

# Does business benefit from the proliferation of regional trade agreements

[Business](#)



The global business environment has become an integral part of strategic path of corporations in the 21st century. After WWII countries around the world began a reconstruction of the economic activity among nation which liberalize trade and lead towards an environment in which business were able to operate across national boundaries in an easier manner. Regional trade agreements and multinational trade agreements were crucial elements of the trade liberation (Blakes, 2005). Two variables that influence the trajectory of a company in the international scene are its leadership capabilities and the chosen organizational structures. The emphasis of this discussion focuses on how leadership and organizational structure can help companies become more effective at international business affairs.

In order for a company to succeed it must develop its human capital and have managerial team that is able to lead the organization to achieve greater things. If the leaders of a company do not prepare the organization for expansion the possibility of international business activity are non-existent. Going global does not occur overnight, there is preparation that must take place within the organization and in its corporate culture.

Corporate culture can be defined as a system of shared actions, values, and beliefs that develops within an organization and guides the behavior of its members (Shermerhorn, Osborn, Hunt, 2003). The leaders of the company have to instill confidence and change the mindset of the employee so that fear of failure is not constraint that inhibits international expansion plans. There are different leadership styles that can help a manager become the type of leader that lead a company and its employees towards international business proliferation.

The person in a corporation that has control over the strategic path of an organization is its chief executive officer (CEO). This individual is responsible for the financial performance of the company and has power to change the organization, while at the same time the CEO must motivate and inspire the staff of the firm. Among the leadership styles that could be used to lead a global organization are situational leadership, charismatic leadership, and transformational leadership. A situational leadership application is Fielder's contingency theory. Fielder's contingency theory stipulates that the leader's style adapt and become appropriate to the situation based on three factors: leader-member relations, task structure, and position power (Steward-associates). A leader utilizing this style is a manager that is very adaptive to the situations occurring around him / her. In the international business game change is a constant occurrence. The application of situational leadership style concepts enables the leader to become more effective at handling international business affairs.

A second leadership style that can enable a manager to achieve a global presence is charismatic leadership. Charismatic leadership gathers followers through his / her innate personality and charm, rather than any form of external power or authority (Changingminds, 2009). The application of this leadership style helps eliminates constraints that inhibit international penetration such as resistance to change. The leader captivates the minds of its followers and instills confidence in the employees, board of directors, shareholders, and other stakeholder groups which facilitates the transition into the international scene. Another leadership style of great utility for managers operating internationally is transformational leadership.

Transformational leadership occurs when leaders broaden and elevate their followers' interest by generating awareness and acceptance of a group's purpose and mission (Schermerhorn, et al.). Such a leader is able to establish great relations across the global supply chain as well as send a message to the customer's that increase the brand equity.

An international expansion strategic plan requires different market plans and mode of entry of corporate structure depending on the location or market selected. Four types of market entry modes are joint ventures, strategic alliances, wholly owned subsidiaries and exporting. A joint venture is a type of partnership formed between two or more companies in which the players involved shared assets such as monetary resources, intellectual property, human capital, other equipment as well as profits. In China prior to its acceptance to the World Trade Organization (WTO) which liberated its markets the only way to gain entrance to its territory was through joint ventures. The simplest alternative to gain access to an external marketplace is by utilizing exporting of merchandise or services. This alternative is less profitable due to potential country specific tariffs and other taxation and the sharing of profits across distribution channels. The alternative that can reap the greatest benefits, but requires the greatest investment is wholly owned subsidiaries. This mode of international plan has been implemented successfully by Wal-Mart to become the world largest retailer.

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