

Problems And Prospects of International Business

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Abstract- International business is the procedure of spotlighting on the resources of the globe and objectives of the organizations on worldwide business opportunities and threats. We can also articulate that International Business is all about business dealings - private & governmental – that engross two or more countries. Private companies assume such transactions for profit; governments may or may not do the same in their transactions. It involves performance of business activities premeditated to plan, price, promote and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit. While the global marketplace becomes more interconnected and accessible, the risks involved in doing business abroad are not to be taken lightly. Expanding business overseas means reaching new clients or customers and potentially boosting profits. Despite all the uncertainty and the challenges that have yet to reveal themselves, there are some guidelines for conducting business on a global scale that one should always consider before leaping into new international operations.

Keywords- International, Business, Challenges, global, companies, markets, International laws,

I. INTRODUCTION

“International conventions and national legislation make modern slavery illegal, but we are still a long way from its final eradication. Businesses can play an important role in addressing modern slavery.”- From Corporate Leadership on Modern Slavery

International business encompasses a full range of cross-border exchanges of goods, services, or resources between two or more nations. These exchanges can go beyond the exchange of money for physical goods to include international transfers of other resources, such as people, intellectual property (e.g., patents, copyrights, brand trademarks, and data), and contractual assets or liabilities (e.g., the right to use some foreign asset, provide some future service to foreign customers, or execute a complex financial instrument). The entities involved in international business range from large multinational firms with thousands of employees doing business in many countries around the world to a small one-person company acting as an importer or exporter. This broader definition of international business also encompasses

for-profit border-crossing transactions as well as transactions motivated by nonfinancial gains (e.g., triple bottom line, corporate social responsibility, and political favor) that affect a business's future.



Fig. 1 Challenges of International Business.

II. PROBLEMS / CHALLENGES OF INTERNATIONAL BUSINESS:

While the global marketplace becomes more interconnected and accessible, the risks involved in doing business abroad are not to be taken lightly. **Expanding business overseas means reaching new clients or customers and potentially boosting profits.** Despite all the uncertainty and the challenges that have yet to reveal themselves, there are some guidelines for conducting business on a global scale that one should always consider before leaping into new international operations. Here is our advice on how to tackle the **11 biggest challenges for international business:**

1. International company structure
2. Foreign laws and regulations
3. International accounting

4. Cost calculation and global pricing strategy
5. Universal payment methods
6. Currency rates
7. Choosing the right global shipment methods
8. Communication difficulties and cultural differences
9. Political risks
10. Supply chain complexity and risks of labor exploitation
11. Worldwide environmental issues

2.1 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.

2.2 Foreign laws and regulations

Along with getting your company structure in place, gaining a comprehensive understanding of the **local laws and regulations** governing your target markets is key. From **tax implications** through to **trading laws**, navigating legal requirements is a central function for **any successful international business**. Eligibility to trade is a significant consideration, as are potential tariffs and the legal costs associated with entering new markets.

Airbnb ran into trouble in 2014, with a crackdown on advertised rental properties falling outside local housing

and tourism regulations. The company was forced to pay a **€30,000 fine** for a breach of local tourism laws in Barcelona. It's important to note that **employment and labor requirements** also differ by country. For instance, European countries stipulate that a minimum of 14-weeks maternity leave be offered to employees, while on the other hand, there is no such requirement for U.S. employers. With the complexity involved in foreign trade and employment laws, **investing in knowledgeable and experienced corporate counsel can prove invaluable**.

Beyond abiding by official laws, engaging in international business often requires following other unwritten cultural guidelines. This can prove especially challenging in emerging markets with ill-defined regulations or potential corruption. In response, companies doing business in the United States must abide by the Foreign Corrupt Practices Act, which aims at **eliminating bribery and unethical practices in international business**. A good rule of thumb is to beware of engaging in any questionable activities, which might be legal but could have future reputational repercussions.

2.3 International accounting

Main legal areas to consider when it comes to doing international business, **tax compliance is perhaps the most crucial**. Accounting can present a challenge to multinational businesses who may be liable for corporation tax abroad. Different tax systems, rates, and compliance requirements can **make the accounting function of a multinational organization significantly challenging**.

Accounting strategy is key to maximizing revenue, and the location where your business is registered can impact your tax liability. Mitigating the risk of multiple layers of taxation makes good business sense for any organization trading abroad. Being aware of tax treaties between countries where your business is trading will help to ensure you're not paying double taxes unnecessarily.

A focus on **tax efficiency is often the aim of international accounting efforts**. In the European Union, companies may benefit from the Common Consolidated Corporate Tax Base proposal, whereby companies with operations around the EU can limit tax liability to one corporate center. Tax consolidation is a feature of several multinationals' decision to be headquartered in Dublin, as Ireland is known for its "business-friendly" corporate tax policy. Well-known companies with operational headquarters in the Republic of Ireland include Google, Facebook, and Intel.

2.4 Cost calculation and global pricing strategy

Setting the price for your products and services can present challenges when doing business overseas and should be another major consideration of your strategy. You must consider costs to remain competitive, while still ensuring profit. Researching the prices of direct, local-market competitors can give you a benchmark, however, it remains essential to ensure the math still works in your favor. For instance, the cost of production and shipping, labor, marketing, and distribution, as well as your margin, must be taken into account for your business to be viable.

Pricing can also come down to how you choose to position your brand — should the cost of your product reflect luxury status? Or will low prices help you to penetrate a new market? Swedish furniture giant Ikea, known in Europe for its low-cost value, struggled initially in China due to local competitor costs of labor and production being much cheaper. By relocating production for the Chinese market and using more locally sourced materials, the company was able to successfully cut prices to better reflect its brand and boost sales among target consumers.

2.5 Universal payment methods

The proliferation of international e-commerce websites has made selling goods overseas easier and more affordable for businesses and consumers. However, payment methods that are commonly accepted in your home market might be unavailable abroad. **Determining acceptable payment methods and ensuring secure processing must be a central consideration for businesses who seeks to trade internationally.**

Accepting well-known global payment methods through companies like Worldpay, as well as accepting local payment methods, such as JCB in Asia or Yandex Money in Russia, can be a good option for large international businesses. Accepting wire transfers, PayPal payments, and Bitcoin, are other possibilities, with Bitcoin users benefiting from no bank or credit card transaction fees. Despite the risk of fluctuating value, the lack of fees is one of the reasons a number of online companies, including WordPress, the Apple App Store, Expedia, and a number of Etsy sellers accept Bitcoin.

2.6 Currency rates

While price setting and payment methods are major considerations, **currency rate fluctuation is one of the most challenging international business problems** to navigate. Monitoring exchange rates must therefore be a central part of

the strategy for all international businesses. However, global economic volatility can make forecasting profit especially difficult, particularly when rates fluctuate at unpredictable levels.

Major fluctuations can seriously impact the balance of business expenses and profit. For instance, if your company is paying suppliers and production costs in U.S. dollars, but selling in markets with a weaker or more unpredictable currency, your company could end up with a much smaller margin — or even a loss. One way to protect yourself against large fluctuations in currency is to **pay suppliers and production costs in the same currency as the one you're selling in.** This may mean switching to more local production where possible in order to better balance your outgoings and sales revenue.

Another option for mitigating the risk of unpredictable currency rates can be setting up a forward contract and agreeing a price in advance for future sales. Of course, this potentially means missing out on greater profit should rates shift in your favor. However, it can protect your sales from the risk presented by unstable currency. Learn more about six key factors that can influence currency exchange rates:

2.7 Choosing the right global shipment methods

The potential of online sales presents a **huge international business opportunity for retailers** in the 21st century, but finding reliable, fast, and cost-effective shipment and distribution methods can be a difficult balance in some markets. Depending on the volume and destination of your shipments, will you send by land, sea, air, or a combination? **Your choice of shipping method can be a major influence on your revenue and may be a limiting factor to the products you can viably sell overseas.**

Other considerations to address according to your company's products and your target markets include customs fees, the need and cost of storage, and local methods of distribution. There are also country-specific regulations and shipping requirements to take into account. For a quick check of costs and compliance, UPS International has created an online tool called Trade Ability to help businesses and individuals manage the movement of goods overseas.

2.8 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**.

Cultural differences can also influence market demand for your product or service. The need your business may address at home may already be met or not exist at all overseas. Local market insight is key, and there are a number of successful brands whose business models simply weren't viable in overseas markets. For instance, American coffee company Starbucks seriously struggled in Australia, where the demand for local, independent cafes and coffee shops vastly outweighed the appeal of the corporate giant. Small practical considerations can also be easily overlooked, such as creating quality translations of product and marketing materials, and even ensuring your brand name works well abroad. A number of well-known companies have had to consider adapting the names of their brand or product when launching in a foreign market. The Chevrolet Nova is perhaps the most commonly cited example, where “no va” literally translates to “no go” in Spanish—not the best product name for a car. Although slumping sales figures in Latin America have proven to be an urban legend, the story of the “no go” car serves as a useful reminder of the importance of preparing well before launching your business in a new market.

2.9 Political risks

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.**

2.10 Supply chain complexity and risks of labor exploitation

When it comes to sourcing products and services from overseas, **managing suppliers and supply chains can also be a tricky process.** Unfortunately, the length and complexity of supply chains increases the chance of working with suppliers who have unethical — and even illegal — business practices. Of growing concern is the risk in international business of forced labor and worker exploitation.

In October 2015, the UK passed the Modern Slavery Act in response to this often-hidden human rights violation. Recent research led by a partnership between Hult International Business School and the Ethical Trading Initiative revealed that an astonishing **77% of businesses believe that modern slavery exists at some point in their supply chains.**

To raise awareness and help local and international businesses respond more effectively to this issue, their published research report presents case studies of businesses who have implemented practices at the leading edge of the fight against modern slavery. As the research team continues to bring their findings to light, developing and supporting ethical and sustainable business practices remains a focus in the Hult classroom.

2.11 Worldwide environmental issues

As the environmental risks and effects of climate change are becoming better understood, **sustainability is high on the agenda of many major global corporations.** Recent international legislations and proposals, such as the UN's Sustainable Development Goals, have put environmental issues at the forefront of international business development. The Ashridge Centre for Business and Sustainability at Hult researches innovative ways that organizations can develop and implement more environmentally sustainable business models. On a practical level, if you're considering expanding your business overseas, it's important to be aware of the country-specific environmental regulations and issues associated with your industry. Some key considerations include **how your**

production methods might impact the local environment through waste and pollution.

Beyond a legal or ethical incentive to be more eco-friendly, establishing environmentally conscious business practices can attract new, forward-thinking consumers to your company. With a number of brands such as Dell, Renault, and MUD Jeans leading a shift towards the circular economy, there is an opportunity and demand for changing production methods and consumer behavior to **establish a more sustainable future** for the environment and society as a whole.

III. FACTORS FAVORING INDUSTRY GLOBALIZATION

A. Markets

- Homogeneous customer needs
- Global customer needs
- Global channels
- Transferable marketing approaches

B. Costs

- Large-scale and large-scope economies
- Learning and experience
- Sourcing efficiencies
- Favorable logistics
- Arbitrage opportunities
- High research-and-development (R&D) costs

C. Governments

- Favorable trade policies
- Common technological standards
- Common manufacturing and marketing regulations

3.1 Best practices in global sourcing include the following Components:

- Using ISO 9001:2008 certification to help ensure the quality of products regardless of where they are produced
- Considering not just the quality of products but also the environmental practices of the company providing the products, through ISO 14000 certification
- Using service-level agreements to ensure the quality of services

IV. PROSPECTS OF INTERNATIONAL BUSINESS

1. Management analyst/consultant.
2. Sales manager.
3. **International** trader.
4. Finance controller.
5. **Business** development manager.

'In an ever-changing global business and economic environment, studying business from an international perspective is vital for graduates who are ambitious to work across international boundaries and cultures,' explains Dr Robert Webb, associate dean for international engagement at Nottingham University Business School.

In a nutshell, students need to develop a global mind-set in order to be successful in business. Studying international business allows you to see how globalization has brought about an increasing 'connectedness' of businesses, markets, people and information across countries.

'Working across countries is a necessity for most firms today. Hence, there is a growing need for business and management graduates with an international perspective, who are capable of operating effectively in a globalised world. This concerns not only senior managers, but employees at all levels that have to interact with international customers and suppliers, partners, or international colleagues,' says Angelika Zimmermann, senior lecturer in international business and strategy at Loughborough University.

What's more, the skills that you develop on a course of this nature are highly sought after by employers and there is a buoyant current and future labour market demand for international business postgraduates.

V. CONCLUSIONS

As you make your first steps into international trading there are a lot of variables to consider. You'll need to know what sort of company are you, who are your customers, how quickly are you planning to expand, how much time and money are you willing to invest, and – perhaps most importantly – which country or countries do you hope to expand into?. There will be many challenges such as firstly, Language and cultural barriers and solutions of this is to Adapt to the environment and establish a go-to market strategy. Secondly, Local competition and solution of this to Find the right partner and build relationships with local businesses. Thirdly, Tax codes and compliance issues and solution of this to Do due diligence and sort out legals, tax, and finance. Fourthly, Supply chain risks and solution of this

to develop a strategy, a business plan, and a budget. Fifth, Operational risks with hiring staff and solution of this is to Making sure of your product and organisation are ready, and to establish a great team. One final note to remember Consider the impact of new ideas both locally and in your new market. Business is constantly changing. New products and new technologies are innovating all the time. Market trends change quicker than most can keep up with, so, if your business *can* keep up, you have a great opportunity on your hands. By remaining open to new ideas and new points of view, your business will be able to connect with partners and customers in your target nation. If you take a careful considered approach to new ideas, implementing those that fit with your business goals and discarding those that don't, you can help your business expansion plans run smoothly. You could also improve your business in your original market too.

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