Pro cons of international investing

Pro/cons of International Investing

Pros and Corns of International Investing Before buying a foreign company, the management (Natural Detergent Inc) has to heed its genuine concern to various advantages and disadvantages of international investing. It is an exceedingly significant business issue that requires the support of well designed strategies. Given below are some of the advantages and disadvantages of buying a foreign company.

Advantages.

Reputation: If The Natural Detergent Inc enters foreign markets its reputation will increases both at domestic and international levels. It would demonstrate Natural Detergent’s buying capacity and stability.

Reduced Manufacturing cost: As the company enlarges its coverage, large amount of production will subsequently reduce the company’s manufacturing cost. Once the manufacturing cost is reduced, it can sell the product at a cheaper rate and win the market.

Reduced HR cost; As Sindell K (2005, p. 266) states, international investing would ensure diversification rather than concentrating in a single product or service. If Natural Detergent Inc buys another profitable foreign company, it can easily acquire a pool of diverse workforce. It would help HR management to be cost effective and creative in a foreign business environment. It is always good for a company to retain its experienced employees who are accustomed to the firm’s natural and technological environment.

Easy Marketing; Natural Detergent Inc can easily introduce its products to public by adding them to the foreign company’s products in local markets. It will avoid the initial difficulties of establishing a new plant in a foreign country.

Disadvantages

Increases uncertainty; Foreign market is always a challenge to an American organization. Natural Detergent Inc has to exceedingly rely on the hired individuals in order to meet numerous organizational and legal requirements. In the same way, the company has to invest a good amount in advertising the product though the result is uncertain.

Cultural Disparities; when a company buys a foreign firm of different organizational structure and culture, it would lead to disputes and conflicts of interest among the labors and staff. To an American organization there is an increased chance of cultural conflict because US firms traditionally maintain a high degree of managerial autonomy. Therefore, major HR decision regarding recruitment, retention, and termination, is vested in management (Fenton-OCreevy, Gooderham P. & Nordhang O., 2005). In contrast, organizational decisions in many other countries, are subjected to various external constrains like trade unions and work councils.

Legal Issues; Obviously company will find difficulty with abiding by the industrial regulations and organizational culture of a foreign country. In US company management can terminate an employee for the breach of code of conduct provided that the decision is not an act of discrimination. In the same way, retention and promotion depends on both organization’s HR strategy and employees’ work performance. In contrast, Seniority Rights is one of the means of negotiation in many of the European countries that determines how the advantages are to be divided among the employees. However, buying a company is better as well as more cost effective than building a new plant in a foreign country. Buying will reduce HR tension associated with employee selection and training. It will also help managerial functions and ensure legal compliance. Finally, it will help the buyer to utilize the existing system and techniques of marketing.

References

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