

# Assessment of the Business Environment and Strategies for Developing Business Processes: the Case of Iran's West Azarbaijan Province

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## Abstract

Accurate, comprehensive and credible performance management systems, as one of the benchmarks of the development of organizations and communities, require the provision of specific infrastructures and requirements. The present study consists of a mixed approach of fuzzy hierarchy analysis and balanced scorecard to assess the business environment in the West Azarbaijan province of Iran. This research is applied in terms of purpose and has been prepared in terms of method with analytical and descriptive approach. Analytical Hierarchy Process Analysis (AHP) technique was used to measure the variables of the research and indicators are weighted by analyzing the fuzzy hierarchical process as well. Based on this, the growth and learning field with a priority weight of 0.467 is the most important and secondarily, the internal processes area with a priority weight of 0.277 is considered. The financial area with priority weight of 0.160 is considered important in the third order and finally the client area with a priority of 0.095 is considered.

**Keywords:** Business environment, Balanced Scorecard, Fuzzy Hierarchy Analysis, Iran.

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Cite this article: Lotfi, A., Nasiri, N., & Hajihassanias, S. (2019). Assessment of the Business Environment and Strategies for Developing Business Processes: the Case of Iran's West Azarbaijan Province. *International Journal of Management, Accounting and Economics*, 6(12), 913-925.

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## Introduction

The establishment of institutional infrastructures for the development and removal of business barriers is a prerequisite for the implementation of this policy and is among the essential duties of government and civil institutions, including the Chamber of Commerce (BOZORGI & SABBAGHIAN, 2005). What is certain is that reforming the business environment and improving these indicators in the global arena is not only a positive step towards strengthening the private sector participation in the realm of the economy, promoting employment and production in the country, but is definitely the key signal to welcome foreign investors to enter the country and to promote and facilitate the flow of technology to the country and all of this is a platform for realizing the 20-year-old vision that is becoming the first power of the region in economic, technical and scientific terms (DARGAHI, 2005). In fact, according to the consensus of economic experts, the poor themselves consider employment as a way out of poverty. Providing the possibility of growth requires an environment where entrepreneurs can start their own business with new ideas of any gender and race and by establishing companies and investing in a job that is created. Also, in the appropriate space, a loftier horizon for business is expected, resulting in larger steps in economic growth and development. Because the big steps require long-term plans (EKHTIARI, 2013). In today's competitive world, organizations are looking for tools to surpass their competitors, in which BSC is the best tool for evaluating and designing strategies (whether in manufacturing systems or service organizations). Considering that one of the problems of the BSC model is the lack of proper selection of strategic initiatives and the neglect of multiple constraints and goals, in this research, the combination of decision techniques and the BSC approach has been used in a structured methodology to solve it. The results of the proposed approach are more reliable than similar researches on the application of BSCs in organizations, and also have a positive effect on the performance and long-term success of the organization. According to theoretical foundations, the business environment of the province shows that due to the existing obstacles, both provincial and national, the widespread pursuit of private-sector economic activists is not expected (HANAFI ZADEH & BAKHSHI, 2017). On the other hand, the provincial executives' long-term efforts have not been effective in developing the province for many years. So, despite all this effort, no special leaps have taken place in the development of the province, nor has its place in the provinces been significantly improved. The present article, can reveal many factors affecting the improvement of the business environment of the province both at the provincial and national levels. With the full efforts of the officials and top managers of the province, including the field of policy and legislative and executive area, these barriers and shortcomings can be eliminated which could improve the environment of goods and services production and make this environment attractive for economic activists and lead to economic development.

## Theoretical Framework

What is obvious is that empowering the private sector depends on improving the business environment. The transfer of ownership of economic enterprises to the private sector will lead to the improvement of the country's economic conditions if accompanied by the freedom of the private sector to carry out economic activities (Ahmadi, 2008). Enabling the private sector without providing competitive conditions and also without



creating the necessary transparency in allocating resources is also rentier by simply giving entrepreneurship facilities and in contrast, market competition is subject to the removal of barriers to business. Increasing investment security for the production and encouragement of the owners of capital to start economic activities and, consequently, increase in employment should be done in creating the right business environment. One of the key principles of empowering the private sector is to simplify and eliminate laws and regulations to improve the business environment (BREMSEK & CHUNG, 2005). It seems that revision of rules, including laws, guidelines, regulations and procedures, is an essential requirement for improving the business environment. On the whole, the countries that have been struggling to improve the business environment and empowerment of the private sector and further liberalization of the economy have been generally more successful (JAFARI ESKANDARI, ALI AHMADI, KHALEGHI, & HEIDARI, 2010). In recent decades, many countries have been working to improve the business environment in pursuit of economic liberalization and the expansion of economic activities, in addition to privatization. They have found that the development of privatization and the improvement of the business environment, alone or in combination, can be an opportunity for the wealth makers and entrepreneurs. Of course, it's obvious that paying attention to these two categories will make it more efficient. Given the growth of private sector capabilities in an improved business environment, it is possible to engage in potential benefits within the opportunities and its natural consequence is effective improvement in micro and macro conditions of the economy (EKHTIARI, 2013). The need for current changes in the business environment is such that most countries feel the need for this transformation and constantly align themselves with the changes. While the Iranian economy is involved in bureaucracy in the business environment and the possibility of private sector development in this environment is not proportional to global speed (DIVANDARI, NIKOOKAR, NAHAVANDIAN, & AGHAZADEH, 2008). The West Azerbaijan Province has the potential of economic, human, natural and geographic capacities for development. But, despite the efforts made in state institutions and the perseverance of the private sector, it has not yet reached the proper place of the people and authorities and the provincial development gap still remains as a mystery. Along with the official planning system of the country, in the West Azerbaijan province, there is also a series of extensive undergraduate and managerial activities every few years. The purpose of this wide-ranging activity is to formulate a program for development that is carried out in the form of five-year plans, Iran's 1400s, 20-year-olds, draft plans and etc. However, there is no doubt about this worthwhile goal, as well as the serious efforts to formulate and implement them, but there is a wide gap between the gains and outcomes with projected expectations. Repeating this unpleasant phenomenon is a sign of serious barriers. Though so far, studies have examined the reasons for it, however, these studies are often viewed from the perspective of economic factors, and sometimes from the perspective of human factors that have failed to provide complete recognition and treatment for it.

Balanced Scorecard is a performance evaluation framework that, with a set of financial and non-financial scales, gives a complete look at the company's performance (CARDINAELS & VEEN-DIRKSB, 2010). This method establishes a balance between long-term and short-term goals, between financial and non-financial scales, between leader and follower indicators, and between the outlook for domestic and foreign performance. The BSC model has been used effectively in manufacturing and service and

nonprofit and government organizations (MILIS & MERCKEN, 2004). The concept of BSC can be used to measure, evaluate, and direct activities in specific functional areas of a business, and even at a single project level (CLINTON, WEBBER, & HASSELL, 2002). The BSC core is shaped by perspective and strategy. These two are in fact the basis for the formation of the four aspects of the BSC. The financial results at BSC come at a time when the organization's efforts are well guided in the other three areas (STEWART, 2008).

More studies have been done on the subject of this research. Jafari Eskandari et al. (2010) studied the business environment in Iran in a study titled "Assessing Iran's Industrial Business environment in Supporting the Private Sector with a Balanced Scorecard Approach". In this paper, the goal was to use a combined approach of fuzzy hierarchy analysis and a balanced scorecard to evaluate the industrial business environment in Iran. Hashemi (2006), in a paper titled "The Future and the Business Environment," explores the overall business environment. In this research, it has been tried to explain the most important changes, their dimensions and their characteristics to the extent possible. Fathi and Safi (2009), in a paper titled "the use of electronic intermediates for the development of business processes" presented three classes of processes with the following related processes. The finding of this research is that business performance of an electronic middleman can be increased by considering existing resources and evolutionary resources through business process planning. Divandari et al. (2008), in a paper titled "market orientation and business performance in Iran", have investigated the business environment in Iran. The conceptual model of this research shows the direct and indirect relationship (through creating value) between market orientation and business performance. Also, the findings show that according to the experts, the conceptual model of market orientation and business performance in Iran is confirmed by some modifications. Li et al. (2009), in their study, examined the effect of IT on the business environment from the supply chain perspective in 182 countries, and concluded that IT applications in the studied countries did not have influence directly on supply chain performance of 5 countries. Lee et al. (2008), in their study, specifically focused on the role and impact of electronic business on improving and promoting the efficiency and competitiveness of the business environment from the creation of complementary job opportunities for individuals. This study was conducted in the form of a field study in six largest semiconductor manufacturers in Taiwan, which has been proven the positive effect of the development of the electronic business on the business. Chouchane and Hanene (2018) examines the effect of ICT on the business environment in terms of the efficiency of manufacturing firms. In this study, sampled in a selection of firms in Tunisia, it is found that firms that specifically focus on ICT capabilities are 5% more efficient than their fellow members.

Therefore, it seems that the path to development of the province in terms of improving the business environment based on the balanced scorecard model should be redefined. For this reason, the present study sought to answer the following questions:

- What factors affect the improvement of the business environment based on a balanced scorecard in the West Azerbaijan province?

- What are the existing challenges based on a balanced scorecard to improve the status of the business environment of the West Azerbaijan province?
- How and by what ways can the business environment of the East Azarbaijan province be improved?

### **Research Methodology**

This research is applied in terms of purpose and has been developed in terms of analytical and descriptive approach. Data collection was done using a researcher-made questionnaire and Analytical Hierarchy Process Analysis (AHP) technique was used to measure the variables of the research. This research is a field study in terms of data collection and the research method is as follows:

After registering the standardized sub-criteria, the subset sets will be divided into two general categories of quantitative and qualitative sub-criteria. Quantitative sub criteria are sub criteria for which data can be collected in real numbers. Qualitative sub-criteria are sub-criteria that can be obtained only through the cognitive approach of individuals. To collect qualitative data, it is necessary to draw and execute three steps; These steps include designing a questionnaire for collecting data, determining the sample population and designing the paired comparison tables.

Due to the multiplicity of performance evaluation systems, we need to have a preliminary screening based on specific features of the causative agent. During several expert meetings with the presence of experts on similar issues in other countries, the items that could play a fundamental role in this selection are considered as follows:

- Based on strategic goals.
- Measure the entire organization.
- Impressing the important aspects of the organization.
- Measurement of non-financial aspects along with financial aspects of the organization.

Therefore, based on the initial screening, the following systems were appropriately evaluated:

- Balanced Scorecard
- Performance measurement system for world-class production
- Dynamic Integrated Performance Measurement System
- Strategic Measurement and Reporting Technique

Based on the research and features mentioned, the Balanced Scorecard Assessment System is known as the best and most appropriate evaluation system. Therefore, because

the present study seeks to identify the strengths and weaknesses of the business environment, a balanced scorecard model has been used to evaluate the business performance of the province.

In this section, the data collection questionnaire was designed using standardized sub-criteria. In questionnaires, the number of questions is proportional to the number of sub-criteria. The questions were designed by comparing the expressions of each of the last levels of sub criteria and alternatives, and the questioner was answered accordingly. In order to get closer to each other's subjective perceptions of the questioners, it is appropriate to provide indicators related to the sub-criterion.

The statistical population of the study is the active industrial units that play an important role in employment and business creation. There are 2348 companies in 15 settlements in West Azarbaijan province. For this reason, managers and experts of industrial units were tested.

Sampling method in this research is a simple random method (SRS). Regarding the statistical population (2348 industrial units) using Morgan's standard table (Krejcie and Morgan, 1970), the sample size was 338 managers and experts from industrial units (TAGHI ZADEH & TARI, 2007).

Since the analysis of the business environment requires an overview of this issue, therefore, considering the various dimensions of the subject and their impact and their different weight, this study used a balanced scorecard technique to evaluate the business environment. This method brings together the related and multiple goals that companies must achieve to compete on the basis of innovation and their intangible capabilities. Since analysis hierarchical process (AHP) can be complementary to the balanced scorecard approach in determining the importance of weight of each dimension of the subject; and it will enhance the accuracy and comprehensiveness of the discussion, therefore, in this study, a balanced scorecard technique was used to analyze the business environment, along with a hierarchical analysis.

### **Findings of Research**

A hierarchy is a graphical representation of the real complex problem that at the top it there is the general objective of the problem and at the next levels there are criteria and options, Although there is no fixed and definite rule for hierarchical design, the hierarchy may be one of the following:

- Goal - Criteria - Subcriteria - Options
- Goal - Criteria - Factors - Sub-factors – Options

In the structure of the tree, the decision tree is depicted in Figure 1.



Table 1. Fuzzy Size of the Balanced Scorecard Variables

Variables	Fuzzy size of each variable	The definitive size of each variable
Financial area	0.29321-0.2742-0.26317	0.28642
Internal processes	0.32014-0.29635-0.31743	0.31512
Growth and	0.33263-0.31251-0.34518	0.33951
Customer	0.24527-0.24103-0.23279	0.24304

### *Ranking of Balanced Scorecard Areas*

To answer this question, we introduce the obtained fuzzy size for the balanced scorecard variables into a model and make up the decision matrix. In the first step, the hierarchical structure of the decision is determined. This structure is presented in the form of Chart 1 and Table 2.

### *Paired Comparison of Main Criteria and Sub-criteria*

After determining the criteria and effective sub-criteria, the paired comparison tables are composed and scored by the experts. In this study, factor scoring was performed on five levels and in accordance with Table 3. Firstly, the views of each expert were received separately and analyzed. Also, experts' opinions were merged with the use of simple geometric mean, regardless of the weight of different people.

Table 2. The Main Criteria and the Sub Criteria of the Balanced Scorecard

Main factors	Secondary factors	Symbol
Financial	Existence of plans to support investment	A1
	The provincial governor's policy regarding foreign capital	A2
	The degree of encouragement of the financial system of the new investment	A3
	Openness of the banking sector	A4
	The quality of the legal financing system	A5
	Foreigners access to the domestic capital market	A6
	Access with mid-term financing for investment	A7
	Inflation	A8
	Tax system	A9
	Average export growth rate	B1

Main factors	Secondary factors	Symbol
Internal processes	Level of private property protection	B2
	Openness of people's culture in relation to communications with foreigners	B3
	Trade openness	B4
	Bureaucratic quality	B5
	Risk of confiscation of foreign assets	B6
	Existence Transparency and justice in the legal system	B7
Growth and learning	Quality of labor force	C1
	Existence of skilled labor force	C2
	Moderated labor cost	C3
	Limitations of work rules	C4
	Protection of intellectual property	C5
Customer	Government regulations regarding the creation of a new business	D1
	Promotion of competition	D2

Table 3. Scoring levels

Score	Impact rate
5	Very Much
3	Much
1	Medium
$\frac{1}{3}$	Low
$\frac{1}{5}$	Very Low

Since we are typically faced with opposing ideals in deciding on macro issues with respect to its multiplicity, in order to solve this problem, we must determine the priority of the ideals. In other words, making adjustments to sub-indicators of balanced scorecard areas requires cost and lots of effort. It is important, therefore, that these costs and efforts should focus on more important and prioritized indicators. To do this we can use the weights of Table 3 as the priority of the sub-indicators. Determining the priority of each sub- criteria relative to the main factors extracted by the paired comparison method is shown in Table 4.

Table 4. Weight of the sub-criteria according to the relevant criteria

Main factors	Secondary factors	Symbol	Weight of sub- criteria	Rank
Financial	Existence of plans to support investment	A1	0.200	8
	The provincial governor's policy regarding foreign capital	A2	0.400	3
	The degree of encouragement of the financial system of the new investment	A3	0.444	1
	Openness of the banking sector	A4	0.424	2
	The quality of the legal financing system	A5	0.227	6
	Foreigners access to the domestic capital market	A6	0.227	7
	Access with mid-term financing for investment	A7	0.122	9
	Inflation	A8	0.400	5
	Tax system	A9	0.400	4
Internal processes	Average export growth rate	B1	0.391	1
	Level of private property protection	B2	0.362	4
	Openness of people's culture in relation to communications with foreigners	B3	0.351	6
	Trade openness	B4	0.375	3
	Bureaucratic quality	B5	0.383	2
	Risk of confiscation of foreign assets	B6	0.351	5
	Existence Transparency and justice in the legal system	B7	0.189	7
Growth and learning	Quality of labor force	C1	0.377	1
	Existence of skilled labor force	C2	0.156	5
	Moderated labor cost	C3	0.276	2
	Limitations of work rules	C4	0.165	4
	Protection of intellectual property	C5	0.200	3
Customer	Government regulations regarding the creation of a new business	D1	0.469	1
	Promotion of competition	D2	0.279	2

Based on the results of the above table, the group has given the most important priority among financial sector subnets as encouraging the financial system of the new investment. After making

the necessary calculations, the adaptability rate (0.009) indicates that the pair comparisons of the group are compatible.

Based on the results of Table 4, the group has given the most important priority among subsets of internal processes to the average export growth rate. After making the necessary calculations, the adjustment rate (0.0039) indicates that the pair comparisons of the group are compatible.

Based on the values of Table 4, the group has given the highest priority among the subsystems of the growth and learning to the quality of the labor force. After making the necessary calculations, the adaptation rate obtained (0.002) indicates that the pair comparisons of the group are compatible.

Finally, based on the values from Table 4, the group has given the most important priority among the customer process subsets to government regulations regarding the creation of a new business. After making the necessary calculations, the adaptability rate (0.01) indicates that the pair comparisons of the group are compatible.

After determining and identifying the most important challenges and sub-criteria in this section, according to the main criteria of the balanced scorecard, a questionnaire was developed and was made available to experts to construct a fuzzy pair comparison matrix. In the table below, the matrix of group pair comparisons is presented to compare the different domains. Therefore, the weight for the matrix of the pairwise comparison of the criteria and the normalized weight relative to the target is shown in Table 5.

Table 5. Weight of Criteria against the Target

Criterion name	Weight	Normalized weight	Rank
Growth and learning	0.512	0.467	1
Internal processes	0.298	0.277	2
Financial	0.203	0.160	3
Customer	0.110	0.095	4

Based on this, the growth and learning domain with a priority weight of 0.467 is the most important and secondarily, the internal processes area with a priority weight of 0.277 is considered. The financial area with priority weight of 0.160 is considered important in the third order and finally the customer area has been considered as a priority of 0.095.

## Conclusion

The index of business environment is one of the important parameters for attracting foreign capital and decision making by investors. Business environment is one of the indicators that can be used to analyze the economic conditions of each country. The impact of a favorable business environment on increasing the attraction of domestic and foreign investment, job creation and GDP growth is evident. Accordingly, the reform of the infrastructure in creating the business environment seems necessary. If the obstacles to creating a business environment do not go away, naturally, the investor can not act as expected. Therefore, the reform of labor market laws, including labor and social security legislation, taxation, approval of required legislation, the trade law, and in particular the law on the improvement of business environment with clear and unequivocal conditions which avoids any tidying up, are essential and complementary steps in

creating business environment. Given the need to improve the business environment and its relationship with the development process, making the necessary reforms is a priority of any society. Without this, improvements to the business environment are impossible. Strategies for upgrading the business environment of the West Azerbaijan Province, after analyzing and supplying weight for every functional index, by extraction of actions taken in other areas and interviewing experts, a total of 36 strategies in the area of the balanced scorecard were considered for improving the business environment. Due to the multiplicity of these strategies, a questionnaire was prepared for the relevant components and the questionnaire was distributed randomly to determine the importance of the strategies and obtained data were analyzed. Components that have a high impact degree were selected. Accordingly, among “financial” sector subnets the “encouraging the financial system of the new investment” has taken the most important priority. Among “internal processes” sector subnets the “average export growth rate” has taken the most important priority. Among “growth and learning” sector subnets the “quality of the labor force” has taken the most important priority and finally among “customer” sector subnets the “Government regulations regarding the creation of a new business” has taken the most important priority.

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