Country Analysis Framework
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Before a company decides to do business in a foreign country, a detailed analysis should be undertaken to ensure it is the right business decision. The analysis should address topics such as political issues, currency rates, the skill level of the workforce, etc., which are all factors that contribute to measuring the growth of an economy.

There are three major areas to consider when conducting an analysis; they are **performance**, **strategy**, and **context**. Each of these areas has multiple features that must be examined when deciding whether to add/move business operations in a foreign country.

First, the **performance** factor examines the issues surrounding the country's economic health. The topics discussed below all tie into the performance of the economy. This is important because it is an indication of the growth of the country and how attractive it is to investors.

Factors:	**Analysis:**
GNP	Past and current GNP growth needs to be studied in detail since these serve as an index of economic growth in the economy. A steady increase in GNP over a number of years is a sign that the economy is on a stable growth path.
Unemployment (UE)	A company needs to analyze all levels of UE. If highly skilled workers are not employed, it is probably an indication of a stagnant economy. If you sell products, this may not be a suitable time to move operations to another country because income levels may be low and demand for products may not be in full swing. If you are a firm that focuses on hiring highly skilled employees, this may be an ideal time to get your operations going. If UE is high, people may also be willing to take lower wages. High UE may also indicate that resources are not being fully utilized,
Inflation	Inflation rates are important to study because they often reflect the stability of the country's economy. If rates are high or fluctuate on a regular basis it may indicate the economy is unstable. In a less developed nation instability can lead to political unrest also, so it may not be the best time to set up shop there.
Balance of payments	Balance of payments indicates the country's level of trade with others and the ability to pay back loans. These features reflect the country's commitment to growth and its ability to build international relationships.
Capacity Utilization	If plants are producing at capacity, more people will be employed, more products will be on the market and the economy will be in a growth mode.
Independence	As an employer you need to evaluate the country's political structure. If they are independent, they may welcome foreign firms to strengthen their economy. A strong economy also will assist them in being able to maintain autonomy (this holds true especially for smaller countries).
Regime Changes	If a country is under military rule or governmental parties are constantly changing you should think twice before you begin business here. The business climate could quickly change resulting in what was once a friendly atmosphere to a hostile one. A hostile climate can quickly lead to the disintegration of a company and often lead to economic disaster.

Literacy	Literacy rates reflect the country's educational system. If the country emphasizes education, they are going to have a highly skilled workforce who will result in increased productivity. If the educational system is weak, the workforce will tend to consist of more unskilled labor. Again, it depends on the industry you are in, but for most firms, skilled labor outweighs the benefits of having low skilled workers on the job. India has become a popular country to do business in due to its highly educated work force. The government has dedicated large sums of money to the universities to develop strong computer science programs. This in turn has led a number of high-tech firms that have trouble hiring skilled workers in the U.S. to set up operations in India1[1].
Health Status/ Public Health	If the country is not an advocate of improving public health and the nutritional needs of its citizens this may be an indication of lack of commitment to move the country forward. For example, India had and still has to some extent a terrible reputation for dirty water resulting in illnesses and disease, especially in its lower income castes. The government is taking active measures to clean up the water and provide better sewer and plumbing systems to improve its reputation. This will mitigate many diseases rampant amongst its poorer citizens. This is an active step towards improving the standard of living of its population[2]. With an improvement in the standard of living of its citizens you will see a healthier more productive work force.
Housing Levels	Housing is also an indication of growth within a country. In India for instance, the cities are extremely crowded while the countryside is rural. This has created housing shortages in the cities and increased traffic problems due to more of the workforce living in what I term, the "suburbs. A company coming in to do business may decide to set up shop outside of the cities. This will promote growth in the suburbs, reduce traffic and offer citizens a chance to live in a cleaner, quieter atmosphere.
Income Distribution	Wage and income distribution needs to be carefully evaluated before a company decides whether to do business in a country or not. If wages are too low, they will not get workers, if they are too high, they risk retaliation from other firms competing from the same labor pool.

Second, a country's **strategy** focuses on its national goals and policies. By analyzing such you should be able to determine the direction of growth that the country is moving in and be sure it matches the goals of the company. Another concern is that if businesses intend to transfer current employees to new countries, they need to be able to offer a comparable standard of living. This may mean strong public health and education programs along with clean streets and water supplies. This is especially important in less developed nations.

Factors:	**Analysis:**
Goals:	Before setting up operations overseas it is essential to examine a country's domestic goals. Most companies only want to do business in a country that is committed to attracting investors and stimulating growth.
-Economic Growth	Growth and productivity stimulate wealth and eventually lead to a rise in the standard of living. This leads to more savings and investments which again makes the country more attractive to do business in.
-Full Employment	Full employment as a goal means the country is committed to fully utilizing its facilities. Again, this leads to increased productivity. Full employment also means there is more money in the economy and people can make more purchases of goods and services, which again, stimulates growth.
-Price Stability	If prices are stable people are more willing to spend their hard-earned money. As we know, when consumers spend money, they stimulate growth in the economy. If prices

[1] www.india-invest.com
[2] www.link.lanic.utexas.edu/asuic/countries/india

	are not stable people are going to be reluctant to make purchases for fear that they will either spend too much on a good, or more importantly, they will need that money to purchase essential items such as food and shelter. Countries aim for price stability because it attracts investors and portrays a stable economy.
-Consumption	If a country is dedicated to growth, their citizens will consume products based on income level. Increased consumption leads to increased demand. When a company sees a country with citizens that want to spend their money it reflects a growing economy. A growing economy means profits for companies.
-Exports	If a country wants to be a "player" in the world economy, they need to export goods and services. Exporting will also increase their reserves in foreign currency. This is important to analyze because as a firm entering a new area you need to be sure you will be able to sell your goods to an outside market.
-Political Stability/ Autonomy	Thorough research needs to be done to ensure that the country has a degree of political stability; this is especially important for small, less developed nations. If they plan to remain autonomous this needs to be proven to its potential business partners. Very few firms would want to invest resources abroad only to be part of some type of political takeover. Political stability will lead to increased economic growth because the government will be focused on the economy not defending themselves.
-Educational and health improvements	If a country is committed to an intelligent workforce, they will have programs in place to retrain the workforce, implement new courses at universities and make public education available to more of the population. The same holds true for health improvements; if a country wants to attract business, especially from the Western world, they need to be sure they offer clean facilities, that the streets and water supply is clean, and they offer public health services to its citizens. All these goals prove to businesses that the country is striving to improve the standard of living of its population.
Policies:	
-Fiscal	When analyzing fiscal policy, one should look for changes in spending priorities, changes in budget surplus or deficit and changes in taxes. They should also examine the taxation structure to be sure it will work in both growth and recessive phases to act as a stabilizer.
-Monetary	You need to examine the supply of money since this can determine demand, production levels and influence employment. You also need to examine the exchange rate and domestic interest rates to be sure the price of money is realistic to the rest of the world, making it a player in the trade market. You should also examine a country's lending policies. If banks are only willing to lend to certain institutions, it could lead to stagnant growth in certain industries.
-Incomes	When analyzing income, you need to see if the country has any policies to help reduce inflation if necessary. Programs should be examined to see if these are enforced or merely suggestions. Questions should also be asked as to why certain policies were put into place. Income maintenance programs should also be reviewed (welfare, health insurance, aid for seniors and young children). These benefits are usually paid by governments and tend to be paid out faster than money coming in to subsidize the benefits. These may or may not be a drain on the economy, but regardless they need to be carefully examined.
-Trade & Investment	This is crucial to review because this policy regulates all imports and exports. If a county imposes extremely high tariffs they may drive importers away, which may cause retaliation. On the flip side, high tariffs may encourage foreign investors to build plants on site rather than importing taxes.
- Economic Sectors	Government policies need to be reviewed to see if they favor certain industries and what affects that may have on your business.
-Social Sectors	When conducting a country analysis, you need to also analyze whether the country will tolerate labor unions and if so, what role unions play in business. Unions can lead to higher wages and sometimes a work force can become more difficult to manage, but in some countries, labor unions are part of the culture. When analyzing this feature, one needs to focus on the entire working community, not just how it will help/hurt the individual firm. In some less developed nations, population control and organized religion play crucial roles in the economic growth of a country. These factors may help or hinder a business. As an analyst you need to examine all facets of these social factors and determine how it will affect your firm. Another topic that needs to be examined is

	that of languages. We take for granted that almost our entire workforce speaks the same language, but in other nations this does not hold true. For example, in India there are over 84 different languages and close to 1,000 dialects. If you do not study the effects of this in the workforce you could end up with productivity issues, loss of employees and the possibility of hostile work environments.
-Foreign Policy	You must figure out whether a country is expansionist or not. Military expansion requires the use of many natural resources such as water, coal, iron, and steel. If this is the case, you may be competing for resources.

Third, the **context** of a country analysis discusses the factors that shape the domestic and international environment. Some of these may include limitations on natural resources, population, climate, and transportation systems.

Economic Resources	Economic resources are probably one of the most important factors contributing to a country's economic development. If a company has scarce resources, it will depend on importing them to fill its developmental needs. If a company is rich in resources, it will try to export them to neighboring countries. Before a company moves into another country, they need to evaluate the resources that they are going to need to run their business and make sure these resources are readily available. It may turn out that the expense of importing the resources will outweigh the benefits of a cheaper labor force.
Political System	The country's political system must also be scrutinized. If the system is corrupt a company will need to know how to "play hard ball" to get things accomplished that may require government approval. They should also examine what issues the dominant political party supports. If one political party is a proponent of agriculture, they may spend more money in this sector than promoting manufacturing.
Social Structure	As discussed before, the social composite of a country is critical to how businesses operate and what drives the direction of the economy. India has thousands of dialects, which can cause rifts in the work force. On top of the many languages, they have many different religious organizations, which again influence how a business operates. As one of my employees told me, people from southern India consider themselves superior to people in the north and often refuse to work with them. This could cause problems if a manager of a department is from the north and his staff is from the south.
Institutions	In many countries, especially less developed nations, it is not just the government that regulates the economy. Military ruling and labor unions often have more control of employment and resources than government. When doing a country analysis, one needs to understand all the institutions that contribute to and control the growth of the economy. If a company is ruled by labor unions, you better be willing to work with them in a partnership if you want to employ people. Religious parties are also extremely influential in certain parts of the world. Often you need to adhere to certain rules that these organizations impose so as to avoid conflicts.
Ideology	Ideology measures how society views itself. Often the key institutions within a country define these measures and relay them to its citizens. When doing a country analysis, you should be aware of these measures and be sure to respect them. If you don't it will demonstrate a lack of dedication to the group, you plan to work with.
Trading Relationships	Import and export relationships are critical to the growth of an economy. When conducting a country analysis, the trade policy must be carefully reviewed. One should evaluate who potential trading partners are and why they may be more/less beneficial than others.
Multilateral Institutions	GATT has established rules for international trade, which must be adhered to. Additionally, the International Monetary Fund (IMF) regulates all international loans and currency rates. These should be closely examined before entering into business engagements abroad. The IMF may have outstanding loans with particular countries, which may affect future transactions.
Global Industries	The final thing that must be studied is how dependent a country is on international

	business. If a country has an elevated level of dependency on certain international businesses, it could be catastrophic if one departed the country. The vice versa situation also holds true; if a country is completely independent and has no ties with international businesses their presence in the country may have negligible effect on their business.

In formulating this analysis, I tried to outline the pros and cons of moving an operation to another country and considered issues that impact business decisions. If you do not analyze your natural resources, your labor pool, or how the government's actions fit into how you do business, you will not be successful no matter where you have operations. The rationale behind this analysis proposes that the more analytical work you do up front the easier it will be to find solutions to problems that may arise while doing business. For example, when conducting a country analysis, you may find that certain employees are unable to work during certain days or times during the day due to religious reasons. If you know prior to scheduling work, you can easily put together a schedule that adapts to the needs of this group. If you do not find this out until you have workers on an assembly line or project and deadlines are approaching, it could lead to a substantial monetary loss and decay in worker morale.

The strengths of this analysis are the level of detail of each topic listed. It attempts to address common issues surrounding the relocation or addition of a business in a foreign country. It discusses not only monetary and fiscal policies, but also cultural issues such as languages, public health, religion, income levels, work ethics, attitudes towards the government, etc. Often, people tend to focus on only issues that revolve around the business such as employment rates, wage rates, availability of resources, and monetary and fiscal policies. Executives driving these decisions may forget about critical issues such as military involvement in the industry, employees' needs outside of work, transportation, and housing. All these concerns tie in closely with productivity and economic growth. If these matters are carefully examined and problems are identified and solved it will contribute to long-term successes.

A few weaknesses in this analysis are that it does not discuss expatriate issues in enough detail. If you are a company setting up operations in a foreign country, there is a strong possibility that you may have to relocate some of your employees. This is an extremely important issue that should also be included in a country analysis; it should cover such topics as schooling for American children, assistance with spousal job placement, and an analysis of standard of living comparisons. If this is not done, you are going to have a challenging time getting your top managers to relocate. Another weakness in the framework is that it assumes this numerical data is easily available with statistical analysis to back it up. If you are considering setting up shop in a less developed country, there may be questions regarding the validity of the data. These countries are often eager for U.S. business because of the wealth it brings to their economy that it may be possible they “gloss over” certain issues such as public health, education, availability of housing, etc., to appear more attractive to potential investors. Overall, I propose the analysis is thorough and contains valuable information that can contribute to success in such endeavors.