

Issues in global business



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Reasons why companies want to become international Internationalization is a concept that is being followed by many companies in various sectors. With globalization happening at a fast rate and many countries opening up their markets, foreign firms can enter into many countries where there are good opportunities and become a Multinational Company (MNC). A company may also want to internationalize if there is saturation in the local market. That is, when the firm finds that it cannot grow further in the existing market and there are more competitors in it, the firm will find out new markets specifically in foreign countries. In addition, if the firm has specialized products or services, which cannot be found or found in minor varieties in a foreign market, then also firms will adopt internationalization and become an MNC.

Advantages and Disadvantages of MNC

Instead of competing in a saturated local environment, if the firm becomes MNC, it will have access to new markets and new customers. In foreign countries, people will always view foreign products with big expectations, particularly if it is a well known brand. If the MNCs are able to provide superior quality product than the local companies, it can attract many customers and earn good profits. However, the disadvantage is, in most cases, the MNCs have to launch a new and localized marketing campaign, to build a brand from scratch. As the local companies would have been operating for a long time, they will be in the minds of the people, but MNCs has to carry out campaigns and this could take time.

Entry path

There are a number of entry paths available to the MNCs to enter foreign countries. However, the common paths are Direct Investment, Joint

Ventures, Franchising, Mergers, etc. Although, Direct Investment will be the favourable mode of entry for the foreign firms, if there are any government regulations against it, then they will go for joint ventures and franchising. Franchising has become one of the common entry paths because franchises have local knowledge and expertise that can be leveraged to a competitive advantage. (Neelankavil and Rai 2009)

Reference

Neelankavil, JP and Rai, A 2009, Basics of international business, M. E.

Sharpe

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