

Challenges & Opportunities

Challenges in International Business

1. The Physical Distance

Although you may have the Internet and telephones to communicate overseas, nothing is quite the same as being there in person to talk to your prospects and your distribution partners, not to mention costs related to freight, logistics and shipping. At some point, you will have to figure out the costs involved in doing business “long distance” in the regions where you want to expand.

2. International company structure

If your aim is to be competitive globally, you must have a team in place that’s up for the challenge. One fundamental consideration is the structure of your organization and the location of your teams.

For instance, will your company be run from one central headquarters? Or will you have offices and representatives “on the ground” in key markets abroad? If so, how will these teams be organized, what autonomy will they have, and how will they coordinate working across time zones? If not, will you consider hiring local market experts who understand the culture of your target markets, but will work centrally?

Coca-Cola offers one example of effective multinational business structure. The company is organized into continental groups, each overseen by a President. The central Presidents manage Presidents of smaller, country-based or regional subdivisions. Despite its diverse global presence, the Coca-Cola brand and product is controlled centrally and consistent around the world.

While Coca-Cola is a vast international brand, the structure of your business and the number, nationality, and level of expertise of your team will vary depending on your industry, product, and the size of your business.

3. Communication difficulties and cultural differences

Good communication is at the heart of effective international business strategy. However, communicating across cultures can be a very real challenge. At Hult, developing cross-cultural competency and communication skills are a core focus inside and outside of the classroom.

Effective communication with colleagues, clients, and customers abroad is essential for success in international business. And it's often more than just a language barrier you need to think about — nonverbal communication can make or break business deals too. Do your research and know how different cultural values and norms — such as shaking hands — can and should influence the way you communicate in a professional context. Being aware of acceptable business etiquette abroad, and how things like religious and cultural traditions can influence this, will help you to better navigate potential communication problems in international business.

4. Mastering Marketing

Are you familiar with the buying process in the country that you wish to expand into? Learning the best way to reach your prospective customers is an important element of taking your business global. This will allow you to establish the kind of customer base that is necessary to be successful with globalization in the long term. One key ingredient to successful global marketing is transcreation. Transcreation will allow you to adapt your marketing content to a new foreign market.

5. Human Resources

When taking your business global, it is important to consider how you will meet the manpower requirements for operating in a foreign country. You may need to hire new team members which will require an additional investment. If you decide to send some of your existing team members to new global markets, you have to account for the roles that they will leave vacant.

6. Political Risk

An obvious risk for international business is political uncertainty and instability. Countries and emerging markets that may offer considerable opportunities for expanding global businesses may also pose challenges, which more established markets do not. Before considering expansion into a new or unknown market, a risk assessment of the economic and political landscape is critical.

Issues such as ill-defined or unstable policies and corrupt practices can be hugely problematic in emerging markets. Changes in governments can bring changes in policy, regulations, and interest rates that can prove damaging to foreign business and investment.

A growing trend towards economic nationalism also makes the current global political landscape potentially hostile towards international businesses. For instance, companies like Facebook are banned in China, partially in preference for national social networks and also due to government regulation over internet content. Monitoring political developments and planning accordingly can mitigate political risks of doing business abroad.

7. Choosing the Right Countries

You need to have done enough research to understand where the best place to expand is. If there are several options, analyze the relative benefits and drawbacks of each country to determine which markets are most ideal for globalization.

8. Properly Adapting Documents and Content to the Culture

You have to come up with a way your prospective customers can read and understand your sales materials, instructions, and other documentation that is important for your business. Ideally, you will be able to do more than just translate them; you will have them adapted to the culture so that they are optimally understood and relatable by locals.

Addressing these issues will help you meet the challenges presented by taking your business global and help you extend your company's reach to new heights.

9. Unfamiliar Cultures

Do you know the most common behaviors in the country you are looking to expand into? What about the way in which people interact with each other in a social setting? Overcoming this cultural challenge is important for taking your business global so that you can assimilate with the people who will become your customers.

Opportunities in International Business

1. Increased market size

The size of an international market has a significant influence on firms as they can invest in research and development to gain competitive advantage. Organizations usually prefer to invest in those countries which have scientific knowledge so that the firms can make optimum utilization of research and development activities to gain competitive advantage. Firms belonging to domestic markets having low growth opportunities always prefer international strategy to expand their operations and to earn profits across the world.

2. Return on investment

Huge markets are crucial in acquiring returns especially for capital-intensive investments like plant and capital equipment or research and development. The new technological changes and new products sometimes cannot fulfill the customer's need so the firm's role is to maintain investments in such a way to attract the prospective customers. Organisations always strive to develop new technology and products but at the same time, they should adopt the strategies to protect their intellectual property rights from their competitors. The international expansion provides the scope for larger markets and enables the firms to enhance its operations efficiently in terms of capital investments and large-scale research and development expenditures.

3. Factors that provide a basis for international business level strategy

The home country of operation is the critical aspect in international business level strategy and serves the base for gaining competitive advantages. Resources which are well setup in home country facilitate firms to carry out their strategies into markets which are located in other countries. The factors which help in international business level strategy are firm's strategy, structure, factors of production, demand conditions, relating and supporting industries.

4. Economies of scale

Expanding firms operations reduce the total cost of the product and integration of critical resource functions results in optimal economies of scale. Organisations can gain core competencies with the help of resources and knowledge sharing with other countries through

international markets. Knowledge sharing helps in expand its operations and to produce efficient products and services at cost effectiveness.

5. Exporting

The process of producing goods in the home country or third country and transporting those produced goods to other countries is termed as Exporting. It is a very popular mode used to enter into the foreign markets because; it is an easy, economical and less risky mode of entry. Apart from this exports are used as strategic methods to overcome excess production.

Exporting is not only applicable for big companies; even small companies also gained advantages from exporting. The numbers of companies involving themselves in the exporting activity across the world are increasing due to the ease of this business. The number of export opportunities has increased with the reduction in trade barriers and increase in regional economic agreements like the European Union, North American free trade agreement. The logistical problems concerning exporting are sorted out with new communication and transportation technologies. Use of technology in exporting has minimized the cost of exporting.

6. Strategic Alliances

Strategic alliance refers to cooperation between two or more companies. These alliance partners have the common goal and shared control to attain mutual benefits. A strategic alliance can be defined as a cooperative strategy because; companies integrate few of their resources, skills and capabilities with an intention to build competitive advantage. The International strategic alliance is an alliance form by a domestic company with the foreign company.

7. Licensing

Licensing is a method of market entry; a company can gain market presence without any equity investment. A company assigns the right to a patent or a trademark to another company for a fee or royalty is termed as licensing. Licenses are signed for a variety of time periods. Depending on the investment needed to enter the market, the foreign licenses may insist on a longer licensing period to recover the initial investment. The license will make all necessary, capital investments such as machinery, inventory and so on.