Business strategies implemented internationally

Business

International Strategies

1. How should you organize the business outside of the U. S.?

Marketing department handles the sales operation in international market.

Setup of export department that is in direct contact with the CEO.

Setup of independent franchises or subsidiaries whereby each franchise functions individually and is in direct contact with the CEO (Hodgetts & Rugman, 1995)

2. Should you set-up reasonably independent companies, subsidiaries, in each foreign market?

Yes, setting up subsidiaries in each of the international market is one of the best ways to manage business outside the local market.

3. What would that do and not do for you? Or, do you want to impose a strict brand image, procedures, and central planning from headquarters, where your offices are?

When a company plans on creating a subsidiary, it does so because it wants to keep up with the international demand. Hence, the company decides to open of subsidiaries in each of the international countries and then transfer authority to these subsidiaries. The strategic control of these franchises will be individual and independent. The franchises are run according to the demands of that country. This is called as multi-domestic strategy.

Another similar strategy; known as international strategy, in this concept certain departments of the international franchise are still maintained by the parent company (Aswathappa, 2008). In order to exercise control over each of the subsidiary it is important that the companies know which of the strategies it is going to implement and their relevant advantages and disadvantages. A subsidiary board of director will manage the various subsidiaries and their work and hence in this way it is easy to maintain reputation and decrease the chances of risk in reputation. It is better not to impose a strict brand image and it is also important that all the subsidiaries be linked with the help of the internet or any other software that might be available

4. What are the pros and cons of this approach?

Advantages:

Reduces risk

The parent company has the ability to manage the subsidiary

Increased efficiency

Higher diversity

Disadvantage

Parent company does not exercise complete control over the inflow and outflow of cash

Parent company is responsible for the subsidiary in order to maintain reputation

Parent company remains accountable in case of breach of law or illegal activity(Basu, n. d.)

References

Hodgetts, R., & Rugman, A. (1995). International business : a strategic management approach. New York: McGraw-Hill.

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