INTERNATIONAL ENTREPRENEURSHIP

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Abstract:-

Entrepreneur can sell their products in foreign market which have reached the maturity stage of their life cycle in domestic markets and earn profit by their sales. International entrepreneurship is beneficial as if sales of company is declining in domestic market, they can sell products in international market considering demand for product in other country market customers. Entrepreneur in process of satisfying foreign customers have to produce product as per their quality expectation by which entrepreneur will not only produce quality product in international market but also in national market. Entrepreneur can improve their entrepreneurial competitiveness and enhance reputation. Entrepreneurs can hire motivated, multi lingual employees, learn constantly about the foreign markets. They will think globally and start developing an outlook from a global prospective.

Keywords:-

International entreprenurship, importance of international entrepreneurship, difference between international and national entreprenurship, stages of economic development, barriers in international entrepreneurship.

International Entrepreneurship:-

International entrepreneurship is defined as development of international new ventures or start ups that from their inception engage in international business, thus viewing their operation domain as international from the initial stages of international operations. International entrepreneurship is the process of an entrepreneur conducting business activity across the national boundaries. It may consist of exporting, licensing, opening sales office in another country etc. Companies which are incurring high level of fixed costs can lower their manufacturing costs by spreading these fixed costs over long number of units by selling their products in global market. Entrepreneur can sell their products in foreign market which have reached the maturity stage of their life cycle in domestic markets and earn profit by their sales. International entrepreneurship is beneficial as if sales of company is declining in domestic market, they can sell products in international market considering demand for product in other country market customers.

IMPORTANCE OF INTERNATIONAL ENTREPRENEURSHIP:-

Internationalization of business will teach entrepreneurs how to cultivate habit of customer relation management (CRM) Entrepreneur in process of satisfying foreign customers have to produce product as per their quality expectation by which entrepreneur will not only produce quality product in international market but also in national market. Entrepreneur can improve their entrepreneurial competitiveness and enhance reputation. Entrepreneurs can hire motivated, multi lingual employees, learn constantly about the foreign markets. They will think globally and start developing an outlook from a global prospective. https://www.facebook.com/ialwaysthinkprettythings Being global will make the entrepreneur sensitive towards their customers – domestic, adopt more respectful attitude towards foreign habits and customers.

Lower manufacturing cost:- If the company manufacturing cost increases by manufacturing product in home country, than company can opt in for production process in host country, on the contrary if the company is in no profit or no loss situation than company can choose in any option. E.g Mc Donalds. https://www.facebook.com/ialwaysthinkprettythings Increased sales and profit : when the entrepreneurs are not able to earn profit or demand for their product decreases in local market they can sell their products in foreign market where life cycle of product is in favourable condition. E.g. Apple earned more profits from international business than in local market US in the year 1994. ($ 390 million foreign market / $ 310 in Indian market.

Growth opportunity:- Entrepreneurs whose core business strategy is expansion and diversification of business, international business is one of the primary platform to achieve these objectives. Utilization of talent and managerial competence : when business are not able to get required talented work force in country, they can get the activity outsourced or hire host country employee which has given birth to concept of expatriation. Advantage of cheap labour : quantity and quality of labour is one of the major challenge for every business, if the labour is cheap in foreign countries than company can outsource required labour if organization is into foreign operations. E.g increasing cost of labour in china has forced companies to search in for other options for outsourcing company activity to other countries were cost of labour is less.

Globalization of customers:- It refers to when customers in country prefer purchasing foreign brand products than domestic companies have to go in for internationalization of business to keep in pace with competition to attract customers. Tata international begin to operate in international market after entry of foreign competitors in Indian market like ford. Expansion of domestic market : international business causes domestic market to expand beyond national boundaries. When the domestic market has bee fully tapped than company can go in for expansion of business to market their products in international market. E.g Sony

Pay offs of international business:- International business improves image of the company in domestic market and attracts more customers in domestic market due to internationalization of business. E.g Ranbaxy. Globalization of competitors : international business increases the opportunity not only for the survival and growth but also motivates companies to face competition from global entrants in market, which in turn leads to growth of market, pursuing global scale efficiencies etc.

Stage of economic development:- When entrepreneur is operating at domestic level he should focus on development state of domestic country, on the contrary when he is operating on international scale he has to view country from developed, developing and underdeveloped perspective and accordingly plan in business strategies in economy.

Economic system: When an entrepreneur is operating in national level he is required to understand economic conditions with in country, but at international level he should be having information about economic system of countries he running business which includes currency rate, phase of business cycle etc.

DIFFERENCE BETWEEN INTERNATIONAL AND DOMESTIC ENTREPRENEURSHIP:-

Technological environment: Even though technology is advanced at larger scale , still there are technological variations persisting in various countries depending on time of implementation, updation of technology etc which has to be analyzed by entrepreneur and accordingly plan in business operations.

Cultural sensitivity: Entrepreneur operating at national level should understand cultural issues persisting in home country and at international level he has to understand and manage cultural diversity of customers as well as employees in company.

Political and legal environment: Politics and laws play a critical role in international business as well as domestic business. Entrepreneur should be aware about political and legal environment in the domestic as well as international market.

Government policy: Entrepreneur going in for internationalization of business have to study domestic as well as international policy, as restriction laid in home country for export of goods affect trade of entrepreneur and restriction in host country on entering of new entrepreneurs in their company.

STAGES OF ECONOMIC DEVELOPMENT:-

1. TRADITIONAL SOCIETY : Every economy begins with traditional society which is characterised with low per capita income and low degree of technical know how

Focus towards foreign trade. Citizens of country give more importance on developing personal skills in order to face competition in country.

- Decline in birth rate
- Part of government revenue is imparted towards infrastructure development in country.
- People start giving importance to national and international developments then merely confining them to social issues.
- Less dependence on agriculture
- Features :

2. PRE CONDITIONS OF TAKE OFF: In this stage of economy conditions are created conductive of growth. In this stage entrepreneurs start thinking in terms of modernization, capital formation, and profit oriented ventures.

Technical development https://www.facebook.com/ialwaysthinkprettythings

- Increase in demand for products by consumers in market.
- Reinvestment of profit
- Political stability in country indirectly leads to growth in industrial sector in country creating favourable condition for trade in country.
- Social framework improves as citizens than being bonded with family focus on moving to places for career growth and development.
- Development of various sectors like primary, secondary and tertiary sector takes place in the country.
- Features :

3. TAKE OFF STAGE : in this stage economy is no more dependent on other countries and is self sustaining in this stage. Economy can progress without any external support from other countries.

Dependency on other countries are considerably reduced. https://www.facebook.com/ialwaysthinkprettythings

- New political as well as social institution are established in country.
- Modern techniques are used during the process of production in country.
- Conditions of employment improve and reduces dependency on agriculture.
- rise in the rate of investment in the country
- Features :

4. SELF SUSTAINED STAGE: This stage can be defined as stage in which an economy demonstrates the capacity to move beyond the original industries which provides the take off and to apply efficiency over its worldwide range of resources.

Increase in consumption: Consumption level increases in this stage as consumers other then daily consumption products prefers purchasing durable products. Welfare state: standard of living in country increases as result of development of facilities in country.

- More power : country in this stage starts spending more on military forces.

5. STAGE OF ECONOMIC AFFLUENCE : in this stage there is considerable increase in production and income. Consumption of comforts and luxuries become a common feature.

Direct exporting: Implies where company takes full responsibility for making its goods available in the target market by selling directly to end users normally through its own agents. https://www.facebook.com/ialwaysthinkprettythings

- Exporting: means selling goods made in one country to another country. Exporting normally involves the sale and shipping of products manufactured in one country to the customer located in another country.

ENTREPRENEURIAL ENTRY INTO NEW BUSINESS:-

Licensing : Involves an entrepreneur who is a manufacturer (license) giving a foreign manufacturer (licensor) the right to use patent, trade mark, technology, production process, or product in return for the payment of loyalty. https://www.facebook.com/ialwaysthinkprettythings Indirect exporting: when the exporting company does not posses the necessary infrastructure to involve itself in direct exporting, indirect exporting takes place. It takes place when the export company sells its to intermediaries who in turn sell the same products to the end users in foreign markets.

Turn key projects: Turnkey refers to something that is ready for immediate use, generally used in the sale or supply of goods or services. It is a contract under which a firm agrees to fully design, construct and equip a manufacturing/ business/ service facility and turn the project over to the purchaser when it is ready for operation for a remuneration.

Foreign direct investment (FDI) is direct investment into one country by a company in production located in another country either by buying a company in the country or by expanding operations of an existing business in the country https://www.facebook.com/ialwaysthinkprettythings Management contract is an arrangement under which operational control of an enterprise is vested by contract in a separate enterprise which performs the necessary managerial functions in return for a fee. Management contracts involve not just selling a method of doing things (as with franchising or licensing) but also doing them. A management contract involves a wide range of functions, such as technical operation of a production facility, management of personnel, accounting, marketing services and training.

Joint venture (JV) is a business agreement in which parties agree to develop, for a finite time, a new entity and new assets by contributing equity. They exercise control over the enterprise and consequently share revenues, expenses and assets. A joint venture takes place when two parties come together to take on one project. In a joint venture, both parties are equally invested in the project in terms of money, time, and effort to build on the original concept.

Majority interest: majority interest is an ownership interest greater than fifty percent (50%) of the voting interest in a business enterprise. Minority interest :a company having interest or ownership of less then 50 percent in another company is known as minority interest/ A significant but non- controlling ownership of less than 50% of a companys voting shares by either an investor or another company.

Mergers : The combining of two or more companies, generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock / Mergers and acquisitions refers to the aspect of corporate strategy, corporate finance and mana Horizontal merger : Horizontal merger occurs when a firm is being taken over by, or merged with, another firm which is in the same industry and in the same stage of production as the merged firm, e.g. a car manufacturer merging with another car manufacturer / A horizontal merger is when two companies competing in the same market merge or join together. E.G amalgamation of Daimler-Benz and Chrysler https://www.facebook.com/ialwaysthinkprettythings gement dealing with the buying, selling, dividing and combining of different companies and similar entities that can help an enterprise grow rapidly in its sector.

Product extension: Merger occurs when acquiring and acquired company have related production or distribution activities but do not have products that compete directly with each other. (merger between western publishing (childrens books) and Mattel (toy company) . https://www.facebook.com/ialwaysthinkprettythings Vertical merger : is the combination of two or more firms in successive stages of production that often involve buyer and seller relationship. This form of merger stabilize supply and production and offer more control of these critical areas. (merger between Mc Donalds and Philips petroleum)

Product extension merger is a combination of two firms producing the same product but selling them in different geographic market. Major advantage of these mergers is that firms can economically combine its management skills, production and marketing with acquired firms. (The acquisition of Mobilink Telecom Inc. by Broadcom is a example of product extension merger). (Broadcom deals in the manufacturing Bluetooth personal area network hardware systems and chips for IEEE 802.11b wireless LAN. Mobilink Telecom Inc. deals in the manufacturing of product designs meant for handsets that are equipped with the Global System for Mobile Communications technology)

Diversified activity merger : This is a conglomerate merger involving consolidation of two unrelated firms. Market extension merger : A market extension merger takes place between two companies that deal in the same products but in separate markets. The main purpose of the market extension merger is to make sure that the merging companies can get access to a bigger market and that ensures a bigger client base. (Acquisition of Eagle Bancshares Inc by the RBC Centura)

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Lack of information: As entrepreneur is new entrant in international market he is unaware about the market conditions in host country and taste and preference of customers which may lead to issues in terms of acceptance and locating product in market.

Attitude of entrepreneur: When an entrepreneur has negative mindset that foreign market is unknown to him and he might find it difficult to set up his business in new country will prove to be a major barrier for international trade

BARRIERS TO INTERNATIONAL TRADE:-

Financing problems : As international business involves huge risk financial institutions may be reluctant in terms of providing required finance to entrepreneurs.

Lack of network influences : Network with established business companies makes it easy for the entrepreneur in new market but if the entrepreneur has no contacts in foreign country then it will be difficult for entrepreneur from initial stage of getting required permission to establishing business in country

Non tariff barriers: are the obstacles to imports other than tariffs such as testing, certification, or bureaucratic hurdles that have effect of restricting imports. These are administrative measures that are imposed by a domestic government to discriminate against foreign goods and in favour of home goods.

Tariff barriers: Tariff means duty levied by the government on imports. Imposing tariff raises the price of imported goods making them less attractive to consumers and protects makers of comparable domestic products and services.

Political barrier: in few country their exist abundant opportunity for business but political scenario in country will be instable such as kidnappings, bombings, violent against business and employees which proves to be major question mark in terms of future success of business.

Technical barriers: basically refers to before a countrys goods enters into foreign market it has to go through certain test for authentication. In US before food products from others is marketed in US it will be tested for checking bacteria content in food item for safety of general public, which is good for safety of host country but may prove to be a major barrier to home country exporting product.

Cultural barriers : as entrepreneur is new entrant in host country he may not be aware about language, education, tradition, religion, values of citizens which will make it difficult for the entrepreneur to understand mindset, taste and preference of customer in market

Human resource: presence of labour unions, hostile management unions relations, strike, increase coat of labour in foreign country may prove it difficult for entrepreneur to establish business in foreign market.

Conclusion:-

International entrepreneurship is the process of an entrepreneur conducting business activity across the national boundaries. It may consist of exporting, licensing, opening sales office in another country etc. Companies which are incurring high level of fixed costs can lower their manufacturing costs by spreading these fixed costs over long number of units by selling their products in global market. International entrepreneurship is defined as development of international new ventures or start ups that from their inception engage in international business, thus viewing their operation domain as international from the initial stages of international operation.