

# Good example of brief history of international business management report

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## **Analysis International Business**

### Executive Summary

And introduction to international business management, where some of the success factors of having an international business are listed along with a few examples. This is followed by a brief history of international business management that took place over 50 years ago and how it grew from there to what it is today and its importance.

Following this, the theories that have been developed by various people have been listed. This includes comparative theory, bargaining theory where the government and the company entering that particular company enter bargaining for economic progressiveness and rules and regulations levitation.

Globalization is now becoming a need for every company and country and its importance is the reason companies are adopting globalization, in order to survive and stay in the ever competitive markets.

The strategies and structures of MNC's are mainly of four types that are mostly adopted by organizations which lead them to their success or failure, depending on whether they adopted the right strategy. The importance of management and the head quarter placing also matters when considering international business.

The Harley Davidson case highlights each and every issue that is discussed and what it takes to become a successful company, after facing a lot of losses, and managing to adopt an international strategy that manages to bring back the revenues lost by the company.

In conclusion, international business management along with the

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implementation of the best suited strategy is what makes a company successful in the market and sets an example for the rest of the companies to follow.

## **Introduction**

Setting up a business is not easy, it has many issues that need to be reviewed, analyzed, discussed and decided upon before the business venture is opened. If opening up a small business venture takes up so much effort, one can only imagine how much effort must be required to form and extend an international business, entering markets that are unknown to the organization.

There are many roles and factors that come into play when a business decides to go international. These factors need to be listed and an in-depth analysis if needed before the final decision of which market needs to be entered and its strategy are devised. If the strategy has been made in contradiction to the results of the research and analysis, then the business is bound to fail in the unknown market.

For a business to be successful, it is not only the product and brand name that needs to be effective, but also the management team and the implementation strategy behind it. For an international business to be successful, the company must take into account much more like language barriers, labor force, domestic need and want, demographics and geographic of the country, government regulations etc.

Examples of international business will include MNC's like Yum foods, General Motors, McDonalds, Toyota, etc. the success and failures of these

business defines the do's and don'ts every organization needs to consider when venturing into new markets. Taking over international business, going global, communication and the management decisions in the organization is all a part of the theories that define this type of business and is what shall be explored further.

International business has grown over the past 50 years. The organization and its managements have developed itself over that span of time. As the companies develop themselves from a country level to a firm level the management practices have to change with the development as well (A. Rugman, 2011). Getting access into a different country was much more difficult way back then as there were more cultural barriers present then. The reason is due to media, people have started warming up more quickly towards products available from different cultures and countries. An example of this is Kikkoman Sauce, who managed to develop its brand of soya sauce in the American market, making America its number 1 source of revenue. Since the competition 50 years ago was weaker than it now, since there is more competition between various products now, it was easier back in those days to enter a different market. But the style of management long back lesser advanced than it is now. So were the IT systems, due to this reason, the flow of knowledge within an organization was limited. The decision making was much more centralized as the management did not appreciate handing that much power to the respective lower management. As time progressed management started to understand the importance decentralized decision making and local responsiveness, therefore, they

management started to change its style and became more productive in employee management.

## **Strategic Management**

People around the world have become interconnected to each other on a wider basis than ever before, all due to easy access via internet to almost everything around the world. This has placed immense pressure on many organizations to go global in order to survive in the market and increase its product life cycle. The pressure has also effected the governments of many countries as well; this is because if any of the government is left behind then the country will economically be behind the others. This would in turn effect the economic development of the country and make it one of the last choices for investors to explore. If an organization refuses to globalize itself, then the competition that it may face from other companies would result in the end of the organization.

Harley entered many markets but the main market that it wanted to enter but had a lot of barriers to it was the Indian market. After discussion with the government and acquiring some of the competition, and analyzing the bike requirements of the country, Harley finally came up with the strategy to launch bikes in India that was within the speed and cost limit of the population.

Going international requires an organization to reevaluate its resources in the other countries, its value chain so that the products are available to the country, example Harley Davidson had to set up dealers offering bike parts to please the customer base in India. The capabilities of the company to be

able to deliver the services and products matters as well when making the decision to enter a different country. The management structure is the first to change and eventually ends in changes in the strategies previously adopted by the company and renewed to those that make more of an impact with the standards that it is hoping to achieve.

Going global causes companies to choose the strategy best suited for their product, be it a global strategy, which most of the companies of today have opted for, or local strategy.

When a company globalizes its self, its changes its entire network of communication and or production, which may result in many companies moving its head quarters to different countries, rather than their home country, depending on which country would serve more advantages to their activities, for example manufacturing firms may shift to a place where their products raw materials are generated from.

Countries now look in foreign direct investment for economic growth; it is because of these that a country is able to prosper well above its own abilities. Many local competitors look at FDI's and try to adopt the technology and/or business strategies that they have implemented. This increases the chances of the local companies to prosper in their country and expend internationally in the future. This positively impacts the economic structure of the country.

## **Multinational structure and strategies**

For a multinational company working in any country, there are two main pressures points that it faces. First the pressure to reduce costs to a minimal

which in turn would help to reduce the price of the product, making it more competitive in the market and increase the revenue and profits of the company. Secondly, the pressure to adapt to the market that it is catering to; mostly depending on the product and the response towards it of the local market would determine how the product needs to be molded or if it does not need to be changed at all.

Taking the case of Harley Davidson, a highly regarded motorcycle brand around the world, has experienced some bad patches throughout its business tenure. With every changing CEO, their international business had not been able to develop successfully, though the brand name of the bikes held high regard in the mind of the consumers.

These particular pressure points are tackled by four theories depending on the level of importance of the two factors mentioned above. Many companies tend to choose and adopt one of these strategies only.

Home replication strategy is implemented when the local responsiveness is low and so is the pressure to cost reduction. This allows a company to duplicate its business and introduce it into another market exactly as it is.

Wal-Mart implemented this strategy but failed when they shifted their business to Brazil where it failed to meet the requirements of the locals, hence causing losses for the company.

Localization strategy is adopted by companies who take a new market as a whole new venture and bend its business as per the requirements of the market. Example is McDonalds, who offers meals that are country specific, like vegetable burger for India where, since cows are sacred animals, meat is not allowed. This is used where the cost reduction pressure is low and the

pressure to adapt to the market is high. Mostly depending on the product the company is offering, this strategy is implemented by organizations.

Global Standardization strategy is the one where a company decides to standardize its product throughout all markets; no changes are made to the product in order to blend into the market. This is mostly adopted by companies when the need to reduce costs is high and the need to cater to markets is relatively low.

Transnational Strategy is the most difficult strategy to adopt as the implementation of this strategy is tricky, but no doubt one of the best strategies for any organization. This strategy tries to balance cost effectiveness and becoming locally responsive. This is when most these factors are of high importance to an organization.

“ Think global and act local,” a formula that has become the motto of almost every manager. This sentence explains itself, when a company is thinking of going global or is actually global, it should also consider the local markets that it is operating in and develop its self accordingly to increase its revenues from that particular market.

In case of Harley Davidson, it faced tough competition at one point, which drove them to losses. It took the company a long time to return itself to profitability. The company earned its revenues mainly from the US, because of which the management never paid much attention to international business. But when economic crisis hit and competition was harsh, the company suffered a great deal of loss, this forced them to look into different options and the decision to go global was finally sought and decided upon. Many companies make the wise decision of developing a research and



development department in the company that look into the markets that they are about to enter and find out the needs of the market. From those needs the product and strategies are devised. This helps a company plan accordingly and ensure their success in the market that they plan to enter. For example, Kikkoman sauces analyzed the markets they wanted to enter and developed recipes for women that used their soya sauce in their daily home dishes, rather than specific dishes.

In many cases it is required that a firm decentralizes itself, this makes it easier for subsidiaries to develop and implement their own strategies, especially since they are the experts themselves in the work they have been given to do. In some cases centralized decision making is more important. If a company has adopted the globalization strategy then it should be centralized, as this ensure that all rules and regulations regarding a product and its marketing and selling is the same everywhere and is communicated to everyone working for the product. Localization and transnational strategy requires decentralized decision making, as the management working in the particular area would be more aware of the pros and cons for the product rather than the head quarters that may be situated away from the market having little know about of it. The strategy a company adopts will also determine the amount of knowledge flow that needs to take place. For locally responsive companies the flow of knowledge as to be extensive. The management needs to communicate with its employees on an international level, this is in order to make the proceedings transparent and to ensure the highest quality of inter office relations between the management and the employees which ensure maximum and quality output.

The example of Harley Davidson's management decision is best suited here. The company had to give the decision making over to the management of the country only and that was one of the reasons to success. The company was also able to cover up the bike parts issue that it faced in India, once the parts were available at the dealers. This helped the company regain its revenue and no longer was the company dependent on the market of just one country. (KUŞLUVAN)

Many companies, once going global, may decide to shift one of their head quarters to another country, rather than their home country. Some may shift their operations head quarters or some may shift their corporate head quarters. Usually the decision is made if the move is cost effective and is required or not. If a company feels that its communications will improve by moving is HQ then it may do so. If it feels that it would take it closer to its raw material and production, ending in cost effectiveness, then it may do so.

## **Theories of International Business management**

A Multinational Enterprise must provide a theory for international business that is strong enough to support the strategy that the MNC is trying to fulfill, all the while being sturdy enough so that the MNC can build its structure around itself along with the revenues/ profit system. Furthermore, the theory should be able to support the economic policy that the MNC plans on adopting which will in turn impact the political situation and the social operations as well (Buckley and Casson, 1976).

Numerous theories regarding international business management have been introduced until now and many of them have proved to be right in their own

way.

The theory of absolute advantage defines a company with the lowest cost production for a product or service than any other company. The theory of comparative advantage defines a company that is able to produce its goods at a lower marginal and opportunity costs than any other. These two theories are for international businesses that are competing with other business either internationally or locally. It may include the cost of labor and the material used for the product, giving an edge to that company over other, for example Nike who uses labor force from the third world countries, hence, reducing its production cost.

The bargaining theory defines the inter-organization exchanges between organizations and the government. Basically in this theory, after discussions between the government and the organizations, terms are built up that are of advantage to both the entities, like economic growth for the country would be provided by the organization while the government would lift some regulations for the organization to help it develop in the country (Robert Grosse, 1992). The example of Harley Davidson's discussion with the Indian government over introducing heavier bikes in the country were held and a conclusion was drawn that would be of advantage to both the government and the company. This allowed Harley Davidson to introduce itself in the Indian market with the support of the government. The most attractive pro that a government seeks, when letting an international business enter the country, is the economic growth that the organization promises the country. This puts the business in a position to bargain over the regulations and resources with the country it is looking to enter.

## **Recommendation**

Same goes for Harley Davidson. They should be locally responsive and adopt their pricing strategy according to the company that they are targeting to enter. Every dealer should be trained and all bike products and requirements should be provided.

## **The decision making strategy should be global, giving more power of decision making to the local heads.**

### **Conclusion**

It has become important for almost every company to start international business if it would like to survive in the ever competitive global market. The main pressures that a company faces are cost reduction, being locally responsive and having the right management team looking after the company.

Many theories have been introduced to define and support international business for MNC's and each hold their own weight and it is clear that as the markets keep on developing, new theories keep on developing as well and if they are implemented well by a company then they are bound to succeed.

The Harley Davidson case best defines the international business model and the need for it and how a company should venture out into untapped markets to make its company and operations in a different company a success. Another example of success is Kikkoman Sauce and how they managed to make soya sauce a need for every household in the US.

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