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Introduction

This is global finance and strategy assignment, which is an integral part of the Diploma in Accounting and Finance level 7. The assignment analyses potential investment strategies available to "Syngenta". The essay is presented under; six sub-headings, which are as follows:

1.Globalization

Globalisation is a very controversial topic. Arguments abound as to whether its influences are more positive than negative. Whatever your viewpoint; there is no denying the fact that globalization has affected organisations enormously. Whatever strategy a firm chooses to pursue globalization, they all realize that the key to success against global competition are cost effectiveness and quality. Therefore adopting cost-minimisation strategies and establishing manufacturing in countries having a pool of cheap labour is the way to go. Globalisation has its pros and cons but before looking at these, let us take a look at how we got here.

HISTORY OF GLOBALISATION

The practice of selling to foreign lands began with adventurous traders and explorers taking goods from their counties to distant lands and coming back with goods from the other lands. With the development of transport facilities, many countries began to trade with their neigbours and other distant friendly countries. Trade between the east and west began in the 16th century. Then in the 18th century the industrial revolution brought in rapid manufacturing. With this increase in discovery and manufacturing, countries had to look for new markets due to their competitive advantage. The establishment of the Bretton woods system gave international trade a boost as convertibility issues were made easier. However globalization of business started in a big way after 1970 and with developments in transport, communication and mobile and information technology, companies shifted their thinking from a few countries to thinking global. It increased not only the exchange of goods but also the flow of capital, knowledge, labour and raw materials.

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EXTENT OF GLOBALISATION

The extent of globalization on organizations therefore is vast. Through globalization, countries have been able to sign bilateral and regional agreements such as the CEMAC in central Africa. Globalisation has brought about free trade in many parts of the world initiated by the GATT agreement. Many countries realized the advantages of eliminating tariffs and dissolving barriers for goods and services. Which led to another key organization(WTO) that has helped expand globalization as countries in this club continuously look for means to better and free trade. Also this organization plays a critical role in trade disputes. Globalisation has driven the growth of transport, technology and communication infrastructure as companies continue to seek ways to ease the difficulties of doing business globally. The IMF has pumped billions into different areas of the world and all this is down to globalization. Health care services, roads, education, communication and other areas in the developing world have all improved as a result of the rapid globalization of businesses. Labour has also been on the move as a result of globalization. Companies continue to recruit high caliber staff from across the globe and it is very common to find people working in other countries far from home. Also globalization has had a massive impact on immigration as a whole. With the movement of people, comes cultural exchange. Companies have staff from diverse backgrounds and these people continue to work and learn about each other. This diversity is good for innovation. Now let us see the effects of globalization on organizations.

IMPACT OF GLOBALISATION.

Globalisation has impacted trade and organizations both positively and negatively. Let us look at the positive impact first

Advantages of Globalisation to organisations.

a)Increased Investment(capital) and technology: Globalisation has led to rapid investment and flow of technology into many areas. These less developed countries have benefited from this inward flow of capital. This also led to integration of many financial institutions thereby creating development and jobs across the world.

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b) Trade partnerships:Globalisation has forced companies to develop partnerships to gain a competitive edge. Companies that were once rivals can be seen pooling resources together to foster development of joint goals. Strategic partnerships and strategic alliances are springing up all over the world.

c) Free movement of labour and capital: With globalization, companies now can hire experts from different areas of the world with very little restrictions. This benefits individuals with specialized skills and also the countries where those skills are needed. Also worth mentioning is the way capital is easily transferred across the globe for investment purposes. Banking efficiency has increased and it is very common nowadays for people to sit at home and transfer money across the globe through internet banking. Many people increasingly work far away from their home countries. Immigration of labour has increased tremendously due to globalization. Also many countries from different regions around the world are coming together to create and exchange capital and labour. B.R.I.C.K.S is a good example bringing Brazil, Russia, India, China and South Africa.

d)Cultural Exchange: The effect on culture is both positive and negative. On the one hand it has increased cultural awareness and diversity and brought about better understanding between people from different backgrounds. On the other hand it has led to social conflicts and increased tensions between migrant workers and local people. Others say that globalization is destroying cultural identity. However, I feel that it has led to better interaction between people from different communities and religions.

e)Labour Movements: In the 19th century during industrial revolution, working conditions were very bad for labourers. They could not complain about their rights. Any organized groups of workers were fired from their jobs. Due to industrialization and globalization, many labour unions were formed and became very powerful. In Australia and Great Britain, these labour movements eventually grew into political parties known today as the Labour party. Globalisation has greatly improved the rights of workers because they can seek better working conditions elsewhere.

f) Technical development: Globalisation has led to the spread of technological and technical development. One technology discovered in one part of the world is suddenly available to developing areas of the world which would otherwise not

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benefit from this technology. Developing nations have learnt new production methods and skills and this has increased employment opportunities. Technology has also improved communication and health across the globe.

g) Access to a larger market: Organisations can now to sell their goods not only at home but to a wider market. This creates economies of scale which leads to lower production costs creating more profits.

h) Cheaper resources: Organisations now have access to cheaper resources. Firms set up manufacturing in areas where raw materials are cheap as well as in countries that have cheap labour.For example, when China opened its market to the world many American companies outsourced production to China to take advantage of the cheap labour.

i) Comparative advantage:Globalisationenable countries to specialize thereby benefitting from the principle of comparative advantage.

j) International development: Due to globalization and companies taking advantage of cheap resources, many parts of the world have been developed. Just take a look at the Indian city of Bangalore that exploded due to the growth of high tech firms or China.

k)Less regulation: The fact that companies can set up shop in countries that have less regulation has benefited many organisations.

l) International brand development: Globalisation has helped companies develop their brands the world over. This is true in the case of McDonald's, Microsoft, Apple and google just to mention a few. When a brand becomes well known, the organization spends less on advertising because people will recognize the brand everywhere.

m) Improved communication network: Globalisation has helped technology to grow and in turn technology is driving globalization. The ease in communication means that companies can communicate with their suppliers and customers in real time and make effective decisions to improve their business and customer experience.

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Even with all the positive effects of globalization, a number of disadvantages exist for organisations.

Firstly barriers of entry to local and small firms exist because the well established brands will simply crush such competition. This creates the problem of lack of diversity.

Secondly some multinationals suffer the effects of diseconomies of scale. When a firm is too large, this can create a headache for management to effectively control all the units.

Thirdly large multi-national companies are accused of paying very low wages in underdeveloped countries. The threat of moving their operations to other countries means the local government can hardly fight for the fate of the common man as this will create a lot of unemployment and also the government will lose a source of income in the form of taxes.

Perhaps the most important effect that globalization has on organisations is that this interdependence is very bad in times of crises. A meltdown in one area of the world will affect the global economy as all firms and countries are interlinked.

Finally globalization means increased competition and this means that companies have to continuously revise their strategy to stay ahead of the game.

Explanation on the concept of the globalization is linked with investment approaches

Globalization has been defined by many Economists and Management gurus. However, one definition that I admired me most is by ……….. in which he describes Globalization as “a term used to describe the integration of national economics into the international or Global economy, through foreign direct investment FDI, international trade i.e. import and export, the creation of trade agreements for free movement of goods, people and capital across continents also the availability of ICT has made it easier for technology transfer among the global community, making it possible for one to manage a business from a remote location”.

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The harmonization of standards for example the international accounting standard GAAP and IFRS as well as technology transfer has made it possible for the standardization of both products and process across countries.

In other words Globalization is the "Socioeconomic reform process of eliminating trade restrictions, cultural, information technology and political barriers across continents which can lead to increased economic growth and geopolitical integration and independence among nations of the world".

Globalization helps in creating platform for many companies at one place where large number of competitiveness can be seen. It is important for a local company to introduce themselves at global level (Lasserre, 2012). It helps in increasing their profitability with the help of this process. Organisational investment approach linked to globalisation can take the following forms, Mergers & Acquisitions, Joint Venture, Licensing agreements, International subcontracting, worldwide network structure.

By using this concept investment which is taking place is huge and large amount have to invested for setting up a company at global level. They have to produce their products according to international consumers. There are mainly three type of investment approach which can be used at the time of globalization.

1. Shared investment knowledge
2. Consistently forward thinking
3. Analytical rigour

Company have to invest their money by analysing all factors of market and then they have to made investment at global level.

Activity2

For any business to be successful, it must develop a robust strategy capable of eliminating environmental threats associated with its existence. Today's business environment is very dynamic and this dynamism means that the environment is subjected to constant and unpredictable changes. This is therefore very vital for any organization to properly scan the environment within which it is operating. The

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business environment is internal and external and is affected by micro and macro - economic factors. While organisations do have control over their internal environment, they have no such control when it comes to the external environment but understanding the external business environment will help managers avoid pitfalls and help guide the organization towards its goals. For any organization to embark on any venture both at home and abroad, a detailed analysis of the environment using the following tools is necessary. The following techniques can help an organization determine threats and opportunities to maximize the chances of success while avoiding costly mistakes.

1:PESTLE: (The macro-environment)

This is an acronym for Political, Economic, Social, Technological, Legal and Environmental . This is a very important strategic analysis tool that managers use to determine the political, economic, social, technological , legal and environmental factors that might affect their business.

Political and Legal environment: Every operating entity must respect the laws of the country or region in which it is operating. Organisations must abide by government regulations and operate transparently within the law. Before deciding to operate in any country organisations need to take a critical look at the political stability in that country. Also a look at the tax policy, employment laws and trade restrictions and tariffs are very important. Decision makers in companies after looking at the above mentioned factors should determine if the political and legal factors are ripe for investment.

Economic factors: Economic factors such as interest rates, economic growth rate, wages, exchange rates and inflation rate directly affect the purchasing power of consumers as well as an organisation's cost of capital. For example an increase in the interest rates will increase the cost of production of an organization and this increase will be reflected in its pricing policy. Such an increase in the prices of goods without a corresponding increase in the wages of consumers will impact demand negatively.

Social and cultural factors: Each organization must understand the demographic factors of its environment. Factors such as population growth rate, age distribution,

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health consciousness, career attitudes, emphasis on safety and the respect of the cultural heritage of the population is critical to a firm's survival. Culture is very diverse so business must tread carefully when operating in a foreign country.

Technological factors: Nowadays technology is very important and new and modern technology is changing very fast. Efficient technology enables companies to produce and deliver products in record time. The availability of good technological infrastructure as well as man power with the ability to use these resources provides an attractive environment for business.

Environmental factors: Companies must be certain of environmental regulations in the country where they operate. Such factors as sustainability, reduction of carbon footprint ,extreme weather conditions such as floods, hurricanes, ecological regulations and many others.

2.SWOT ANALYSIS

A swot analysis stands for strength, weaknesses , opportunities and threats.

I stongly believe that using the PESTEL factors can help organisations when conducting a SWOT analysis. Managers can use all the pestel factors and categorize them as threats and opportunities. This will help them to align their strategy properly to minimize failure.

3.PORTER'S FIVE FORCES MODEL(The micro environment)

When an organization decides to operate in any country, the organization can use porter's five forces model to assess the competitiveness in the industry. This tool is used to analyse the competitiveness in an industry. According to this model, there are five basic forces acting on an organization at any given time. These forces are as follows

a) The threat of new entrants: This refers to the likelihood of new firms entering the market. If it is very easy for new firms to enter the industry, then this means that rivalry and therefore competition will increase and drive down profits.

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b) The bargaining power of the buyers in the market: In a market where there are many suppliers and only one or a few buyers, then the buyers sets the price and we say that the buyer has strong power whereas in one where buyers are fragmented or many, they have no significant power and so their power is weak.

c) The bargaining power of the suppliers in the market: All producing industries require raw materials. In an industry where there are many suppliers, then raw materials will be cheap and so more profitable for the producing industry. In this case we say that supplier power is weak and they cannot determine the price. On the other hand, when there are only a few suppliers but many producing companies, then supplier power is strong and the cost of raw materials is high thereby reducing the profits of producing firms.

d) The threat of substitute products available in the market: In an industry where there are many substitutes, competition is high and customers are very sensitive to prices. In such a situation profits will be negatively impacted. Also some products are related and a change in the price of one will result in less demand for the other. When an organization understands this very well, they can align their strategy to maximize profits.

e) The degree of rivalry among the competitors in the industry. In an industry where the degree of rivalry is very strong, the profits will be minimal as the rivals compete for the same customers. Conversely if the degree of rivalry is low, then the industry is stable and profits will grow. The degree of rivalry is impacted by many factors such as high fixed costs, low switching costs, slow market growth and a large number of firms just to name a few.

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4. PORTER'S DIAMOND FOR UNDERSTANDING COMPETITIVENESS OF NATIONS

For companies that intend to go global, they can use this tool as well to analyse the business environment. According to this model, there are four attributes that gives a

nation a competitive advantage over others. Porter refers to them as the diamond of national advantage. The four attributes are as follows

i)Factor conditions: This refers to the specific strength of the country regarding inputs required for production. Things such as raw materials, natural resources, skills and competence of the workforce. Based on these factors we can see that some countries have a competitive advantage over others.

ii)Demand conditions: This refers to the level of demand for goods and services in the domestic country. The needs of buyers must be backed by their purchasing power.

iii)Related and supporting industries: Before moving to set up in another country each organization must measure the presence of other supporting industries that will facilitate their work.

iv)Firm strategy, structure and rivalry: The local conditions in the country influencing creation, organizing and managing a business firm and the nature of competition among the domestic firms

Micro Environment Analysis

i) <u>CUSTOMER'S ANALYSIS :</u>

Simple techniques such as customer's analysis should not be overlooked. This is an analysis carried out in response to a particular product or service in a particular market at a given time. In a nut shell such an analysis answers questions such as

What are the exact needs of the customers?

What are their preferences among similar products or services?

What specific features do they look for in the available products or services?

What product or service quality are they looking for to meet their routine needs?

What product or service quality will delight the customers?

What price are they willing to pay for the different quality products or services?

What product-support are they looking for?

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Knowing the answers to the above mentioned questions will help an organization align their marketing strategy for the products or service in that particular market.

ii) COMPETITOR'S ANALYSIS:

By focusing on each direct competitor, an organization can build a competitor response profile based on four components of the competitor namely ;future goals of the competitor, current business strategy of competitor, key assumptions that the competitor make about itself and about the industry, and the capabilities of competitors in terms of strength and weaknesses. By analyzing this information, an organization can predict its competitor's moves and also to revise its own strategy.

iii) SUPPLIERS ANALYSIS

All manufacturing companies require raw materials. The suppliers of these materials play a very important role in the business operation and can disrupt the entire operation if not handled with care. If they raise prices, it will negatively impact on the organizations that buy raw materials from them. Organisations who manage their source of raw materials well will have an edge over their competitors. Many organizations do this by integrating backwards with their suppliers.

iv) DISTRIBUTION CHANNEL

The supplier chain involves channel members like wholesalers, retailers, distributors, brokers. These are the people who have a direct link to consumers and understand what the consumers want. Helping them grow their own business will eventually help the organizations whose goods they carry. Proper information sharing is necessary and some manufacturers have an information sharing system with their major wholesalers so that they can respond quickly to consumers' changing demands.

v) STAKEHOLDERS AND PUBLICS

It is very important to analyse all stakeholders related to your business. These include not only shareholders but also the general public who might be affected by your organisation's activities. By listening to what is important to them, you can plan your business to win people's support and avoid many pitfalls. Many companies have collapsed because of pressure from the public. Gaining support from

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stakeholder within and outside your organization will greatly set up your business for success.

vi) VALUE CHAIN ANALYSIS

A value chain is the whole series of activities that create and build value at every step. The total value delivered by the company is the sum total of the value built up all throughout the company. Organisations must breakdown their activities and look at how they can make each part efficient and better to deliver value to customers.

Organisations need to continuously scan the environment for threats and opportunities as the environment is subjected to constant changes. By using a combination of tools as stated above, an organization will be equipped to handle the shocks generated by the business environment

2.An analysis of the micro and macro environments of the business using techniques reviewed in the first part of your report

In this section I will attempt to analyze the micro and macro environments of McDonald's especially in Russia, China and also in many different countries around the world.

A: PORTER'S FIVE FORCES MODEL:

MacDonald's was late in entering China as compared to KFC so it was necessary to critically assess the business environment and it is correct to say that they learnt a lot from these analysis.

We can clearly see the five forces acting on McDonald's in Russia , China and many other countries around the world .

i)Existing competitive rivalry among suppliers: There are many fast food providers in China and Russia. In both countries, KFC is clearly the leading fast food provider. Other competitors in china are noodle and dumpling stalls whereas in Russia, Big

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Yorker , subway and Russian pancakes parlours are among the existing rivals. The list of rivals is long so competitive rivalry is a factor here. McDonald's is thriving though in spite of this rivalry.

ii)Threat of new entrants: In the 1990s there were several attempts made by many fast food companies in China but not all were successful. In mid 2000s successful entrants such as subway, Japan's Mo's burgers, burger king and star bucks were established. To this day there are still attempts by other local and international companies. But establishing a successful business is not easy so a company like McDonald's is well positioned to deal with this threat. In Russia there is a similar situation; new entrants continue to be established. In the last three years we have had success stories like Big Yorker. McDonald's though is firmly positioned to retain most of its customer base.

iii) Bargaining power of Buyers: Although buyers in the food industry generally have low power; they are a strong competitive force and because of this McDonald's in China came up with the Tier pricing policy, altered their menu and trained their staff to provide good quality service. Buyers can buy from anyone as they have no switching costs. This competition for the buyer's money forces fast food restaurants to offer good quality service.

iv)Power of suppliers: McDonald's has been able to set up its own supply network and have created joint ventures with other partners to source its raw materials. This means that McDonald's faces no threat in the supply industry. Most of the materials that McDonald's uses about 95% come from their network so the bargaining power of suppliers is very low.

v)Threat of substitute products: The fast food industry is vast so there are many substitute products. Many other fast food companies sell burgers, fried chicken and so this threat is very high. McDonald's has this problem the world over. The only way to overcome this is a mixture of good quality food and service at very affordable prices.

B: PESTEL

Political and Legal factors: McDonald's faced a lot of obstacles to establish in Russia and to this day it is still not available in most Russian cities due to health and safety

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regulations. Also as recently as 2015 some of their restaurants were closed in Moscow as a retaliation of American sanctions on Russia. There are many other countries where McDonald's faces the same restriction. Many politicians believe that the food is unhealthy and leads to obesity .Also there are a lot of pressure groups campaigning against the establishment of McDonald's. McDonald's understands this and they are trying to improve their food by increasing greens, salads and other healthy food items in their menu.

Economic factors: McDonald's chose the perfect time to enter the Russian and Chinese economies. In China and Russia the growing middle class meant that many customers could afford to eat at a McDonald's restaurant. The growth in annual per-capita disposable income of most households has helped the growth of McDonald's. Recently in Russia, due to the fall in oil prices, the Russian currency depreciated against the dollar and Euro and inflation increased. This has put a strain on disposable income which has made McDonald's seen less demand. However the situation is gradually stabilizing as the economy slowly return to growth.

Social and Cultural factors: McDonald's has had challenges in many countries but has learnt from these experiences to adapt their business. In India the company was forced to replace its beef from its menu and replace it with veggies. This is because the cow is regarded as sacred in India. In the Arab and Muslim countries where they have strict rule as to how a cow is killed, McDonald's has adapted and followed the local customs so their business is thriving.

Technological: McDonald's has consistently evolved with technology. In China they developed the home delivery and drive through service to cater for the growing demand. Furthermore, the company markets its products online and has a Facebook presence. In many countries McDonald's has self-serving kiosks to transform customer experience. In the USA they named the kiosks "create your taste" kiosks. Through this technology customers can add or remove ingredients as they see fit. In the US it signed up to Apple Pay service to enable customers pay for their purchases online. McDonald's knows that in order not to be left behind; it has to grow with technology.

Environmental factors: In many countries around the world environmental activists and pressure groups are clamoring for the banning of plastic. McDonald's must aim

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to have environmentally friendly products. Also McDonald's must study the environmental conditions of every country where they have an existence. Things such as average temperature and humidity can have an effect on storage of products. A good understanding of the climate and adverse weather conditions is another factor they should study.

C.Micro Environment Analysis

i) CUSTOMER'S ANALYSIS :

McDonald's failed to do a thorough customer analysis in India when they started selling beef. If they had they would not have suffered the backlash. However, the company quickly learned from this experience and now they try to customize their menu according to local customs. In the middle east they are fully compliant with the halal requirement for their beef.

ii) COMPETITOR'S ANALYSIS:

McDonald does a complete study of their competitors before entering any new market. KFC was their main rival to enter the Chinese market and McDonald studied the problems that KFC faced and adapted its business to avoid such pitfalls. By studying their competitors; they were able to add value to their products, adjust their advertisement to win the Chinese market. They introduced drive through service and delivery service and this gave them an edge.

iii) SUPPLIERS ANALYSIS

McDonald's recognized the importance of suppliers so when it moved to China, it teamed up with local suppliers through partnerships and created a very powerful supply chain that allows it to get all the materials they need and still sell to other competitors both in China and abroad. This has given McDonald's a strategic advantage over its competitors. Without a good supply chain, their business would be ruined.

iv) STAKEHOLDERS AND PUBLICS

McDonald's consistently try to educate the public as well as listen to complains about their food. They have tried to improve over the years by including a lot of greens in

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their menu. They have massive advertisement campaigns to contest the fact that their food is unhealthy and by including greens they try to appease the public. Also they are entirely compliant with the law and try to recycle all the packages as environmentalists continuously protest the pollution of the environment. In fact most of their packaging now is fully recyclable and they do a lot of recycling.

vi) VALUE CHAIN ANALYSIS

A value chain is the whole series of activities that create and build value at every step. The total value delivered by the company is the sum total of the value built up all throughout the company. McDonald's consistently adds value through this process. Their employees are well trained and their service is very efficient throughout the world. Recently there were protests about salary of its employees and the company quickly resolved the issue by raising the salary thereby motivating its workforce. In many different areas it has successfully integrated backwards with suppliers to better the quality within the supply chain.

3.An analysis of how the international business environment impacts on your chosen organisation.

POLITICAL

The international business environment has impacted McDonald's in a number of ways. One way is political forces. They have faced and continue to face political road blocks in many areas around the world. As mentioned earlier they fell victim to Russian retaliation over American sanctions. Furthermore many regional governments in Russia have refused to approve the opening of McDonald's restaurant in their region. In other countries pressure groups and other politicians continue to resist the expansion of McDonald's as they argue that their food is

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unhealthy. In the European Union the company has had to adapt and agreed to avoid genetically modified food.

CULTURAL PROBLEMS

Another source of headache for this company has been how to deal with diverse cultural backgrounds. They had setbacks in different countries but adjusted quickly and has gone on to learn from this experience. One notable case is that of eliminating meat from its menu in India and in the Middle East conforming to the halal requirements is another example. McDonald's must take measures to study the cultural environment of every country before setting up. Another problem facing McDonald's is that people complain that the fast food culture is eroding many cultures around the world.

Environmental problems

Environmental problems have and continue to affect the global operations of McDonald's. This giant fast food restaurant produces a large amount of garbage. Proper disposal of garbage is very important. Also environmental activists continue to pressure the company to come up with biodegradable packaging for its products. The company is rising to the challenge and trying to solve these problems.

Economic Problems

The global economic slump has also had its toll on McDonald's. Sales have been falling globally and in many countries the company had to reduce prices. Furthermore in the United States recently there was enormous pressure for the company to hike the wages of workers.

INCREASED COMPETITION

Stiff competition and intense rivalry remains one of the challenges facing this giant fast food chain. In many countries other global fast food companies have expanded their network. Not only that, the local restaurants are also expanding their menus and including burgers, fries and chicken leading to a drop in McDonald's customer base.

LEGAL TROUBLES

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This company has also had its fair share of legal troubles. In the USA and many other countries parents have sued the company for serving dangerous food and for causing the obesity of their children.

TECHNOLOGY/brand management

McDonald has not been sleeping though. This company has learnt and adapted to resolve all the above mentioned problems. In the UK, the company had to introduce the kiosks and new technology to arrest falling sales. The company has managed its brand very well and is striving to offer good quality service and food in all its restaurants worldwide. The franchise method used by McDonald's is very effective and the company offers training and routinely carries out inspections to maintain good quality. Any franchise that fails to meet their expectations and fail to implement the recommendations offered after the inspection has their license suspended.

SUPPLY CHAIN/SUSTAINABILITY

Another magnificent achievement by McDonald's is their efficient supply chain. The company tries to use local products wherever they are based by entering local partnerships with suppliers and this has given the company a competitive advantage.

MORAL/CORPORATE SOCIAL RESPONSIBILITY

To address low wages and exploitation; the company reached a compromise in the USA and has gradually increased its base pay. In conclusion we can say that in spite of the challenges brought about by the international business environment, McDonald's is on the right track. With more than 35000 restaurants worldwide, it is correct to say that McDonald's will continue to be the world's biggest fast food chain for a long time.

Activity3

What is 'Business Valuation'

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The process of determining the economic value of a business or company. Business valuation can be used to determine the fair value of a business for a variety of reasons, including sale value, establishing partner ownership and divorce proceedings. Often times, owners will turn to professional business valuators for an objective estimate of the business value.

The field of business valuation encompasses a wide array of fields and methods. The tools and methods can vary between valuators, businesses and industries. Common approaches to business valuation include review of financial statements, discounting cash flow models, and similar company comparisons.

Investment approaches are generally used by each and every firm which set up their business internationally (Hillier, Grinblatt and Titman, 2011). These methods help them to make their place in competitive market. Many globalised companies have used these approaches in their expansion of business and then get success.

Investment approaches are the various global strategies adopted by organizations to enter new market overseas in order to harness the vast opportunities available in the globalized market example of such opportunities are,access to wider markets, technologytransfer, and access to capital etc.

The following are some of the possible approaches bywhich multinational enterprise. MNEs can affiliate themselves with local companies through globalization. They are:

Direct investment, Merger and Acquisition, Joint venture, Licensing, Outsourcing and franchise.

1. **Direct investment:**

This is when an organization invest directly in the production line of an overseas company either through the following approaches direct acquisition or develop its own facilities from the scratch refer to as Greenfield investment.

2. **Merger and Acquisition:**

This is the combination of two firm of almost the same size to form single new company rather remaining separately owned i.e. forward movement. This can be seen in the case of Electro Tech combining Mobilec and Novo-tech to form a big

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multinational company in order to be able to compete in the telecommunication industry on a global scale, i.e. placing telecommunication at the heart of every business.

A good example of Merger and Acquisition can also be seen with Daimler – Benz and Chrysler merging to form a new one company DaimlerChrysler.

3. **Licensing** This is where an overseas licensed firm giving license, right, copyright or know how on a process or a product to produce the licensor product or services in a given market possibly with a fee.

4. **Joint venture,** Joint venture is an arrangement where two or more firms come together not necessary from one or two countries but for a number of other reasons such as:

    - To gain market access
    - To bridge a technology gap or to jointly respond to big competition etc.

A relevant Example of a Joint Venture is an auto plant in china co-owned by German and Japanese partners.

Also in the Gambia, Gambega company a subsidiary of equatorial CocoCola Bottle Company (**ECCB)** is the only authorized bottler for Coco-Cola brand. It began it's operation in 1995 and has since become one of the leading manufacturers of beverages in country among its range of soft coke, Fanta, sprit, tonic.

Another approach that a multinational can enter an overseas market is through establishment of a **branch or a subsidiary** example Eco bank a Pan African Regional Bank has established branches inalmost all over the African continent.

MacDonald and Starbucks have use these approaches for their business. When they expands their business first they analyse number of competitors in market and then they invest according to that. By using this analysis company use shared ideas of market and get fully aware about that. All these things help them in their expansion. Same thing can be used by the elctro tech for their success and survival.

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Assess the Investment opportunities Using Payback and Accounting Rate of Return; Advantages and Disadvantages

Capital investment allows companies to continue to generate profits in the future or to maintain the profitability of the existing business operations. Therefore, capital investment projects need careful evaluation because they require very large amount of money to be raised and invested, also want to determine whether the project is profitable in the future. Equally important to note is that a company seek to select the best or more profitable investment project so that it can maximise the returns to shareholders, whilst it remain afloat.

Payback Method

Assessing investment viability through payback method; means the payback period is the number of years is expected a company to take; to recover the original investment from the net cash flows resulting from capital investment project (£150m) such as what "Syngenta" is intended to do. The investment appraisal is accepted if the payback period is equal to or less than a predetermined target value.

For "Syngenta", the proposed one hundred and fifty million pounds (£150m) investment project, the payback analysis for the proposed project is as follows:

Investment in year 0	**£150m**
Cash flow in year 1	**(£80m)**
Cash flow in year 2	**(£185m)**
Net present value	**£115m**

The payback method shows that the firm will be able to recoup its original investment within one year, four months and some days; thereafter the investment will continues

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to yield substantial profits for the company. Thus, the investment of £150m will be able to yield £265m (80 + 185) in year one and two, which demonstrates the viability and potential of the investment.

Advantages of payback method: Payback method is simple and easy to apply and as a concept, it is straightforward to understand. The payback method is calculated using cash flows, not accounting profits and so should not be open to manipulation by managerial preferences for particular accounting policy.

Disadvantages of payback method: There are a number of difficulties in using payback method to assess capital investment projects. One of the major disadvantages is that payback method ignores the time value of money. The method also ignores the size and the timing of cash flows within the payback period.

Accounting Rate of Return Method

One definition that is widely used is; average annual accounting profit divided by initial or average capital employed multiply by one hundred. In case of "Syngenta", the ARR is:

Nine years Cash flows: **80+185+210+210+210+210+210+210+210 = 1735**

Average profit for the nine years is: **1735÷9 = 192.77 ÷ 150 X 100**

Therefore ARR for the project is **128.51%**

Accounting rate of return seeks to provide a measure of project profitability over the entire investment life. It compares the average profit of the investment with the book value of the projects. In this regard, "Syngenta's" investment will be of high yield; 128.51% and this appear to be a good preposition.

Merits of accounting rate of returns: There are a number of reasons for the popularity of ARR method, even though it has little theoretical credibility as a method of optimal investment decision. It also a reasonably simple method to apply and can be used to compare mutually exclusive projects. Unlike the payback method, it considers all cash flows arising during the life of an investment and it can indicate

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whether a project is acceptable by comparing the return on capital employed of the project with a hurdle rate.

Demerits of accounting rate of return: While it can be argued that ARR method provides useful information about a project as an investment appraisal method, it has some notable drawbacks. For example, it is not based on cash flows, but uses accounting profits, which is open to manipulation and it is not linked to fundamental objective of maximising shareholders wealth. It uses average profits and ignores the timing of the profits and does not consider value of money but gives equal weighting to profits whenever they occur. It also fail to take into account the length of the investment's life and since it is expressed in percentage terms and it is therefore, relative measure, which ignores the size of the investment made. For these reasons, the ARR method cannot be seen as offering sensible advice about whether an investment creates wealth or not (Watson and Head 2004; Pike and Neal 2010; Reilly and Brown 2011).

2. Assess the Sources of Finance, the "Syngenta" could have used and Evaluate the Risks Involved

Given the history of "Syngenta" and its business operations, it would be appropriate for the firm to consider some of the following sources in their quest to finance the new investment.

Right Issue: In order to preserve existing patterns of ownership and control, a "Right Issue" could be explored, which is offered on a pro-rata base, such as one new share for every five existing shares. Right Issues are cheaper in terms of issuing cost that offers for sale to the general public as a way of raising finance. In addition, there is no dilution of ownership and control if the right issue are fully taken up. Right issues are offered at discount to the current market price commonly in the region of 15 to 20% and this makes new issue attractive.

However, companies have tended to shy away from Right Issue for many reasons such as the effect of deeply discounted right issue on private shareholders, who can

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face capital gain tax problems. The other downside for companies looking to participate in globalisation is that right issue do not easily broaden shareholders base. Also, there may be pressure on the firm to maintain the level of dividends on the enlarged equity, increasing the cost of capital and downward trend on profitability.

Loan stock debt or Debentures: Loan stock debt and debentures are long-term bonds or debt security with a par-value, which is usually (in the UK) £100.00 and a market price determine by buying and selling in the bonds markets. Interest is an allowable deduction in calculating taxable profit and so the effective cost to a company of servicing the debt is lower than the interest charged by lenders in the financial markets. Debentures could be issued as convertible bond or non-convertible. In the event of liquidation, debentures are firstly paid before any other interest group.

Some of the risks with this type of finance are that if the loan stock or debenture is redeemable, the principal will need to be repaid on the redemption date. The debenture may be secured against the assets of the company by either floating or fixed charge. The redemption of loan stock or debentures represents a significant demand on the cash flow of a company and as a result, it calls for a careful financial planning.

Bank and Institutional debt: Long-term loan are available from banks and other financial institutions at fixed and, or floating interest rate, provided the issuing bank is satisfied that the purpose of the loan is a good one. The cost of bank loans is usually a floating rate above bank base rate, depending on the perceived risks of borrowing company. A repayment schedule is often agreed between the bank and the borrowing company, structure to meet the specific needs of the borrower and in accordance with the lending policies of the lending bank. Repayments on long-term loans in some cases will include both interest and capital elements and this could present some pressure on the firm hence failure to meet this obligation may result to penalty.

Long-term bank loans cannot be sold on directly by the company to a third party. Sometimes given the amount of the loan, banks or financial institutions may demand a seat on the board of the firm in order to have a say on the affairs of the company

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as well as monitoring their lending. The growth of securitisation however, means that the firm may be under pressure to provide collateral to secure borrowing, but banks, financial institutions and large companies can in some circumstances, parcel up debts as security and sell them on the securitised debt market.

Foreign bonds: These are domestic issues by non-residents for example, an issue of stock by the US Company in London, Tokyo or Australia. Such bonds are domestic bonds in the local currency; only the issuer is foreign. For example, Eurobonds (international bond), does not need to be issued in Eurocurrency nor denominated in a European currency. They are most easily understood as international loans. Eurobonds are bearer bonds and transferable, with interest paid annually, and gross of tax, which may appeal to investors eager to delay tax. Equally, interest rate is lower than domestic market; however, any such yield differential would be eliminated by arbitrageur if the international bond market were efficient and un-segmented (Reilly and Brown 2011; Pike and Neale 2010; Watson and Head 2004; Berk and DeMarzo 2010).

3. Explain Techniques used to Mitigate and Manage the Global Risk Involved

Global businesses are exposed to risks of different magnitude, which could be aligned to economic risk, political and country risk therefore, some of the techniques used to mitigate and manage such risks are as follows:

Internal hedging techniques: This technique exploit characteristics of the firm's trading relationship without recourse to the external currency or major financial markets. Most are simple in the concept of operation as it involves "Netting" operational policy. This applies where the parent company or head office and its foreign subsidiaries net off intra-organisational currency flow at the end of each trading period, leaving only the balance exposed to risk and hence in need of hedging. Netting concept can be bilateral or multilateral.

External hedging techniques: It involves pre-selling or buying a specific amount of currency as specified now for delivery at a specified time in the future. It is a way of

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totally removing risks of currency variation by locking in the rate quoted today by the forward market. However, there remain the risk of the trading partner (credit risk) defaulting and that of the bank that arranges the deal (counterpart risk).

Currency futures technique: In principle, the contract can be arranged for any product which includes financial instruments and currency. A currency futures contract is a commitment by all parties to deliver a specific amount of a specified currency at a specified future date for an agreed price incorporated in the contract. It performs a similar function to a forward contract but, has some major differences such as; they are dealt in standard lot of sizes or contracts; they are usually cheaper than forward contacts, requiring a small commission payment than a buy/sell spread.

Managing operating exposure and risk: This involves taking steps to insulate the company's operating cash flows and investment as far as possible from the effect of unexpected economic and or political and country risks, so as to minimise the effect on the value of the whole firm. The general aim is to construct a natural hedge and there are two broad ways in which operating exposure can be minimised. The first involves structuring the firm's operations to insulate it from damage and the second, structuring its financial policy to this end. These can take the form of; borrowing in the same currency as that of cash flows. The stream of cash flows (interest and capital repayments) will help to match the series of inflows.

Hedging the risk of foreign projects; operating foreign projects involves both translations and economic risks. The translation/conversion risk stems from exposure to unexpected exchange rate movements. This problem can be avoided if the exposed investments or projects are matched by a corresponding liability. Perfect matching of assets and liabilities is not always possible however; it is probably politic to provide an input of parent company equity to signal commitment to the project, the government and the country. Economic exposure is the long-term counterpart of translation exposure and it applies to a stream of cash flows and outflows.

Political and country risks: Protection against the adverse consequences of changes in the political and economic complexion of a host country can be achieved in four ways:

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1. Pre-investment negotiations; the bases whereby financial flows such as dividends, loan repayments and management fees will be remitted back to home country
2. Operating strategies; flexible risk averting strategies that enhance the firm's bargaining position can be devised in several areas.
3. Preparation of a contingency crisis plans; contingency planning helps in two ways – by providing action plan to implement if things do go wrong and second, it forces the managers to think about the contingencies to which their foreign operation is most vulnerable.
4. Investment insurance; the firm may be able to shift the risk to a home country agency that specialise in accepting international risks (Pike and Neale 2010; Watson and Head 2004).

Global risk

Risks are set of circumstances regarding a given decision which can be assigned a probability in other wards with risk it is possible to quantify several possible outcome due to past experience.

Globalization is the process by which companies integrate themselves in the globalize economy through international trade i.e. import and export, foreign direct investment licensing ,joint ventures ,franchise and outsourcing etc. in order to expand their opportunities.

In the case study Electro tech combing the Mobilec tech and Novotech clearly demonstrate it desire to expand its operation in the telecommunication industry in orderto have a stronger competitive edge.

Global risks are those risks which multinational enterprise MNEs are expose to or are association with international trade transactions,some example of global risks are as follows .Market risks ,interest rate risk, exchange rate risks ,unfavorable government legislation ,political instability other operational risks.

New Competition and Unfamiliar with Marketplace:

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it is very difficult to establish brand in new and unfamiliar marketplace but it is very important part for the growth of the business for the expansion of business to grow and earn more productivity as well more profitability for short and long term period. It is very important to identify barriers in international growth.

Instability: instability is uncertainty caused due to sudden changes in the environment. When an organisation wants to expand their business so the risk is faced by the business is instability in the marketplace and investors are also worried about their investment that they made in the company.

Two risk mitigation techniques which can applied on business expansion

Risk Mitigating Techniques: These are techniques that minimize the impact of risks which multinational companies are exposed to.

As the above given risks can hamper the action plan of Electro- Tech to expand their business so they have to use analysis of the market which can increase the effectiveness of the company to mitigate the risk of the unknown competition of the markets (Biesbroek and et. al., 2010). To reduce instability, they can make proper market researches and financial researches by which company can get proper financial stability.

Suitability of the two risk mitigation techniques

Market analysis can improve the company's action plan to expand their business in the Cornwall. It can reduce the errors of the action plan which they are using to expand their business. Market research can be help full for the company to analyse the available market rivalries and factors which can make a negative impact on their business expansion plans. So they have to make proper analyse from their employees.

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4. Discuss the Potential Financial Decisions that can be taken for the Investment

The potential financial decisions for the investment can be accredited to a number of critical success factors, which is hopefully would create sustainable future for the company's profitability and wealth creation for shareholders. The affirmation will be considered along the following discourse: Initial public offering; internal finance; merger and takeover and, or joint venture and strategic alliance. These prepositions have the propensity to enhance "Syngenta's" competitive and comparative advantages in the market.

The initial public offering: The potential financial decisions that can be taken for the Investment is the initial public offering (IPO). Finance for the new investment could be raised through initial public offering. "Syngenta" may issue shares and obtain listing on the London Stock Exchange although the firm will need to appoint a broker to advice on an appropriate issuing price for new shares and to market the new issues to institutions and other investors. Some of the advantages of this instrument are; greater liquidity and better access to capital.

However, the major disadvantage of the issue is; when investors diversify their holdings, the equity holder of the corporation becomes more widely dispersed. On the other hand, compliance with new standards is costly and time consuming for issuing company and this has potential to reduce profits and return on capital employed.

The investment could also be funded through "Internal Finance" such the retained profits ("Reserve"). Internal finance, including retained profits provides the main source of new capital for investment purposes; for companies in general. This is partly because it is less costly than selling new shares as it avoids expensive issuing costs. It may seem that retained earnings are a free source of finance and far more attractive to management than, say generating interest bearing loans. However, retention of earnings imposes an opportunity cost if returns to shareholders as a dividend; the cash could be invested to yield a significant return in the future. The

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cost of retained earnings is therefore, the return that could be achieved by shareholders on investments of counterpart risk to the company; in order wards, the usual cost of equity.

Another potential financial decision for the investment could be a “merger and take over” with a going concern. A merger/takeover is effected by creating an entirely new business and, or reactivating a declining product range from the assets of the two existing businesses, with both shareholder groups receiving substantial ownership stake in the new business. Merger can be classified as a “horizontal or vertical” and these would enhance economic of scale. In economic terms, a merger will be worthwhile only in combining the two businesses will lead to gains that would not arise if the two businesses can be defined in terms of the present net value of its future cash flows. Thus, if a merger is to make economic sense, the NPV of the combined businesses should be equal to the NPV of future cash flows of the bidding and target business plus a gain from the merger. On reflection, merger will help to eliminate competition and also to increase the market share of “fungicides” product. This in turn can lead to increased profitability.

Joint venture and strategic alliance; unlike merger or takeover, joint venture and other strategic alliances enables both sides to retain their separate identifies. They have been employed to good effect to achieve variety of objectives, but have become a particularly popular way of developing new products or repackaging a declining existing product range and entering new market especially overseas. In this regard, one of the potential financial benefits for “Syngenta” is that the strategy of two firms coming together for some specific strategic purpose can often lower capital costs associated with the new investment. However, its key to note the two main types of joint ventures; an industrial corporation and an joint equity venture.

For “Syngenta” the company faces a fundamental problem if it fails to invest to enhance the life cycle of “fungicides” product in its portfolio and profitability of the wider company. On the one hand, its globalisation creates valuable opportunity to the arbitrage markets and to exercise competitive influence. However, both the ARR (ROCE) and Payback cash flow reveal that the investment is worthwhile and would be able to off-set potential costs incurred during the life of the project.

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In addition to arbitraging, informational imperfections in product markets, the company can also benefit by transferring production and process development from one location to another – this brought to light the attractiveness of a merger. Given the specialist product and production of fungicides, the firm stands to achieve competitive advantage, which is driven by difference in the cost of production and market share. It is also motivated by adjustment among the firm's ability to transform this product into marketable good and determined returns.

The extraordinary feature of global competition is the uncertainty over these advantages. However, considering either of the proposed financial decisions for the investment as discussed above would hopefully, create both competitive and comparative advantage in a world business environment. The decision whether to invest along a firms' value-added chain is a question of competitive advantage and longevity of the product's life cycle as well as profitability of "Syngenta" enterprise. Equally, the decision where to place this operation globally constitutes a question of comparative advantage. No matter what the risk profile is, the firm will be able to exploit this volatility and achieve a competitive advantage based on the forecasted cash flows and return on capital employed during the period of investment.

The investment has the inclination to strengthen "Syngenta's" products' portfolio through diversification in order to minimise risks such as reduced market share and profits. Diversification will help the firm to diffuse its efforts across a range of products, market segments and clients in order to spread risks of declining trade and returns on capital employed. If "Syngenta" can minimise it reliance on particular products or markets, it can more easily tolerate the impact of major reverse in any single market (Pike and Neale 2010 and Reilly and Brown 2011).

5. Review Investment Decisions and the Strategies Applied in the Global Environment

The essential feature of investment is time. Investment involves making an outlay of economic value usually cash at any point in time, which is expected to yield economic benefits to the investors at some other point in time. Usually the

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expectation precedes the benefits. Investment decisions tend to be of profound importance to the company because:

1. Large amount of resources are involved (£150m), the investment is a significant proportion ("Syngenta") of their total resource. If mistake is made with the decision, the effect on the business could be significant.
2. It is often difficult and, or expensive to bail out of an investment once it has been undertaken. It is often the case that investment made by a business is specific to its needs. In this regards, "Syngenta" is investing in a project that would enhance the life cycle of "fungicides", the specialist nature of this product will probably lead to its having a rather limited second-hand value to another potential user with different needs. Therefore, if the firm found after having made the investment, that the product was not as profitable as was planned, the only possible course of action might be to close down and sell the plant possibly at loss.

In this investment, two methods (PP & ARR) have been chosen to evaluate the project's viability. These methods are among the four techniques used in practice by businesses throughout the world to review investment opportunities.

Payback method: This approach highlights the length of time it would take for an initial investment to be paid out of cash flows. Since it takes time into account, the payback period seems to go some way to overcoming the timing problem of ARR method. In this project, the payback period, will be less than two years for the £150m outlay to be recovered through the cash flows (see Q1 above). Thus, for a project to be accepted, it would need to have a payback period shorter that a maximum payback period set by business. However, PP is not concerned with the profitability of the investment; it concerned simply with their payback period. We may feel that, by favouring project with a shorter payback period, the PP method does not at least provide a means of dealing with the problem of risk and uncertainty.

ARR: In this investment, the accounting rate of return (ROCE) method reveals that the average yield for the life of the project is 128.51% (see Q1 above). In this respect, return on capital employed is a good yield and wealth creation for the investors and the wider organisation. However, the associated problems are that ARR is based on the use of accounting profit. When measuring performance over

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the whole of life of an investment however, its cash flows rather than accounting profits are important. On reflection, in a global environment, the following strategies should be employed to assess investment feasibilities:

Sensitivity analysis: This requires an examination of key input values in order to see how changes in each input might influence the likely outcomes. One form of the analysis is to posing a series of "What if "questions. By answering these questions, the company will have a range of possible outcomes to consider, which can be useful for investment decision purposes as well as for profit range.

Scenario analysis: This strategy tends to overcome the problem of dealing with a single variable at a time. The approach changes a number of variables simultaneously so as to produce a particular state of the world for the company to consider. A popular form of the approach is to provide three different states of the world, which are; optimistic view of likely events, a pessimistic view of likely future events and most likely view of future events. However, this strategy is open to criticism because it does not indicate the likelihood of each scenario occurring nor does it identify the other possible scenario that might occur.

Transactional exposure – hedging the cash flows: The first step in identifying and hedging cash flow exposure in a global setting markets are to set up a currency information system. The control of investment is much simplified if this information system is centralised. Once this system is in place, the company must decide whether; it believes that future exchange rate can be forecasted and will permit speculation in currency. If the answer is no, then the company must seek to minimise the risk position in all currencies and investment globally. Therefore, the most conscious approach in this respect is to adopt a risk minimising policy and the aim is to reduce exposure in investment/currencies to a minimum unless the cost of this policy is prohibitive (Atrill 2011; Pike and Neale 2010).

6. Use Strategic Implementation Technique to Comment on the Decision made

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The aim of any company is to maximise profit and market share in the course of investment period whilst creating wealth for shareholders. Therefore, the firm must have a positive Net Present Value (NPV) that justifies the investment. In this respect, NPV means that a project/investment often has return superior to those obtainable in the capital market on investment of comparable risk. With “Syngenta” the payback method, it will breakeven in year two, with NPV yield of £115m and the Accounting Rate of Return (ARR) or Return On Capital Employed (ROCE) will be 128.51% based on average return for the life of investment (nine years). It is quite feasible to fund investment that justifies its potential, after due process of using acceptable accounting techniques. But in a competitive market it will not be long before other firms make a similar investment, thereby ensuring that any superior returns are not perpetuated.

In reality, companies that consistently create projects with high NPV’s have developed a sustainable competitive advantage. For “Syngenta”, its history has shown that her interest is to trade in niche market/products with sustainability perspective and its investments so far have yielded high margins/return on capital employed (ROCE) as well as NPV. Competitive advantage thus, ensuring from imperfections in the product and factor markets. These imperfections generally take the form of entry barrier that discourage new entrants. “Syngenta” has unique products which is fortified with advance scientific knowledge and experiences as well as investment in high-tech approaches to research and develop it products. The large sums of money needed to gain entry into the market has also created entry barrier for potential competitors.

Successful investment is therefore, investment that helps to create, preserve or enhance competitive advantage and a sustainable future for the business. According to Porter (1985, 87), there are really three coherent strategies for strategic business implementation and they are as follows:

1. To be low cost producing
2. To focus on a niche or segment within the market
3. To differentiate the product range so that it does not compete directly with lower cost producers.

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On reflection, "Syngenta's business coincided with the above criteria and this has justifies the investment decision made to invest £150m to intensify the production of "Amistar" range of fungicides.

Investment decision and expenditures that help achieve the appropriate strategy is likely to generate superior returns. For example, "Syngenta" invest enormous amount of money into its products' differentiation strategy through its brands (herbicides, pesticides, and fungicides) are usually based on complex chemicals. Capital investment should be viewed not simply in isolation, but within the context of the business, its goals and strategic decisions. The attractiveness of the investment proposal comes from different sector of the firm's business portfolio depends not only on the rate of returns offered, but also on the strategic importance of the sector.

"Syngenta" want to continue its business in the sector therefore; investing on "Amistar" range of fungicides will protect its business interest and product's life cycle for as long as economic viable. The attractiveness of the market is indicated by such factors as the size and growth of the market, easy of entry, degree of competition and industry profitability for each strategic business units. For "Syngenta", such analysis will lead to two basic strategies:

1. Invest in and strengthen business operations in relatively attractive market and products. This may mean heavy expenditure on capital equipment, working capital, research and development.
2. The remaining business in the portfolio have little strategic quality and may in the long run be rundown or divested unless action can be taken to improve their attractiveness.

On reflection, both the payback and accounting rate of return methods have demonstrated the viability of the investment and provided a visionary performance framework for the product, market, profitability and returns. Thus, investment of £150m will strengthen fungicides life cycle and is potentially a good preposition (Pike and Neale 2010; Reilly and Brown 2011).

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