

Ip 3

Business, Management



Challenges faced by investors in managing multinational companies

Expansion of companies into international countries is a rapidly accelerating activity due to the multiple advantages associated with it. This helps in market expansion and also in exploiting less captured countries. It is however recommended that leaders or management in companies opting to invest in other countries to take the following into consideration to avoid its potential landmines.

In foreign countries, there is the challenge of labor costs from the local residents. With huge labor costs, companies will require the have to employ expatriate employees from other sources or home country. However when the cost is low then the company can comfortably employ the locals. This problem doubles with shortage of skilled manpower to manage managerial and technical positions. There is also the need to assess the local market in the foreign country. The business environment in the foreign countries are at times unfriendly with insecurity, market flooded with similar companies and poor transportation or communication networks. The other major consideration that should be done is in line with the local government, the general public in the foreign country and the policies and laws in the country.

When going international, the general organizational structure of the companies has to change to carter for the expansion. Creation of offshore company locations demands for the expansion and formulation of a leadership structure to manage all the departments that are created in the process. When running a company in a foreign country, the management needs to attentively regard the opinion of the company by the local

residents. Joseph B. Hunt (2011), some companies succeed by hiring home country nationals resident in the host country and who have extensive experience in that host country. Through this means, the companies ensure that whoever they employ have the best skills and knowledge on how to handle problems and make decisions for the company. It is however notable that due to some of these decisions, the residents of the host country may display some dislikes to the company. Meeting exemplary performance while, at the same time improving the relationship between the company and the locals may as well prove difficult to the company. Conflicts with the host government policies, rules and regulations may be of great hindrance. In order to address these issues and address the company's social responsibilities, I would recommend the company to come up with convincing projects and activities that would involve the participation of the local community. Including projects like town cleanups and environmental awareness activities. Through this, the company will be able to promote the company's social responsibility to the local community.

Reference

Joseph B. Hunt, Sr. Partner(2011). Building a Global Team of “ A” Players: Challenges for Multinational Corporations, Hunt Executive.

Seung Ho Park and Wilfried R. Vanhonacker(2007). The Challenge for Multinational Corporations in China: Think Local, Act Global.