five foreign intelligence reports, and recommendations to foreign market analysts for how to design an intelligence gathering program.

Because the theoretical framework, i.e. the meta-taxonomy of the elements of civilizations and subsystems, is available in Chapter 2, we do not provide further theoretical background, and skip on directly to the methods section.

## **METHODS**

The approach that we take is to try to validate the theoretically-derived meta-taxonomy against the content of the foreign market intelligence reports, and in the opposite direction, to illuminate the content of five foreign intelligence reports, by analyzing them with the aid of the meta-taxonomy.

### **Data Sample**

Many private firms and government organizations gather and publish intelligence information about foreign cultures, markets, and environments. Table 3 offers a tabular summary of five such reports, gathered from public and private sources. These reports present a rich, detailed view of *foreign markets* and are included in Appendix 1 for the benefit of curious practitioners.

### **Content Analysis Method**

A method called conceptual content analysis was used to analyze the foreign intelligence reports (Busch et. al., 2005; Carley, 1992). The purpose was to measure the frequency

with which concepts appearing in each report could be coded into the eight categories identified in Chapter 1 as basic elements of civilization subsystems (six elements, plus history and action).

The reports were coded by hand, by reading each report and circling occurrences with a colored pen. The aim was to measure frequency—the number of times a concept appeared in the text—and not merely the presence of a concept. Any set of words, or phrase, was coded as a single unit, as opposed to coding strictly single words. Because the concepts were being coded into highly abstract categories, there was little difficulty in differentiating between concepts that appeared in alternating forms. The coding was performed by intuitive comparison, and not by applying highly formalized translation rules. Irrelevant information was flagged, and at the end, re-analyzed to see if the categories had conceptual blind-spots (contrary to Weber, 1990). Finally, the frequency of each code was tallied, and recorded in a tabular display.

**TABLE 1**  
**Sample of Foreign Intelligence Reports**

	1	2	3	4	5
Title	Country Report	Background Note	Executive Briefing	Local Knowledge Checklist	PESTEL Analysis
Author	Economist Intelligence Unit	U.S. Bureau of Public Affairs	A Private Real Estate Investment Firm	An International Contractor	A Private Management Consultant
Availability	Generic report sold to private clients on either one-time, or subscription basis.	Generic report available to general public via internet. <sup>a</sup>	Customized report prepared as an internal corporate document.	Customized report prepared as an internal corporate document.	Customized report prepared for private clients as a consulting service.
Scope	Analyze the issues shaping countries: political scene, economic policy, domestic economy, and foreign trade and payments.	Include facts about the land, people, history, government, political conditions, economy, and foreign relations of independent states, some dependencies, and areas of special sovereignty.	Report on the beliefs, norms, laws and macro environmental conditions in the foreign market.	Provide a list of the "local factors" that might influence the cost of bidding a project overseas.	Analyse the political, economic, social, technical, environmental, and legal factors of the foreign macro-environment.
Purpose	Provide 24 month economic forecasts. Keep pace of how national, regional, and global events impact private business.	Provide data to U.S. individuals and organizations about travel, business, and investment conditions in foreign nations.	Inform and educate executives and managers just before they go overseas to establish a satellite project or office.	Remind estimators to think about uncertain conditions they might face in a foreign environment.	Enrich a SWOT analysis for a firm entering a foreign market, by elaborating on the opportunities and threats identified in the host environment.
Pages	~ 30 - 40	~ 15 - 25	~ 7 - 10	~ 8 - 12	~ 15 - 30

<sup>a</sup> The Notes are updated/revised by the Office of Electronic Information and Publications of the Bureau of Public Affairs as they are received from the Department's regional bureaus and are added to the database of the U.S. Department of State website.

## Validation of the Fit of the Meta-Taxonomy to the Empirical Data

The goodness of fit of the empirical data to the meta-taxonomy was assessed according to the three “tests of validity” advised by Feldman and Arnold (1983) and re-iterated by Thomsen et. al. (1999): Does the model make sense to a group of experts? Does it contain parameters, variables, and relations that yield outcomes with correspondence to the real world? And, does it meet its intended purpose? More formally, these questions are known as the test of reasoning (i.e. content validity), the test of representation (i.e. construct validity), and the test of usefulness (i.e. criterion-related validity) (see also Campbell & Stanley, 1963; Cook & Campbell, 1976; McGrath et. al, 1982; Burton & Obel, 1998).

## FINDINGS

Table 4 shows the results of the content analysis exercise to assess the descriptive power and test the validity of the meta-taxonomy constructs (categories). Table 4 indicates that the categories of the framework were indeed useful to label and differentiate between the concepts contained within the foreign intelligence reports. Thus, apart from a few limitations (addressed below), we conclude that the model has construct validity against the data collected by foreign intelligence gathering organizations.

**TABLE 2**  
Content Analysis of Foreign Intelligence Reports

Category	Concepts Reporty, by Foreign Intelligence Report #										Total	
	1		2		3		4		5			
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
1 Actors & relations	40	18%	47	14%	22	17%	12	12%	7	11%	<b>128</b>	<b>15%</b>
2 Symbolic systems	2	1%	9	3%	2	2%	2	2%	1	2%	<b>16</b>	<b>2%</b>
3 Culture & institutions	17	8%	33	10%	62	<b>49%</b>	43	<b>44%</b>	40	<b>62%</b>	<b>195</b>	<b>23%</b>
4 Technologies	5	2%	15	4%	19	15%	5	5%	4	6%	<b>48</b>	<b>6%</b>
5 Ecological context	5	2%	12	3%	3	2%	15	15%	0	0%	<b>35</b>	<b>4%</b>
6 Knowledge	0	0%	0	0%	1	1%	0	0%	0	0%	<b>1</b>	<b>0%</b>
7 History	39	18%	179	<b>52%</b>	8	6%	12	12%	7	11%	<b>245</b>	<b>29%</b>
8 Action	111	<b>51%</b>	52	15%	10	8%	8	8%	6	9%	<b>187</b>	<b>22%</b>
<b>Total</b>	<b>219</b>	<b>100%</b>	<b>347</b>	<b>100%</b>	<b>127</b>	<b>100%</b>	<b>97</b>	<b>100%</b>	<b>65</b>	<b>100%</b>	<b>855</b>	<b>100%</b>

Table 4 also reveals that each of the foreign market intelligence reports had a primary focus area. Report 1, The Economist Intelligence Unit Country Report, provides rich forecasts of economic and political action. In contrast, Report 2, The Department of State Background Note paints a detailed portrait of political history, with a main focus on

changes in leaders, political parties, regimes, and relations. Different yet again, Report 3, 4, and 5 focus chiefly on the cultural and institutional aspects of the foreign market or region. Thus, we conclude that the meta-taxonomy framework has power to differentiate between reports that emphasize different aspects of a *foreign market* system. Of course, this is not enough to conclude that the model variables provide predictive power to differentiate between market systems themselves, but it is a promising starting point, and, at least partially satisfies Lenski's (1994) fourth criterion for developing taxonomies of human societies that adopt powerful independent variables.

### **Limitations**

The framework was insufficient to code two sets of concepts contained in the foreign intelligence reports. The first set of concepts that could not be coded were those related to wealth and resource distribution, for example “wealth distribution (by age, geography, gender)” and “market wealth”. The closest code in the framework to capture this concept might have been “actors and relations”, in the sense that resources always belong to an owner, but this link was indirect and insufficient to draw such a conclusion, without further expansion of the framework. Presumably, the reason for the lack of an appropriate category to catch these concepts stems from the fact that the theories of culture, civilization, and society from which the categories were developed have had little emphasis on matters of resource distribution. The second set of un-coded concepts were an assortment of words with the three letter suffix “-ity”—such as **availability**, **proximity**, **quality**, **capability**, **capacity**, **stability**, **volatility**, and **predictability**. Such words imply the degree to which a certain element in a market is present or developed, or the rate at which it is changing. Report 4 had an especially thick concentration of these “-ity” ending words. Presumably, the reason for the lack of an appropriate category to catch these concepts stems from the fact that the theories of culture, civilization, and society from which the categories were developed were not intended to explain the degree of existence or development of certain elements, or the dynamics of temporal civilizational change.

Finally, two categories of the framework were virtually unused in the coding exercise. First, the category, “knowledge & capabilities”, was used in just one instance, to code the phrase, “Relative importance of all of above as key drivers of economic activity (Report

3).” This phrase implies a type of local knowledge about the link between various local market elements and economic growth. Although the absence of concepts that fit this category was surprising, it is understandable. Presumably, it is difficult for intelligence gathering organizations to analyze, measure, and report on the types and depths of knowledge, expertise, and skill contained within a human system. Besides being difficult, such information may not be worth reporting, because it comes as no startling surprise that locals possess knowledge about local elements, history, action, and hold domain capabilities consistent with existence of the local industry and employment sectors.

The second category of the meta-taxonomy framework for which very few concepts appeared in the intelligence reports was “symbolic systems”. “Language” was the only such concept coded into this category consistently across the five reports. This is also understandable. Presumably, basic symbolic systems of human communication are so taken-for-granted that the gatherers of foreign intelligence information choose to intentionally ignore—or fail to recognize—the myriad of value-imbed cues and signals, such as body language, styles of dress, symbolic ceremonies, and so on, that become ingrained in the everyday processes of market operations.

### **Test of Validity**

It is important to address the three questions of validity—i.e. construct validity, usefulness, and content validity—in order to achieve the objective of validating the meta-taxonomy against empirical data. As for the test of construct validity, the framework was useful to code all but two sets of concepts contained within the market intelligence reports. These two exceptional sets of concepts suggest that the framework could be expanded, to cover not only the existence of certain elements in a market setting, but also resource distribution and ownership, as well as the extent of development and availability of particular resources; and to cover not only current activity in a market setting, but also the pace and volatility of change of activities over time. With respect to the test of usefulness, the framework provides a non-redundant, overarching synthesis of the basic elements of similarity and difference across human civilizations, and thus allows us to classify and integrate the various emphases of market intelligence reports into a more coherent picture. Finally, concerning the test of content validity, when the meta-

taxonomy was inspected by my four-member, multi-disciplinary<sup>1</sup> Ph.D committee, and by the 3 sharp-eyed reviewers acknowledged in the footnote at the bottom of page one, there were no concerns about the clarity of the definitions or the examples.

## **Implications**

The fact that each of the reports has a different focus is an important finding for at least five reasons. First, it re-confirms the findings of Chapter 1: different practitioners and scholars emphasize and analyze different elements of foreign market environments, with the end result being a fragmented knowledge of the overall systems themselves, as was the case in the story of the blind men and the elephant. This finding only underscores the importance of an integrative framework, such as the meta-taxonomy framework proposed in Chapter 2, which offers an analytic approach to reintegrate complementary bodies of knowledge into a coherent systems view of markets, their sub-systems, and their context.

Next, for practitioners, it is important to recognize that each type of report has its own unique limitations. For example, historical reports (i.e. Report #2) are not always useful to predict future action, particularly when change processes are non-linear, or non-ergodic (North, 2005). Furthermore, reports that focus on culture and institutions (i.e. Reports #3,4, and 5) lack the rich understanding of velocity of change, inertia, and momentum that only come with a balanced understanding of history and with trend and time-series projections of future action based on data about past events. To give a third example, reports that focus primarily on future action (Report #1), while helpful to forecast rates of investment growth, provide little insight into the potential for cross-system misunderstanding and conflict. On the contrary, conflict happens when systems are misaligned, and when an entrant's assumptions and expectations are based on the history, elements and activities that exist in the distant systems where they were raised, educated, and learned to do business (Chapter 3). Thus, the most advisable way to predict a clash of cultures is to understand the constituent elements of the two systems coming into contact, and then to apply that understanding to anticipate how observed differences

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<sup>1</sup> My committee members have primary expertise in the following areas: history, economics, institutional theory, political science, sociology, organization science, computational modeling, management science, and, civil and industrial engineering.

might lead to misjudgments, misunderstandings and conflict. Thus, Report #1 is of little use in predicting cross-system institutional conflict and consequent unforeseen costs.

Third, although each type of report has unique limitations, Table 4 clearly shows that when combined together the reports can be highly complimentary. Understanding historical forces, current elements, and their dynamic present-day interrelations is useful to understanding emergent macro-trends and tides of change. All together, the three emphases provide a picture with far wider field of view, and a sharper granularity of focus, than any single report can depict in isolation. Clearly, all three emphases indicated in Figure 2—historical, institutional, and future action—are critical to developing an advanced understanding of the business and institutional environment in foreign markets.

Fourth, understanding the complimentary nature of different intelligence sources, it is important for practitioners to recognize synergies between diverse sources of information, and to assemble the most complete, germane, and accurate view of the realities of the foreign market situation. To achieve this aim, practitioners need to be familiar with the types of information that can be gleaned from private, government and theoretical frameworks for analyzing foreign markets. And they need to design their internal intelligence-gathering programs to avoid overlap and duplication, by leveraging available information and knowledge from all available sources of insight and expertise.

Finally, it is evident that scholars have much to learn from practitioners about analyzing the traits of societies, and practitioners have much to learn from scholars about the power of generalized models. Indeed, the Economist and Department of State reports would benefit significantly by reporting more basic, fundamental statistics about the structural and institutional attributes of the countries and regions that they analyze. In the other direction, academic scholars stand to gain a much deeper understanding of the nuances that are critical to successful international operations or investment, such as availability, proximity, quality, capacity, stability, volatility, and predictability of market elements, and their rates of change.

## CONCLUSION

### **Empirical & Conceptual Contributions**

This article offers both empirical and conceptual contributions. The empirical contribution is a merger and comparison of five market intelligence reports into a unique data set. The conceptual contribution is to validate the meta-taxonomy proposed in Chapter 2 against the empirical data contained in the market intelligence reports, and to provide a theoretical basis for the comparative examination of these types of reports.

### **Pragmatic Contribution**

The pragmatic contribution is a host of useful insights that were generated during the analysis: i.e. knowledge of foreign markets is not uniform across all intelligence reports; individual intelligence reports have particular emphases and shortcomings; combinations of these reports can offer a more coherent picture of a foreign market; intelligence analysts should focus on utilizing multiple sources of data most appropriate for their needs; and scholars and practitioners stand to benefit tremendously by inter-changing their complimentary perspectives of foreign markets.

For firms going abroad for the first time, the following is a recommended strategy to initiate a foreign intelligence program. Use the five intelligence reports provided in the Appendix as a template to stimulate your thinking. Start by reading the historical reports to get a sense for what past events and entities have had major impacts on the physical and human geography. History always provides clues about the present and the future. Next, with this knowledge of history as a guide, imagine all of the possible structural (i.e. technological, institutional, ecological, etc.) elements and interrelations in the foreign market that could conceivably be different, catch you off guard, or otherwise affect your venture. Use the five intelligence reports provided in the Appendix, as a guide, to stimulate your thinking. Then collect and combine relevant intelligence information from: (1) government briefings to understand political history of a country, (2) Economist (or other) country reports to get the latest on current and forecasted activity, and (3) checklists of pertinent cultural and institutional factors (such as those offered in Reports 3, 4, and 5). Strengthen your understanding, and test your assumptions, by triangulating data points across all three areas, history, current elements, and future activity. Ask

yourself questions to explore the link between the past, the present, and the future: What happened in the past? Why did it happen? Who was involved? What impact did those events have on the society that remains today? What tangible and intangible artifacts remain? How will the attributes and aspects of the present system, and nested sub-systems, influence future action? Finally, for the collection of your own customized local knowledge, Chapter 6 provides a summary of several key strategies.

### **Future Research**

There are two main directions for future research. First, it would be useful to analyze a broader set of “country reports”, including such travel guides as those provided by Lonely Planet (2005), or other business guides such as the Deloitte Global Country Guides (2005), or the AmeInfo Country Guides for the Middle East (2005), to compare how different intelligence gathering organizations portray different pictures. Second, it would be beneficial to explore other approaches to validate the meta-taxonomy of elements of civilizations, and to enhance this integrative framework.

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## **APPENDIX 1**

### **Five Market Intelligence Reports (Raw Data)**

#### **1. Country Report, Economist Intelligence Unit**

##### Political structure

- Official name
- Legal System (date of independence, member of former country, date of constitution)
- National legislature (# of seats, structure)
- Electoral system (who votes)
- National elections (Key dates, past and future)
- Head of state (name, date elected)
- National government (structure, formal and informal exercise of control)
- Main political parties (names)
- Council of Ministers (names, positions)
- Key ministers (names, ministries)
- Speakers of parliament (names, affiliation)

##### Economic structure

- Annual indicators, 4 year data, 1 year estimates: GDP at market prices (Tenge bn), GDP (US\$ bn), Real GDP growth (%), Consumer price inflation (av; %), Population (m), Exports of goods fob (US\$ m), Imports of goods fob (US\$ m), Current-account balance (US\$ m), Foreign-exchange reserves excl gold (US\$ m), Total external debt (US\$ bn), Debt-service ratio, paid (%), Exchange rate (av) Tenge:US\$, Origins of gross domestic product (% by industry), Principal exports (% by industry), Principal imports (% by industry), Main destinations of exports fob 2003 % (by country);
- Quarterly indicators: General government finance (Tenge m), Revenue & grants, Expenditure & net lending, Balance, Output, GDP at current prices (US\$ bn), GDP at constant 1994 prices (Tenge bn), Real GDP (% change, year on year), Industrial production (% change, year on year), Employment, wages and prices, Unemployment: actual (m), Unemployment rate (% labour force), Monthly earnings (Tenge), % change, year on year Consumer prices (% change, year on year), Producer prices (% change, year on year)
- Financial indicators (Exch. rate, int. rate, deposit rate, 3-mo. money mkt rate, long-term gov't bond, M1, M2)
- Sectoral trends (eg. Coal (m tonnes), Imports cif, Current-account balance)

##### Outlook for 2005-06

- Domestic politics
- Election watch
- International relations
- Policy trends
- Fiscal policy
- Monetary policy
- International assumptions (eg. Real GDP growth, Exchange rates, 2 year historical, 2 year projection)
- Financial indicators (eg. Interbank rate, commodity prices, industrial raw materials)
- Economic growth
- Inflation
- Exchange rates
- External sector
- Forecast summary (1 year actual, 1 year estimate, 2 year forecasts: monetary, budget, employment, exchange rate indicators)

##### The political scene

- Opposition wins only one seat (Votes (% by party))
- International observers criticise election
- Government prepared for election well in advance
- LECs deliver pro-government vote, helped by irregularities
- Opposition suffers relentless pressure
- Ms Nazarbayeva underperforms
- Corruption and unpleasant news remain taboo
- Tensions with Uzbekistan increase over terrorism

#### Economic policy

- Budget position continues to be sound, thanks to oil (income statement)
- Government's caution helps budget plans (eg. Official oil forecasts, production, price, implied gross revenue)
- NBK still faces a monetary policy dilemma (eg. Annual, monthly, real annual, real monthly bank rates, %, 3 years data)
- Sterilisation efforts continue (Treasury-bill yields at auction (%))
- The economy is being remonetised
- Major banks come under investigation (Main economic policy indicators: budget revenue, exchange rate, M2: cash circulation and deposits)

#### The domestic economy:

- Real GDP growth is faster than expected (GDP growth by sector, Jan-Jun)
- Economic boom is creating new jobs
- Inflation is accelerating
- Nominal appreciation of the tenge will continue
- Uranium mining drives co-operation with South Korea
- Grain exports rise, but the future of the sector is in doubt
- Grain harvest is expected to fall in 2004
- Hydrocarbons output continues on steady rise
- Refining sector records another weak performance
- Government pressure on foreign investors increases
- Kazakhstan will need to decide on a new export route
- Russia route is problematic, and US opposes Iran option
- Access to BTC is not likely in the short term

#### Foreign trade and payments

- Surge in oil prices leads to a larger trade surplus
- Current-account surplus narrows
- Foreign investment continues to pour in, despite troubles
- Comfortable levels of reserves exceed official debt

## 2. Background Note, U.S. Bureau of Public Affairs

#### Profile

- Flag
- Official name
- Geography (Area, sq. km.; area relative to California; name, area, and population of capital; name, and population of other major cities)

#### People

- Nationality
- Population
- Annual growth rate (2003): 5%.
- Major ethnic groups and ancestral roots
- Religions (name, % of population)
- Languages (official, other variants)
- Education rate: (male & female literacy, official & unofficial estimates)
- Health (Infant mortality rate, Life expectancy)
- Work force (% breakdown by industry)
- Population distribution relative to the overall landmass
- Use of English (by whom)
- People who speak official versus other languages as first language (by %)

#### Government

- Type of political organization
- Date of independence
- Major branches (positions, government bodies, # of seats, names of courts)
- Political parties (names)
- Eligibility to vote (age)

- Political subdivisions (names of provinces)
- Key government officials (names of president, prime minister, ambassadors)
- Location of consulates (U.S. cities)

#### Economy (data)

- GDP (one year data)
- Real annual growth rate (one year data)
- Per capita GDP (one year data)
- Natural resources (names of resources)
- Agriculture (names of products)
- Main industries (names)
- Trade (one year data, total export volume, names of major exports, major trade partners, by % per country)

#### History

- 1500 year historical overview (prior conquerors, religions, regimes, empires and archeological remains)
- Political phases, this century (eg. Pakistan: story of political struggle leading to 1947 independence from Britain/India; 1947 - 1977: leadership, ruling party, assassinations, elections, grievances, major movements; 1977-1985: arrest of leader, chief of army suspends constitution, martial law implemented, international appeals, elections postponed, referendum, 1988 – 2002: plane crash kills president, elections, fragmented governing coalition, dissolved provincial and national assemblies, elections, new prime minister, new law, religious conflict, governmental gridlock with military, interim government, mandate to hold national and provincial parliamentary elections, elections, new government, government dismissed charged with corruption, new president, protracted dispute with the judiciary, storming of the Supreme Court, international aid, international sanctions, etc. etc.)
- Summary of current government, parties, president, conflicts, alliances
- Summary of national security (military capacity, weapons, alignment in fight against terrorism)

#### Economy - General

- Interactions of population, GDP, socioeconomic development, aid
- History of economic reform
- Vulnerability to shocks, growth rate, etc.
- Setbacks to economic reform—nuclear tests, international default
- Recent efforts to include investment climate include utilities privatization, anti-money laundering law, intellectual property, and resolution to investor disputes
- History of international sanctions and connection to fight against terror
- Link between foreign assistance, inflation and debt

#### Economy - Agriculture and Natural Resources

- Interrelations between principal natural resources, agriculture, GDP, employment, imports, exports
- Agricultural growth, importance, assistance policies, reform
- Oil and gas reserves, drilling activity, pipelines current and planned

#### Economy - Industry

- Manufacturing sector as percentage of GDP, review of major industries and products, privatization efforts, foreign investment as a percentage of GDP from manufacturing

#### Foreign Trade and Aid

- Interrelations between imports, exports, trade imbalance, fiscal deficit, treaty arrangements, relations with WTO, IMF, World Bank, liberalization of trade and investment policies, security and stability for trade partners
- Past and present government and multi-lateral aid, loans, and grants for economic, military, and social development

#### Foreign Relations - general

- International image in war against terror, names of primary enemies and allies

#### Foreign Relations – Primary Allies, 50 year history

- For Pakistan: analysis includes India, China, Iran and Persian Gulf, Afghanistan

- Topics include rivalry and suspicion, dividing issues, land disputes and occupations, hostilities, trade and diplomatic relations, impact on relations of nuclear tests, cease fire agreements, bombings, talks, presidential summits, ethnic conflict, anti-terrorism pacts, weapons trade, convergences of opinion

Foreign Relations – With the U.S., 50 year history

- Topics include diplomatic relations, military assistance, pacts and partnerships, aid packages, common interests in regional invasions, security threats, nuclear weapons, violence against U.S. mission officials, disputes and sanctions
- Principal U.S. Embassy Officials (names of ambassadors, consul, officers, etc.)

Travel & Business Info

- Travel Warnings
- Public Announcements about terrorist threats or risk conditions
- Consular Information Sheets on entry requirements, currency regulations, health conditions, areas of instability, crime and security, political disturbances, and the addresses of the U.S. posts in the country
- Emergency travelers information 1-800 phone number
- National Passport Information Center (NPIC) contact info
- U.S. Centers for Disease Control health information contact info

**3. Executive Briefing, A Private Real Estate Investment Firm**

General description of the country

- Currency table (name, exchange rate, fluctuation trend over the past three years)
- Form of government
- Economy (free, or government supported)
- Population
- Religions
- Language
- US government embassies & offices
- Trade organizations like ASEAN

Corruption

- Corruption in bidding process from newspaper articles
- Data from Transparency International

Contracts

- Standard form documents
- World Bank reviews of contracting methods
- Relational versus formal (names of major trade groups, e.g., Chaebols in Korea)

National standards effecting design and construction.

- Metric or English standards
- Where they are relative to ISO9000 and 14000, from the ISO website

Utility infrastructure.

- Wastewater disposal
- Transportation systems? Quality? How are they managed?
- The utility infrastructure ultimately gets – any form of... any commodity we need to our site.
- Garbage disposal
- Utility locates procedures
- Fuel availability
- Temporary office availability
- Temporary power availability
- Water availability

General description of the construction industry.

- High level productivity metrics, construction cost indices
- Industry trends, time series cost & metric plots (struggle: not always available in English, not all gov'ts measure the same way)
- R&D spending in construction.

- Relative market share of top 10 firms.
- National programs if there are any - Host government usually has some metrics, (comment: degree of accuracy is never certain; we have to accept them as indicative of real activity, but we know they are published by a host government with interests of self-promotion. Where we can find measurement we quote it. Where we can't find measurement, we will declare that, that it will require more investigation.)

#### Formal Governance of Construction.

- Legal (Common or Napoleonic law, maturity, enforcement, judicial system, overlapping jurisdictions)
- Political (Property rights, buying land, entitlements and permits, customs, economic subsidies, tariffs, environmental regulations, health and safety rules, construction specific authorities & frequency of administrative inspection)
- Relative importance of all of above as key drivers of economic activity

#### Construction Protocols & Practices

- Unique characteristics, aspects, attributes, practices and protocols of design and construction
- Roles of field and management personnel
- Delivery methods
- Effect of religion (Jobsite prayer rooms, holidays, customs)
- Dispute resolution (litigation vs. negotiation)
- Purpose of meetings (announce decisions vs. formal consensus vs. informal adhoc brainstorm)
- Decision making style (consensual or individual)
- Procurement practice (personal exchange or impersonal exchange)
- Comment: in many local markets, more investigation will have to occur on the ground, via local hires)
- Property security and need for security personnel

#### Design

- How are the professionals organized?
- Presence of notable architects & engineers? (Notable meaning they are known internationally.)
- Expected design process: (Milestones – basic, detailed, Source of conceptual ideas (client vs. designer), Sophistication of GC with design/shop-drawing ability (eg. JP) vs. primitive with no design ability whatsoever (eg. Spain), Financial responsibility for design iterations (client vs. designer))

#### Labor

- Cost (US\$/man hour), Productivity numbers, (Comment: A real wild card)
- Punctuality and dependability of labor arriving to work
- Both the formal and the informal aspects of how labor is brokered.
- Best approach to hiring a labor force
- Government supported training system ?
- Occupational health and safety system ?
- Relative importance of basic human rights in managing a labor force
- Best approach to motivating workers (fear, or merit)
- Use of labor versus equipment for excavation or moving materials

#### Materials

- Availability of key structural, fit-out, and finish materials
- Availability of performance certified processed heavy construction materials (Top soil, crushed rock, concrete block, cement)

#### Equipment

- Presence of top 5 major equipment dealers (CAT, Liebherr, etc.)
- Availability of rental equipment, parts & tires

#### Cost performance and schedule performance

- Relates to the method of contracting, so that comes first
- (Comment: Reliant upon benchmarking rather than finding data that's sold. But, because this is core to competitiveness, it can be difficult to find.)

#### Management systems

- Degree of formality of reporting and documentation
- Scheduling software (Excel, Primavera, MS Project, or other)

#### Strategic alliances

- Entities with whom we have existing relations in other commercial environments
- Possible local benchmark partners
- US corporations who have constructed facilities in this market, specifically with benchmarking in mind
- Local academic programs

#### Client Expectations

- Payment for design
- Provision of multiple conceptual design options

### **4. Local Knowledge Checklist, An International Contractor**

#### Climate

- Seasons
- Rainfall
- Temperature

#### Natural occurrences

- Storm conditions
- Tectonic movements and disturbances
- Tides
- Flood incidence

#### Demographic and social structure

- History of personal liberty and security
- Continuity of governments and institutions
- Language
- Tribal and ethnic divisions
- Population distribution
- Age distribution
- Towns and cities
- Religion
- Industries and employment
- Local customs

#### Political, fiscal & legal

- Constitution & political parties
- Blacklists & political clearances
- Levies
- Residence permits and visas
- Stamp duty
- Taxes: particular reference to relationship between taxes and contractual matters and clearance procedures, company, individual, payroll, municipal, turnover, vehicle and road, withholding, double taxation, relief and other offsets
- Custom and other duties
- Licenses
- Insurances
- Police powers
- Relationship between law and contract
- Legal-authority clearance of documents and contracts
- Effectiveness and impartiality of arbitration

#### Economic and commercial

- Records of inflation
- Escalation provisions
- Currency and rates of exchange
- Hedging provisions
- Exchange controls

- Borrowing limits and procedures
- Documentary and credits and bills of exchange
- Banks and finance houses
- Transfer charges
- Audit and other fees
- Contract funding

#### Communications

- Telephone, telegraph, telex and fax: availability, cost and procedures
- Air, rail and road transport, fare structure and cost
- Airports: facilities and capacities
- Seaports: facilities and capacities
- Port and airport clearance and demurrage
- Route restrictions
- Border crossings and procedures
- History of port and airport delays
- Security in transit
- Radio: availability, licensing and procedures
- Inland freight rates
- Air charter

#### Utilities and facilities

- Electricity: load capacity, proximity, tariff, availability, reliability
- Private generation: license
- Water: availability, reliability, potability, tariff, proximity
- Sewage/refuse
- Gas: availability, proximity, reliability, capacity, tariff mains or bottle supply
- Office and industrial premises

#### Resources and supplies

- Labor and local staff: availability and location
- Labor and staff rates
- Hire and fire regulations and procedures
- Health and safety regulations and welfare
- Medical facilities available
- Tribal and political restrictions
- Holidays
- Transportation, accommodation, and feeding
- Importation of labor, and work permits
- Working hours, holidays, and overtime
- Social security provisions and cost
- Materials check-list
- Delivery facilities
- Local construction plant available for hire
- Plant and spares sales and back-up: delivery pipeline and security
- Agencies and servicing facilities
- Resale potential
- Fuel and lubricants supply

#### Expatriate support data

- Work permits
- Laws and regulations relating to residents
- Availability of work for dependents
- Medical facilities
- Schooling
- Local transport
- Shopping facilities
- Leisure and entertainment
- Standard shopping basket relating to cost of living

- Transfer-of-funds regulations

#### Subcontractors

- Availability
- Type
- Plant hire
- Transport
- Labor only
- Specialist
- General
- Size
- Local subcontract terms and conditions
- Possible client interference on selection of subcontractors
- Nature and amount of work in progress in territory

#### Agents

- Local representatives of international suppliers
- Laws and regulations relating to representation
- Local contacts offered

#### Site information

- Topography
- Geology: rock levels etc., availability of fill and topsoil, siting of spoil and borrow pits
- Hydrology
- Access
- Proximity of services
- (Comment: some of the items in the check-list can be provisionally completed from information available before the territory is visited. When the check-list has been completed it may be necessary to reconsider the decision to bid. Some of the information needed for the bid may be received after completion of the visit, from contacts made during the visit, and should be added to the summarized data used by the estimator.)

### **5. PESTEL Macro-Environment Analysis, A Private Management Consultant**

#### Political Factors

- Political stability
- Incipient laws that regulate or tax business
- Formal government trade relations such as EU, NAFTA, ASEAN
- Formal government trade agreements
- Economic policy
- View on culture and religion
- Political agendas (power, increase budget, promotion, appear honest)

#### Economic Factors

- Interest rates
- The level of inflation
- Employment level per capita
- GDP growth
- Trade balances
- Supply and demand
- Competition
- Wages levels,
- Market wealth
- Resource allocation

#### Sociocultural Factors

- Dominant religion
- Attitudes to foreign products and services
- Language
- Consumer time for leisure

- Roles of men and women within society
- Life expectancy
- Wealth distribution (by age, geography, gender)
- Strong versus weak opinion on green issues
- National culture of locals
- Organizational culture of partners and competitors
- Business ethics
- Availability of required capabilities

#### Technological Factors

- Quality of production processes
- State of digital infrastructure (telecom, banking, internet)
- Effects of technologies on distribution
- Availability of technologies that enable communication with consumers
- Infrastructure

#### Legal

- Anti-trust legislation
- Corporate taxation, incentive grants & allowances
- Official types of organization forms that can legally exist, and rules that govern
- Laws concerning industrial relations
- Laws concerning influencing and lobbying

#### Environmental

- Environmental governing bodies and regulations
- Pollution caps, credits, penalties
- Social-conscience about environmental issues