

International Business Trip- Turkey



By

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In

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BUSINESS PROJECT ACCEPTANCE CERTIFICATE

It is Certified that final copy of EMBA Business Project written by Umair Salahuddin Registration No. 273844 of EMBA 2K18 has been vetted by undersigned, found complete in all aspects as per NUST Statutes/Regulations/MS Policy, is free of errors, and mistakes and is accepted as fulfillment for award of EMBA degree. It is further certified that necessary amendments as pointed out by GEC members of the scholar have also been incorporated in the said business project.

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Part 1

Introduction

The international business project was an initiative of Nust Business School partnered with Yasar University in the city of Izmir turkey. Our project was originally planned in 2019 but was delayed due to the outbreak of COVID. The duration of the international project was for 5 days covering diverse business management courses and an industrial trip planned by Yasar University. The experience of the whole trip was extremely fulfilling and promising which helped us broaden our horizons as to how the businesses were being conducted in an international landscape. On a personal level the rich culture and heritage of Turkey was extremely inspiring as we visited the historical sites dating back to the last 200 years in the city of Izmir. In addition to this, navigating in foreign country with no common language substantially helped elevate our personal development.

Part 2

Financial Reporting

The course work was conducted by Professor Mehmet Umutlu.

Definition

Financial Reporting is the process of recording, storing and analyzing financial transactions which are later used by internal and external stakeholders of the company.

Topics Covered

The Balance Sheet

Balance sheet projects the value of the firm's assets, liabilities and capital at a certain time. Pepsi Co balance sheet was used as an example consisting of various heads in the Longterm/ Current assets section, Short term/ Long term Liabilities and Capital.

$$\text{Current Assets} + \text{Long Term Assets} = \text{Current Liabilities} + \text{Long Term Liabilities} + \text{Equity}$$

According to GAAP (Generally accredited Accounting Principles) all the values in the balance sheet are recorded at book value. Market value of the company could be estimated by market value of shares x number of shares issued.

Income Statement

Statement which shows revenue, expenses and net income of the company over a period of time.
An example of the Pepsi Co income statement was discussed in class which cleared alot of ambiguities.

Pepsi Co Income Statement

	\$
Sales	33,753
COGS	-15762
Expen	-11530
Dep Exp	-1406
EBIT	7055
Interest	-66
EAT	6989
Tax	-1347
Net Inc	5642

Statement of Cash Flows

A statement which projects intake and outflow of cash in a certain period of time.

Free Cash Flows

FCF reflects the liquid reserves available to be paid to investors after the company has set aside for new investments or working capital.

Formula

$FCF = EBIT$ (Earnings before Interest and Tax)

Taxes

Taxes are collected by the government from different entities in the society. The different types of taxes are personal tax rates and corporate tax rates. Personal Tax rates are collected from individuals whereas corporate tax rates are collected from firms. Marginal Tax rates are incremental tax rates paid on each additional dollar of income.

Measuring Corporate Performance

1. Value and Value Added

In terms of the firm's performance which are referred to as the market capitalization which is the company total market value of the equity.

Market Capitalization= No of shares x Price per share

In terms of the market value added it is basically the increase in prices of shares/ equity which were once recorded on book value.

Market Value added = Market Capitalization - Equity (Book Value)

In addition to this a ratio can also project how much value has been added in the company:

Market to book Ratio = Market Value of Equity/ Book Value of Equity

Measuring Firm's Profitability

Economic Value Added

Another word for EVA is residual income which is basically the net income left after deducting the cost of capital employed in the company.

EVA = Net Income - Cost of Capital(Cost of Equity and Equity)

Cost of Capital is the opportunity cost of capital which is usually the safest return which could be earned in the capital e.g return on the government securities etc.

Return on Equity

ROE is the return earned by the shareholders on their equities/ funds invested in the company. In terms of the firm as a whole the return is calculated by Net Income of firm/ Shareholders equity.

Return on Capital

ROC is the return earned while adding into it the interest paid on the long term liabilities

ROC = Net Income + Interest/ Long term Liabilities capital

Return on Assets

ROA is the return earned by the company by using the assets employed by the firm.

ROA = Net Income/ Total Assets

Measuring Efficiency Ratios

Inventory Turnover is basically the number of times the firm has replenished its stock over a certain period of time.

Inventory Turnover Ratio = Cost of Goods Sold/ opening inventory start of the year

Accounts receivable are part of the current assets which are basically the amounts which are to be received later by the company usually on a credit terms decided.

Account Receivable Turnover = Sales /Receivable start of the year

DuPont System

The DuPont system was originally developed by the Du Pont corporation's management for a detailed analysis of the profitability of the company. They divided the original Return of Equity formula into three components: operational efficiency, asset efficiency and leverage.

Operating efficiency is measured through the net income determinants which demonstrates the income earned relative to sales. Asset efficiency is measured through the asset turnover which is sales generated per dollar of Assets. Finally the leverage is measured through the equity multiplier which is total assets divided by equity of the firm.'

Measuring Leverage

The leverage of a company is a measure of debt of the firm relative to the number of assets of the firm.

Long Term Debt Ratio = Long Term Debt/ Long Term Debt + Equity

Debt equity ratio = Long Term Debt/ Equity

The debt equity ratio signifies how much debt can the firm cover with its shareholders equity

Total Debt Ratio = Total Liabilities/ Total Assets

The Debt of a company is a measure of debt of the firm relative to the number of assets of the firm.

Times Interest Earned = EBIT/ interest payments

The times interest earned shows how much debt can the firm cover with current income returns.

Cash Coverage Ratio= EBIT + Depreciation/ interest payments

Cash coverage ratio shows the ability of the firm to pay its interest expense with its cash reserves.

Measuring Liquidity

A liquidity measurement of a firm is the assessment whether the firm has the ability to pay its short term debtors with the current cash reserves or whether it will have to borrow.

Quick Ratio

Quick Ratio signifies whether the company has the ability to meet its short term obligations with its current liquid assets.

Quick Ratio = Cash + Marketable Securities + Receivables / Current Liabilities

Cash Ratio

Cash ratio signifies whether the company can meet its short term obligation with cash reserves or cash equivalents

Cash Ratio = Cash + Marketable Securities / Current Liabilities.

Subject 2 Contemporary Issue in Business Administration

Introduction

With every changing business landscape multiple issues emerge while operating linking to the internal and external environment of the company. In order to deal with these issues the firm should be prepared with action plans in order to navigate effectively within the business landscape.

The Business and Environment

There are 5 basic environment in which the business operates:-

Social Environment

Social environments are the overall attitudes, beliefs and lifestyles which are prevalent in the society at large which affect your business e.g movement towards organic food, increased awareness towards environment etc.

Political Environment

The political environment is a critical factor for managers to oversee in day to day operations of the company. The political environment relates to government policies towards foreign / local businesses, overall stability in the political landscape, import restrictions tariff, ownership of assets for foreign companies etc. These are critical factors which affect the decisions to enter, sustain and exit the markets. Multinational companies which operate in foreign markets extensively research and weigh these political factors when entering a market as they are entering an unknown territory which could lead to heavy losses and legal battles due to wrong decisions.

Economic Environment

Economic environment is most critical which directly affects the business activity in any environment. Economic activity includes the general economic activity or business cycles which persists in an environment which could be affected by change in interest rates by the government or general rise in inflation. The recent case of Covid 19 how it disrupted the global supply chain which resulted in supply and demand gaps of products and services is a classical example how the economic environment is so critical for any business and managers should be well versed with the variables of economy so that contingency plans could be formulated and implemented quickly.

Technological Environment

The application of technology in any economy increases the productivity of its products and services. Economies which have utilized technology to improve their business processes and products as a whole have been leading the business world. It is crucial for managers to deploy new technologies to improve their business processes in order to compete effectively. An example of this is that warehouse robots have been used by amazon to do repetitive tasks in order to improve their productivity of the supply chain.

Market Environment

Markets in other worlds are the demographic of the whole population shows the age, income, location, gender etc. These determinants help managers to identify their target markets for existing products and services and help expand their markets to new verticals. Also the demographics help devise marketing strategies in relation to their target market. It is crucial for managers to have a strong grip on their demographics of the market in order to understand the needs of their consumers.

Stakeholders

Stakeholders can be individual groups or entities which have an interest in the company which are directly or indirectly affected by the management's decision making. Stakeholders can be of internal and external nature.

Internal Stakeholders are those which are directly related to the company e.g shareholders, employee, etc whereas the external stakeholders are those who are not directly linked with the company but are in some relation affected by the decisions and activities of the company e.g Suppliers, customers, trade unions, creditor etc. By combining the roles and activities of the internal and external stakeholders the overall operations of the company are performed.

Ethics and Corporate Social Responsibility

Ethics are the policies or standards which help govern the need for ethical management decision making has emerged largely due to the large frauds committed by Public listed banks/ corporations which led to the recession of 2008. US being the leading economy has widespread implications of its economic devastations which led to the whole world to rethink their policies in terms of ethical standards. Ethical standards which are most common globally are to compete fairly and honestly, communicate truthfully , be transparent, not cause harm to others etc.

Corporate Social Responsibility

CSR is based on the premise that the organization holds a responsibility towards its society and ecosystem it is operating in. An example of the CSR initiatives are of oil company Shell who is involved in a number of tree growing initiatives which help cater for the carbon emission that they are leading towards.

Organization

Organization is a set of people grouped together under formalized roles to achieve a shared goal. An effective structure for an organization involves the following characteristics:-

Division of work

To provide structure to the firm's task management it is crucial to divide the task under specialized roles to which specialized people are hired to perform the tasks.

Coordination

Effective organization requires coordination in activities which are divided under specialized roles so that there is synergy in the overall firm. An example of the coordination is that for a product launch, the sales and marketing department need to coordinate with one another that the sales department needs to make the product available on the shelves and the marketing department needs to create awareness in its consumers through its communication campaigns.

Distribute Authority

Well defined authority with clear communication lines need to be implemented in order for the organization to effectively work. There needs to be central authority through which the vision and goals need to be disseminated down the line.

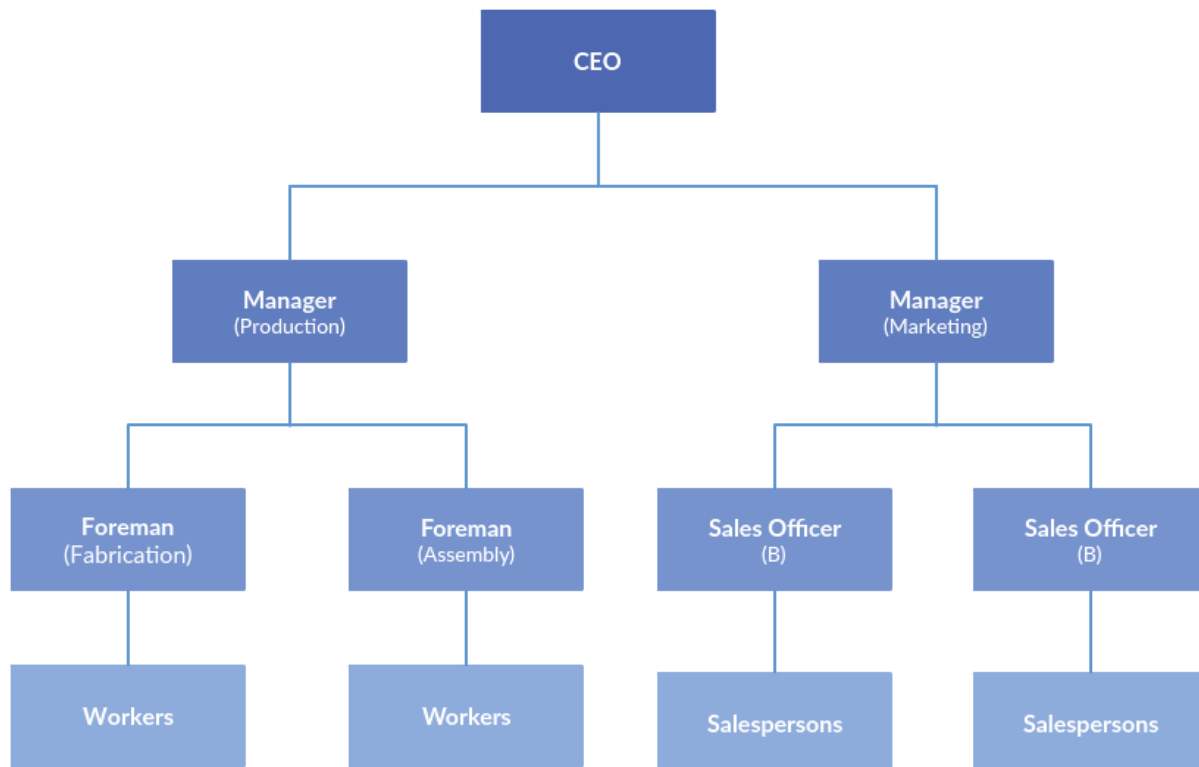
Promote Accountability

Accountability is critical for organization as the implementation of plans leads to meeting the goals for the company. Each of the members of the organization needs to be held accountable for their respective responsibilities.

Organizational Charts

A diagram that shows hierarchy of the organization including workflow and communication lines.

Simple Organization Chart



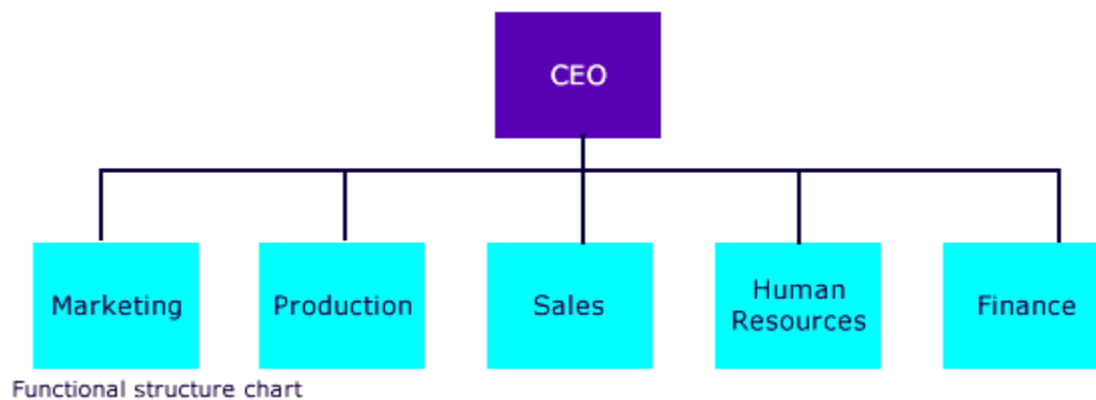
Agile Organization

An agile organization as the name implies that it possesses the agility and speed through its activities to respond to the changes in its consumers needs and business environment.

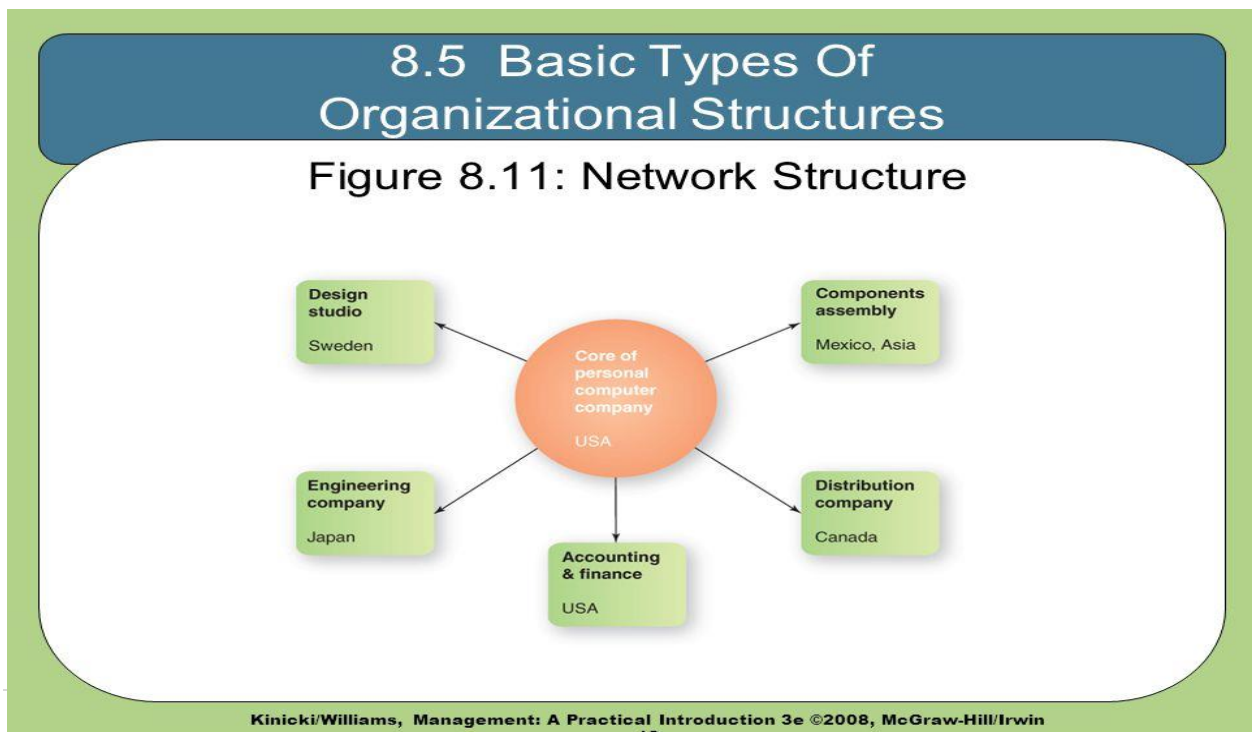
Departmentalization

It is a type of structure where organization is divided according to function, networks, division or matrix.

Functional Structure



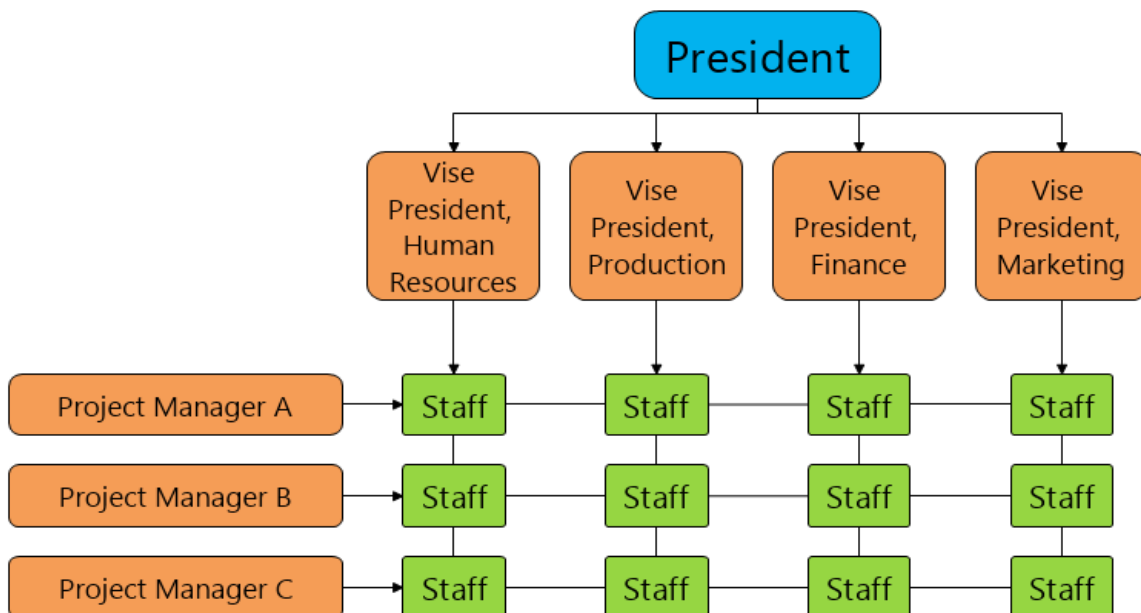
Network Structure



Divisional Structure



Matrix Structure



Virtual Organization

Virtual organization is a type of structure in which the firm is connected digitally through small head offices setup.

Organizing in Teams

Problem Solving Team: are grouped together to solve targeted efficiency, quality, and performance issues.

Self Managed Teams: as the name implies are autonomous and require the least amount of supervision.

Functional Teams: as the name implies the teams are grouped according to the functional departments e.g finance, marketing, operations etc

Cross Functional Teams: are grouped across different functional areas usually for a specialized project.

Virtual Teams: are teams working from different physical locations digitally communicating with each other.

Social Networking: Teams are similar to virtual teams with their functioning not limited to similar geographical locations leveraging the power of sophisticated team communication platforms.

Team Development

Stages of a team development are the following:-

1. **Forming:** is the introduction and orientation phase of the team
2. **Storming:** In this phase the members get familiar with each other and become more assertive in establishing their roles.
3. **Norming:** conflicts are resolved and team harmony develops.
4. **Performing:** team members focus and commit to their goals.
5. **Adjourning:** After the task has been completed the teams are wrapped up and the team is dissolved.

Leadership

Leading is the process of directing and motivating people towards a shared organizational goal.

Leadership Styles

1. **Democratic Style:** This leadership style delegates authority to employee in decision making

2. Autocratic Style: Rigid structure with strict following of hierarchy usually used by military officers.
3. Laissez Faire Style: Leaders develop an open environment with free flowing of ideas and encouragement towards new things.
4. Participative Style: Leaders allow employee involvement in planning and decision making.
5. Employee Empowerment: Leader fully delegates authority towards employees in decision making so that they can work as autonomous teams.

Subject: Decision Science for Business

Decision Science for business is most commonly used by the operations managers who make day to day decisions in order to implement an effective and efficient supply chain. Some of the common decision making are the following:-

1. Production Planning
2. Project Planning
3. Capital Budgeting
4. Quality Control
5. Inventory Planning

The Decision science approach uses a scientific approach to solving problems by involving mathematical models. Models are usually simplified and accurate versions of things they represent. Some of the types of models are the following:-

1. Mental such as arranging furniture
2. Visual such as architecture drawing
3. Physical such as architecture design of building
4. Mathematical

A generic mathematical model is the $Y = F(x)$ $y =$ object, $x =$ variable

The Decision Making Process

1. Observation: - the process of highlighting the problem by the use of observation that exists in the organization
2. Defining the Problem: Expanding the problem nature by defining variables, objective, constraints, boundaries etc
3. Model Construction : Development of the mathematical relationships that describes the decision variables, objective function and constraints of the problem.
4. Model Solution: the equation is then solved to reach the solution of the problem.

Example of Model Construction

Information: Firm produces and sells pens

Cost of pen= \$3

Selling price= \$15

Each pen requires 3 units of graphite

Firm has 120 units of graphite

Firms Problem

Determine the number of pens to maximize the profit

Solution

Decision Variable

X= number of pens to produce

Z= total profit in \$

Objective Function

$$Z= 15x- 3x$$

Resource Constraint

$$3x=120 \text{ units of graphite}$$

$$X= 40 \text{ units}$$

Model

$$\text{Max } Z= 15x - 3x$$

$$\text{Put } X= 40$$

$$Z=15(40)-3(40)= 480\$$$

Decision Making Tools

Break Even Analysis is performed to check where the fixed cost will be covered by the number of units sold (Total Cost= Total Revenue).

Types of Costs

Variable Cost: The per unit cost incurred directly from producing the unit. Varies directly with changes in volume of product.

Fixed Cost: The portion of the cost which remains constant regardless of changes in volume as it includes Rent of the facility, Salaries not related to production etc which have to be borne whether the company produces something or not.

Quantity: is the number of produced units or customers serviced

Example of BreakEven Analysis

A factory is setting up a new product line for \$ 200 per unit. The fixed cost to make changes to the facility includes \$100,000 with a variable cost of \$100 per unit. What is the breakeven qty for this new product line?

Solution

Break Even (qty) = Fixed Cost/ Price- Cost

$\$100,000 / \$100 = 1000$ units

After selling 1000 units the company will reach its breakeven point.

Break Even Analysis Graph

Image

Decision Theory

A decision making approach to make choices between alternatives. The following are the steps in making decisions through decision theory

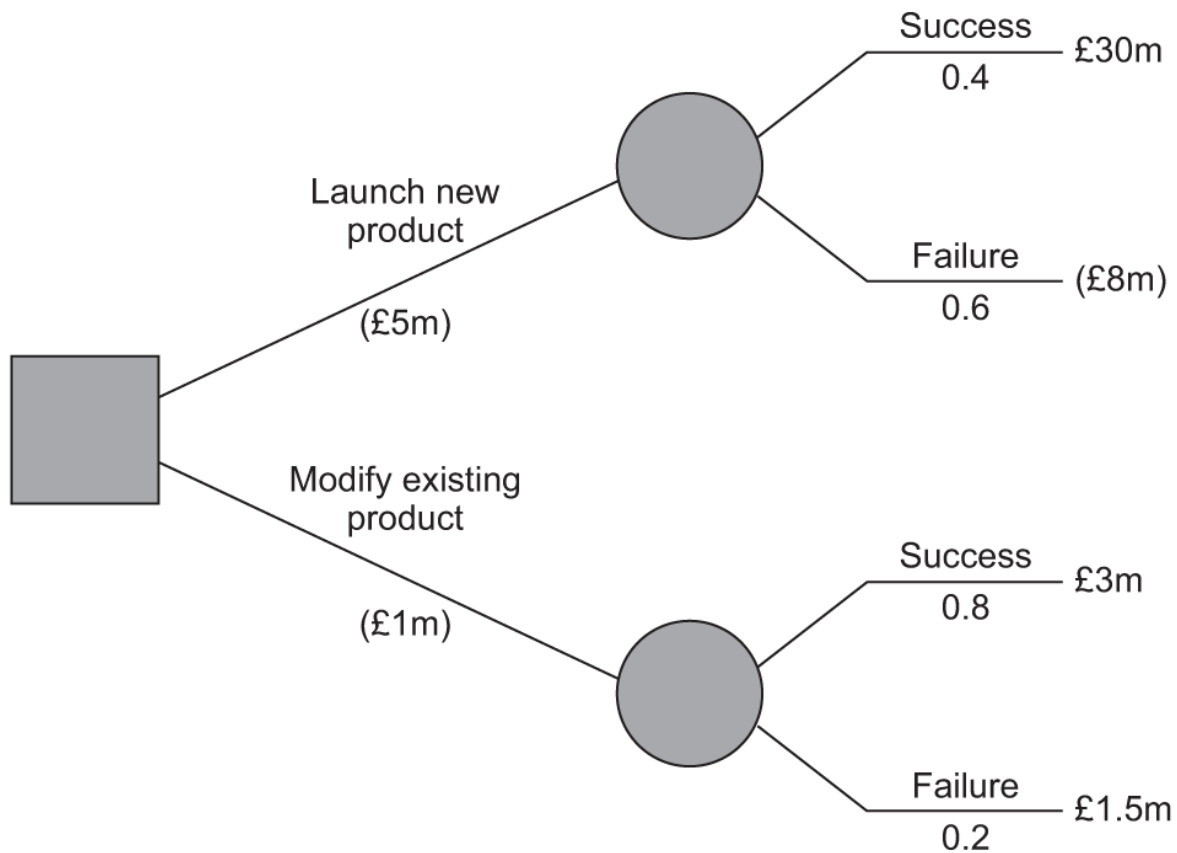
1. List the feasible alternatives
2. List the events (states of nature)
3. Calculate the payoff for each alternative in each event

4. Estimate the likelihood of each event
5. Select the decision rule to evaluate the alternatives

Decision Tree

A schematic model of alternatives available to the decision making along with their possible consequences.

Image



Multi Criteria Decision Making

The Multi Criterion approach caters for diverse variables of real life situation by encompassing various qualitative and quantitative criterion present in any ecosystem which will in turn suggest course of action/choice among the available options. Following are the types of MCDM techniques:-

1. Analytical Hierarchical Process

2. TOPSIS
3. Dematel
4. Fuzzy Topsis
5. Fuzzy AHP

FMCG comparison

The company chosen for review and comparison of production and supply chain mechanisms is Nestle Pakistan Ltd with Pinar Turkey.

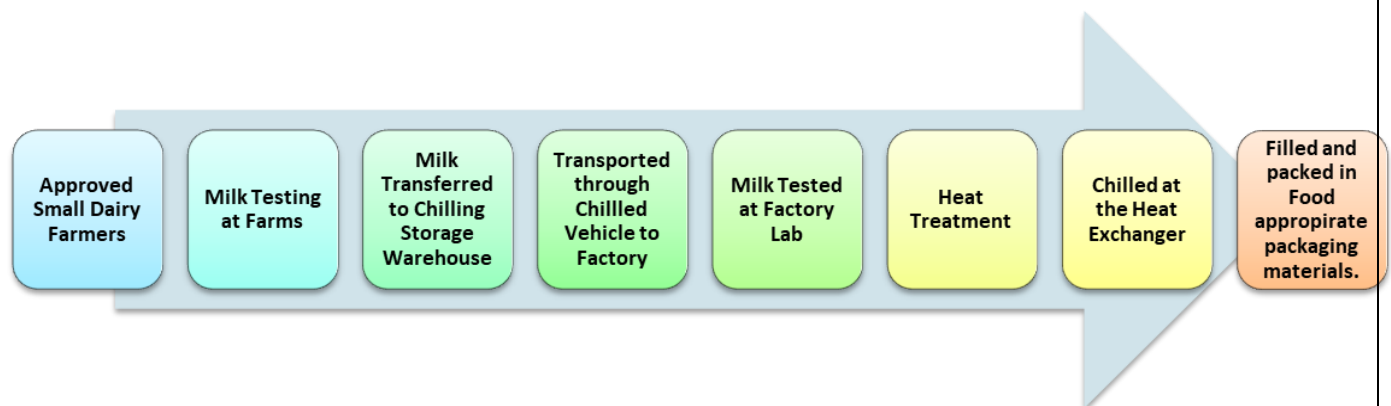
Introduction

Nestle Pakistan is a subsidiary of Nestle Switzerland which entered the Pakistani market with a joint venture with Milk Pak ltd in 1988 and took over management in 1992. The company is registered in both lahore and karachi stock exchanges and has won several management awards. The head office of Nestle Pakistan is set up in Lahore while it is operating with 3 production facilities Kabirwala, Sheikhpura, Islamabad.

Production Mechanism

In our visit to the Pinar factory in izmir we were briefed on the dairy production process for Milk and Cheese that is why only those products were selected for review in Nestle Pakistan.

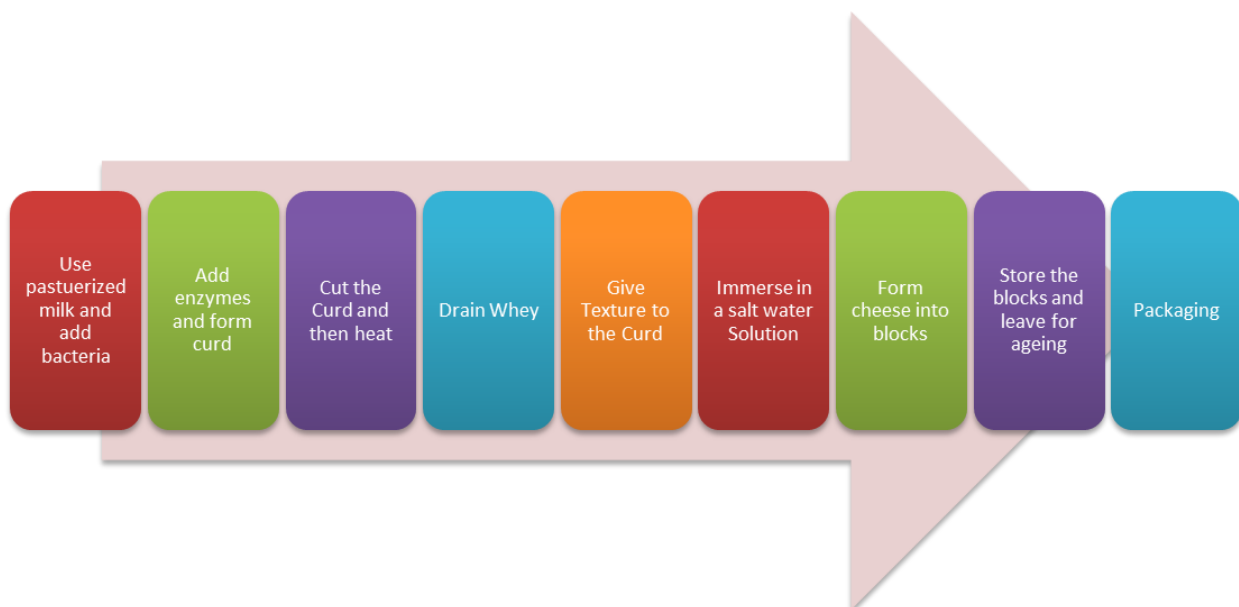
Milk Production Process



1. Approved Small Dairy Farms: The milk is collected from thoroughly checked small dairy farmers who meet the criteria of Pinar. Long term contracts are made with farms for smooth supply of milk.
2. Milk Testing at the Farm: The dairy farms are added in the network who employ the lab testing capacity so the milk can be tested at source to ensure quality.

3. **Milk Transferred to Chilled Storage Area:** The milk checked from farmers are then shifted to central chilled warehouses of the company in far areas or in some cases directly transported to the factory if the distance is minimal.
4. **Milk Testing in the Factory:** The milk is again tested when it reaches the factory to confirm the quality of the milk or report any discrepancies to the farmer regarding fat percentage or unwanted substances.
5. **Heat Treatment:** After storing the milk in large cylinders it undergoes heat treatment by heating the milk at 132-150 C for 15 secs which is sufficient to destroy bacteria and other spillage aiding organisms.
6. **Chilled/ Cooling of Milk:** After the heating process is complete the milk is then instantly cooled off for further necessary action.
7. **Filled in Food grade Packaging:** Now the process of milk pasteurization is complete and it is then filled in food appropriate packaging material.

Cheese Production Process



1. **Adding Bacteria to Pasteurized Milk:** The pasteurized milk already used in the previous milk production process is then further used and added with starter and non starter bacteria cultures at 32 C for about 30 mins time to ripen which helps aid the fermentation process and reduce ph level to develop the taste of cheese.
2. **Add Enzymes and formation of Curd:** Rennet enzyme is added at 30 C when the acid is developing at the optimum level in the mixture.
3. **Cut the Curd and then heat:** The curd formulated is then cut using sharp materials and then heated at 38 C which in turn helps separate the whey.
4. **Drain Whey:** The whey is dried and pressed into a rectangular shape.

5. Give Texture to the Curd: The rectangular shape is flipped continuously and cut into smaller pieces.
6. Immerse in a saltwater solution: The smaller pieces are put into salt water solution.
7. Formation of Cheese Blocks: The smaller pieces are then collected together to form blocks of cheese.
8. Storage of block and left for ageing: The blocks formed are then further stored in a chiller and then left for ageing for about 3-6 months.
9. Packaging: The final form is then packaged in small blocks or any form fit for the brand.

Supply Chain Mechanism

Nestle Pakistan being a multinational group has several supply chain strategies related to each region. Nestle Pakistan is a market leader in the Pakistani ecosystem which is a resultant of building a high powered supply chain. They follow the conventional supply chain strategies consisting of Inbound and outbound logistics, warehousing and distribution.

Inbound and Outbound Logistics

Nestle Pakistan works with over 150,000 small farmers from which the company sources its milk. The inbound logistics channel helps transport the milk from the farmers to their chilled warehouse located centrally. The milk is transported to the factory for further processing. With respect to the outbound logistics the finished products are transported to the warehouses in each of the regions. Third party logistic firms are used to transport the products to regional warehouses.

Warehouses

There are a total of 4 warehouses for the entire country. The primary warehouse is attached with the factory in Kabirwala. The country is divided into 3 regions North, South and Central. Each region has a separate warehouse to feed products to their respective regional distributors.

Distribution Network

Nestle Pakistan has established a vast distribution network with over 250+ distributors appointed throughout the country to make their brands available in the market. The distributors are fed by each of their designated regional warehouses.

Pinar Ltd

Introduction

Pinar was established in 1973 by its parent company Yasar Holdings. With over 5000 employees the company has been successful in marking its name as a leading brand in the food industry with products spread across various verticals including dairy, meat, animal feed and beverages. At the time of inception the dairy plant of the company was the one of the largest in the Middle east and most sophisticated in Europe. They started selling the first milk which had an extended expiry in 1975 in the local market. To

this day they have expanded to different product lines including milk, cheese, yogurt, butter, fruit juices, cream, pudding, ketchup, mayonnaise, sauces, jams etc.

Comparative Analysis between Nestle Vs Pinar

Nestle is among the world's largest multinational groups with presence in over 80 countries while employing 250,000 personnel. Nestle being a multinational giant has its advantages due to its large size in comparison to Pinar. Nestle Pakistan employs more than 150,000 farmers through which they collect milk while Pinar is sourcing from 14000+ farmers, so Nestle has greater procurement strength relative to Pinar. Moreover Nestle Pakistan has a larger product vertical base while it competes in only the dairy and beverages market with Pinar while Nestle is actively selling Chocolates and confectionery, Water, Baby Food, Cereals, Pet Food etc. In addition to this Nestle Pakistan is backed by strong financial capacity as it is a larger conglomerate as compared to pinar with high cash reserves helping the company compete in new markets and expansion plan etc.

Conclusion

The international trip turned out to be an enriching experience on both academic and personal level. Exploration of historic sites rich in cultural heritage had some valuable historic lessons to reflect in on a personal level. The faculties of Yasar University were hospitable and respectful and helped us overcome problems regarding accommodation, food and transport etc. Yasar University faculties were well equipped in their respective courses and shared some valuable insights and concepts linking to industry trends. The industrial trip arranged to Pinar was extremely insightful as it broadened our horizons and understanding specially related to production processes and supply chain mechanisms adopted by a well-established firm. We thank Nust for giving us the opportunity to go represent the university and learn in a diverse environment and would highly recommend future students to avail this great opportunity.