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Strategic Planning of The Company's Entry into Foreign Markets in The Context of The New Economic Reality (COVID-19) *

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Abstract

The coronavirus (COVID-19) pandemic has led to a slowdown in the global economy and has become a challenge for all manufacturing sectors: demand has fallen, logistics processes have become more complex, production chains have been disrupted. The pandemic and the subsequent introduction of quarantines in various countries and regions have caused significant changes in energy markets. The changes that have taken place are very significant in the short term and have equally important consequences in the long term for all sectors of the energy complex. The transition to a new level of development of companies in the form of digitalization can help to overcome the crisis in the energy industry and enable companies to develop their business in new conditions.

Keywords: Strategy, Planning, Digitalization, Pandemic, Foreign Markets, Energy, Energy Industry.

Introduction

Energy is a field of economic and economic activity, science and technology, covering energy resources, production, transmission, transformation, storage and distribution of various types of energy [1].

The purpose of power engineering is to ensure the production of energy by converting primary, natural energy into secondary, for example, electrical or thermal energy.

At the same time, energy production most often occurs in several stages [1]:

- obtaining and concentration of energy resources;
- transfer of resources to power plants;
- conversion of primary energy into secondary energy using power plants;
- transfer of secondary energy to consumers.

The world's largest energy producing countries are China and the United States, producing 23% and 18% of world production, respectively. They are inferior to such countries as Japan, Russia, India [2].

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At present, the energy policy of the countries of the world is aimed at solving various problems:

1) each country is focused on solving the problem of energy security and diversification of energy sources;
2) the energy policy of all countries is focused on energy saving, an attempt is made to slow down the consequences of global climate change.
3) the policy of countries is aimed at the development, application of technological innovations, at the use of new energy technologies in the future.

China, as a significant energy producer and consumer, faces the challenge of maintaining sustainable economic development and preserving the environment. The implementation of China's energy development strategy in the context of economic growth should be based on high efficiency of energy sources, security of energy supply and preservation of the ecological situation. The provision of the country with electricity should not become an obstacle to high rates of economic development. At present, China is actively involved in international cooperation in the field of climate change, and is gradually introducing an energy security strategy as the basis for economic development, by transforming the economic growth regime and creating a stable, economical and clean energy security system. In the medium to long term, China will help create a more stable international energy supply system and a more rational domestic energy pricing mechanism, which will help transform China's economic growth regime.

Methods

In the study, the authors used some methods, such as analysis and synthesis, induction and deduction, historical and logical, abstraction and refinement.

State regulation in the formation and development of china's energy sector

Several authorities are responsible for regulating various areas of the energy sector in China [2]:

1) State Commission for Regulation of Electric Power Industry
2) State Committee for Development and Reform of China,
3) Ministry of Land and Natural Resources,
4) Ministry of Environmental Protection, etc.

The main body in charge of regulating China's electricity industry is the State Electricity Regulatory Commission, founded in 2002. The competence of the commission includes [3]:

- general regulation of the country's electric power industry, creation of a transparent regulatory system and direct management of the regional divisions of the SCRE;
- development of a regulatory framework for the industry and rules for electricity markets;
- participation in the development of plans for the development of the electric power industry and electricity markets;
- monitoring the operation of markets, ensuring fair competition in the market, regulating non-competitive types of generation and transmission of electricity;
- participation in the development and enforcement of technical and safety standards, quantitative and qualitative standards in the electric power industry;
- monitoring compliance with environmental legislation;
- submission, based on market conditions, of proposals on tariff formation to the state body responsible for pricing, revision of tariff levels, regulation of tariffs and charges for system services;
- investigation of violations of regulatory legal acts by market participants and settlement of disputes between them;
- monitoring the implementation of the policy provisions for ensuring universal electrification;
- organizing the implementation of industry reform programs in accordance with the instructions of the State Council.

In the electricity generation sector, the main players are: 5 groups of generating companies formed as a result of the reorganization of the State Energy Corporation on the principle of equitable distribution of assets. These groups of companies are nationally controlled and their share in total output is shown in Figure 1.

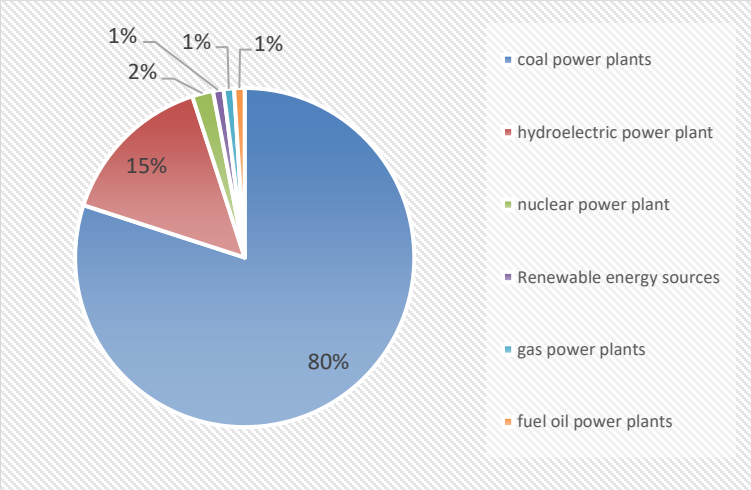

Figure 1. The structure of the energy industry in China [2]

Today, electricity markets in China are at the stage of formation and development.

A gradual development of competition is planned - at the moment the competition is exclusively between generators, in the future it is planned to introduce competition in the wholesale market, allowing large consumers to enter the market, and then create conditions for the emergence of competitive mechanisms in the retail market. The general concept of the Chinese electricity market provides for the creation of a three-tier structure - a national market, regional markets and electricity markets at the provincial level.

Analysis of the activities of a Chinese energy company

Huaneng Power International, Inc. (HPI) and its subsidiaries develop, build, operate and operate large power plants throughout China. Power plants are located in 26 provinces, autonomous regions and municipalities, making HPI one of the largest electricity producers in China. HPI fully owns an operating energy company in Singapore.
HPI began operations on June 30, 1994 [4].

Today HPI is involved in the construction of high voltage transmission lines. The company actively participates in tenders for the construction of solar and wind power plants. This direction is one of the most promising for both HPI itself and its competitors. The company possesses all the necessary technologies, staff and, most importantly, is able to complete projects at the proper level in a short time

HPI currently continues to operate as normal as scheduled, complying with all the recommended hygiene and safety measures imposed by the COVID-19 pandemic. It is difficult at the moment to objectively assess the full force of the further impact of the ongoing pandemic on the energy industry, so companies are ready to respond quickly to any market changes.

The company is in constant negotiations with other countries on the implementation of investment projects and the possibility of a Chinese company participating in promising projects for the construction of thermal power plants, solar photovoltaic plants in international markets.

We see the company's report in Table 1 and Figure 2.

Table 1. HPI Financial Report [5]

Period until:	31.12.2020	31.12.2019	31.12.2018	31.12.2017

Total income	167652,33	172176,43	167761,63	151083,13
Operating income	11918,22	12633,74	9843,52	9235,72
Net profit	12377,82	11766,35	11734,43	11579,84

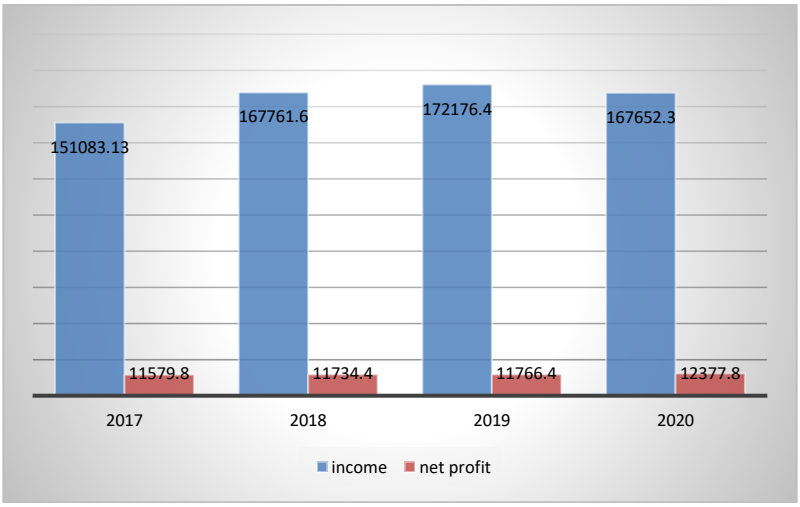

Figure 2. Dynamics of income and profit of Huaneng Power International, Inc. (billion $) [5]

We see a slight increase in total revenue in 2020 and growth in net profit. In the past few years, management has been improving business performance. To do this, the company reduces the generation of inefficient capacities and sells low-profit assets. The decrease in generation volumes in 2020 was influenced by low demand for electricity from consumers due to a decrease in business activity amid the coronavirus pandemic. The company reduced its production capacity and saw an increase in profits. Even in the crisis year for the energy industry in 2020, it demonstrated strong financial results. Figure 3 shows the organizational structure of the company.

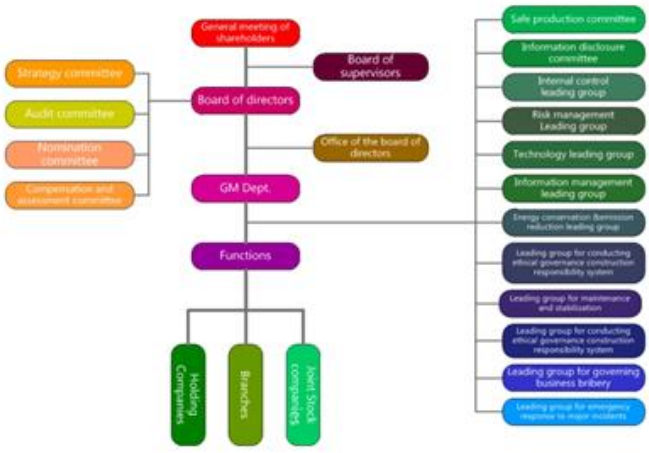

Figure 3. HPI organizational structure [4]

The organizational structure is consistent with all the goals of the company. Thanks to a well-thought-out organizational structure, all issues are resolved clearly and locally.

The company's success is based on economies of scale, high-quality equipment, strategically located generation assets, strong support from major shareholders, a solid corporate governance structure, excellent market authority, a wealth of experience in the capital market, working abroad, highly skilled talents and a professional management team.

Development goals of the Company: as a power generating company, it aims to provide abundant, reliable and environmentally friendly electricity; as a listed company, it seeks to provide shareholders with long-term, stable and growing profits; as a first-class power producer, it strives for excellence in performance, domestic excellence and international recognition.

Core corporate value: honesty, corporate spirit, constant innovation and progress, result orientation and service to the country.

Strategic orientation: First-class listed generating company.

Development goal:

1) As a listed company, the Company is committed to providing long-term “stable” growing returns for shareholders;
2) As a power generation company, the company strives to provide the community with rich, reliable, clean and affordable energy;
3) As a first-class company, the Company strives to occupy a leading position both domestically and internationally.

Strategic planning of the company's entry into foreign markets

Today the company is at a stage of stability. HPI has already achieved its sales and is now at a crossroads. The emergence of new competitors every year indicates that the market is distributed between them and the company occupies a decreasing share of the online sales market.

In order for HPI to stay at this stage and avoid a recession, it is necessary to innovate constantly.

The electricity generated by the NPP has a competitive cost and very good profit for business, which gives the company the right to expand its access to international markets, as well as to implement a strategic plan for the construction of an entire NPP complex.
By developing such construction, HPI company effectively disposes of profits through investments in the energy sector of China. All these large-scale actions of the company reduce the cost of the costs of mastering the latest technologies. Many companies are striving for such development in such countries as South Korea, India, Japan, Russia.

HPI is considering entering new international markets to implement its plans and national energy policies.

HPI's global expansion will require investment in a comprehensive construction plan and skilled workers with extensive hands-on experience in power plant construction and manufacturing.

Political support for the construction of power plants will depend on the country where HPI is present.

The company has developed a vision for the construction of power plants in international markets. The plan is based on the global conquest of international markets in the form of construction and production in an international territory of facilities.

HPI's program is based on 3 main objectives:

1) creating conditions in international markets to stimulate investment in the construction of green energy,
2) creation of energy licensing projects in the international market to expand the company's share in it;
3) the creation of an effective health safety and environmental situation, which is aimed at the population in the process of energy consumption.

Therefore, entering new markets must be justified in terms of efficiency. To do this, it is necessary to conduct marketing research of markets for construction, conduct an analysis and actions of competitors in these markets, determine the ways of being present in the international market, and determine the consumers of services. Thus, the latest ideas will help the company compete in the international market.

HPI was able to operate smoothly during the pandemic by adopting digital technologies. The coronavirus pandemic has shown the readiness of the Chinese company HPI to operate smoothly, using digital technologies to ensure not only the sustainable operation of the Chinese power system, but also the health and safety of its employees.

The digital transformation of its industries is designed to maximize the positive effect from the use of the latest solutions in the fuel and energy complex.

Thanks to the efficiency of HPI, telecontrol systems for switching equipment are being introduced in the country, digital substations are being built, including using entirely domestic software, and smart grid technologies are being introduced in a number of regions.

During the pandemic, a number of significant social facilities built by HPI were quickly and technologically connected to the power grids, which were involved in the fight against the virus, with the help of online services, individuals and legal entities continue to connect to the energy infrastructure and to settlements for electricity.
The competencies developed in such difficult conditions allow the energy company to further expand its activities in technological development.

Thus, the global economy faced a massive shock, the impact of which on society, the development of industries and the functioning of markets was unprecedented. Along with the decline in the mobility of society, its transition to online mode, the reduction in production and the growth of digital services in a wide variety of sectors, the global COVID-19 pandemic has affected the global energy sector.

For the international energy company Huaneng Power International, Inc. the ongoing changes have become a real test of the strength, sustainability of the company, the functioning of supply chains and the dynamics of demand. The consequences of restrictive measures to combat the spread of coronavirus infection have led to a sharp reduction in energy consumption and prices for them and, as a result, provoked fierce competition between suppliers.

Given the current circumstances, it is increasingly important to maintain the position of Huaneng Power International, Inc. on the world energy markets gains an increase in its efficiency and cost reduction. To meet this challenge, the leading international company Huaneng Power International, Inc. staked on accelerated technological development.

Conclusions

Let's summarize. Despite their destructiveness, global crises represent an opportunity to create new, more sustainable structures of activity in the future. Many governments have approved programs to recover from COVID-19. The seriousness of the measures is expressed not only in the amount of allocated funds. Most of these governments argue that recovery programs should not only create economic activity and jobs in the short term, but should also aim at positive change in the long term. This lies in the focus of these programs in the development vector. Therefore, the company's strategies for entering foreign markets in the new economic reality (COVID-19) are endorsed by governments as the best way to distribute the significant funds allocated for the recovery programs. As a result, digitalization, resilience and economic recovery are the main pillars of strategic decisions.

The crisis has highlighted some new challenges and opportunities that the company needs to reflect in its strategies. The company began developing new business models 10 years ago, when the industry was shaken by the emergence of renewable energies and changes in information technology. The company has yet to face the full force of this kind of system change. Now the company will have time to adapt to this by leveraging revenues. However, COVID-19 has provided a useful signal to awaken and accelerate these changes.

It can definitely be argued that the energy business has changed: it is no longer solely selling oil, gas and electricity, but is gradually shifting to a lower carbon mix. We are entering a new paradigm in which bottom-up (technology and economics) and top-down (political) pressures are moving in the same direction, towards the need to create integrated, fully decarbonized energy systems, where decision-making is especially dependent on consumers. Thus, the corporate strategy of companies must reflect this nascent paradigm.

Acknowledgments

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