International entrepreneursh opportunities

MODULE 6

ASSIGNEMENT

- Barriers to international trade
- Tariff barriers
- International v/s domestic entrepreneurship

International entrepreneurs

- Process of discovering and creatively exploit
exists outside one's own country with the
competitive advantage wherein importa
discovery and exploitation of opportunities is
- It is a combination of innovative proactive an
that crosses national borders and is intende
organisations.
- This deals with general aspects of being glob
identifying global opportunities.
- Issues covered are importance of internatio
globalisation and the international environme
venture, aspects of global business etc

Nature of international entrepreneurship

- Integration of economies
- International competition
- Mutually acceptable currency
- Different national policies and intervention:
- Proactive or reactive based on opportunities/threats

Importance of int buss to th

- Superior technological know-how
- Larger size and economies of scale
- Lower input costs due to large size
- Ability to access raw materials overse
- Ability to shift production overseas
- Economies of scale in shipment/distrib
- Brand image and goodwill advantag
- Access to low cost financing
- Information advantage
- Managerial expertise and experience
- Diversification of risks

Rostow's model of stages of economic development

- According to Rostow, 1960 countries pass throu development
- 1. Traditional society – subsistence, barter, Agri limited capital, traditional methods of producti
- 2. transitional stage – specialisation leading to transport infrastructure develops, income/savin entrepreneurship develops, external trade on
- 3. Take-off – Industrialisation develops, works sh sector, growth concentrated in a few regions reaches 10% of GNP

new political and social institutions develop, m investments

Rostow's model

- 4. Drive to maturity – diversification to new areas, producing wide range and less reliance to impor
- 5. high mass consumption – mass consumption, c flourishes, service sector becomes dominant

According to Rostow development requires substar given in stage 3 after reaching stage 2 leads to

Limitations of the model:

Based on western culture and not India

Too generalised

doesn't detail preconditions for growth

Difficult to identify stages as they are merged

Just a growth model highlighting need for investmer of development

Entry modes to internationa business

- Method of entry into an international market dep the entrepreneur and the company's strengths a
- Entry modes can be broadly categorized into 3 c

  - exporting as an entry strategy

  - manufacturing strategies without FDI

  - manufacturing strategies with FDI

Exporting

- Strategy to enter a foreign market with least comm there aren't large enough to set up own manufa manufactured to derive economies of scale and and quality advantage. However, managers in fa be responsive to customer needs.
- Forms of exporting: includes indirect exporting an
- Indirect exporting is exporting through others; reso which have limited resources. Objective is to sell o overseas with minimum expenses and inconvenie withdraw when their home country sales improve. but control is also low on how when and where th Sometimes they are not even aware of their expo
- There are 4 methods of indirect exporting.
- 1. Domestic purchase: some companies are cont companies who purchase at factory gate and ex distributing. Local subcontractors and OEMs fall in limited knowledge and access to the company.

Exporting

- Export houses: export houses or export marketing
specialist companies setup to act as export depa
companies. They can facilitate small and mediun
their international trade. They also provide indirec
information and contacts.
- Piggybacking: an established international distrib
manufacturer is used to carry the products of ano
second manufacturer rides on the back of reputa
administration of the carrier with no direct involve
commission, or he buys the products and distribut
- Trading companies: trading companies from the
important role in indirect exports. African trading
sogo shosyas of japan are classical examples.

Exporting

- Direct exporting:
- for long term interest in internationa
company needs to proactively exp
Requires commitment and resource
into a number of supporting activiti
a huge financial burden on the co
hence timing becomes critical. So
and gradual transition is important.

Manufacturing without FDI

- Strategy involving manufacturing and service supply fron huge costs and risks manufacture can be without direct
- - licensing: under a licensing agreement a company (lic property to another company (licensee) for a specified pays a royalty to the licensor. Rights may be exclusive or
- Most common for the use of patents, trademarks, copyr Licensor does not risk tangible assets like plant and mac have to develop intangible asset on their own.
- It permits a foreign company to use industrial property t country or in other countries
- Multinational companies commonly license their own su legal ownership of industrial property., to facilitate repat home and host governments. Many indian companies h other countries eg Ranbaxy in indonesia and jordan

Manufacturing without FDI

- Franchising:
- Means of marketing goods and services grants the legal rights to use branding tr and method of operation is transferred - in return for a fee. The franchiser provic and help with sourcing and exercises sig the franchisee's method of operation.
- Franchisee invests in capital but is consi Franchiser has the advantage of greate withoput having to invest in capital
- Chan identifies 2 types of franchise. Viz and business format franchise.

- Product/trade franchise is like car deal
service station, soft drinks bottlers where
franchisees are granted right to distribu
manufacturer's product in a specified
- Business format franchise includes mar
businesses like restaurants, convenienc
hotels, this includes licensing of trade m
system of operating the business and c
the location
- One has to decide to what extent the
format must take into account local de
expectations. McDonad, Pizzahut and
catered to local tastes in different cour

- Contract manufacturing:
- Firm engaged in international business
manufacturers to produce the product
contract. Nike and Gap use contract m
cost economies advantage is that the
concentrate on sales and marketing. A
a minimum withdrawal becomes easy.
- It helps to overcome trade barriers
- Sometimes it is the only way where loca
employment
- During political uncertainty it is better n
production capacity.

- Turnkey projects:
- Turnkey projects are common in in
in supply, erection and commissio
oil refineries, steel plants, cement
plants,; construction projects as w
agreements.
- It is a contract under which a firm
design, construct and equip a
manufacturing/business/service fa
project over to the purchaser whe
operation for remuneration . Form
includes fixed price , or on a cost

- Management contracts:
- Companies with low level technolo
management expertise may go fo
management contract with a fore
specified period for a monetary co
- Compensation can be in the form
percentage of sales or performan
- Some Indian companies like Tata T
Malayalam have contract to run

Manufacturing with FDI

- FDI is the process where residents of a
ownership of assets in a host country for
controlling production distribution an d
- FDI in which wholly owned manufactur
considered by global firms in order to
- - acquire raw materials
- - operate at lower manufacturing costs
- - for avoiding tariff barriers
- - satisfy local content requirements
- - for penetrating local market

Manufacturing strategy with FDI includes

Manufacturing with FDI

- Joint ventures:
- Joint venture is any kind of cooperative
two or more independent companies w
establishment of a third entity organisat
the parent companies. Each company
here. Stake may be as low as 10% but c
decision making.
- Indian pharma companies have made
eg companies like Ranbaxy Lupin and R
- In many cases joint ventures have helpe
company in local market stabilise

Manufacturing with FDI

- Mergers:
- Merger (amalgamation, consolidation, inte
of two or more organisations in which one
liabilities of the other in exchange for share
both the organisations are dissolved and th
combined and new stock is issued.
- It is a combination of equals and the boar
by either company.
- Asian pains, Essel packaging have merge
gain foothold in international market.

Manufacturing with FDI

- Acquisitions
- Acquisition is purchasing an existing venture. Eas
- One must be careful about payments so as not
- Notion that acquisition is a faster way than orga
  It may take considerable time to search and ev
  and integrate.
- It is a transaction in which a firm buys a controllin
  an intention of making it a subsidiary business or i
  business.
- Some firms adopt acquisition a s a one time strat
  particular market but for some other it is a strateg
  acquisition strategy ensures firm's growth.

Manufacturing with FDI

- Wholly-owned subsidiary
- It is the most expensive way of entering foreig
greatest commitment in terms of time resourc
when the market is assured. It helps compani
control and ownership on foreign opearation
- Wholly owned subsidiary meana 100% owner
parent company. The subsidiary has a differe
operates under the control of the holding co
- Location in a different country is one of the m
companies are not absorbed but run as a su
regulatory and financial factors are the othe

ASSIGNMENT

- Strategic alliances:

- Assembly operations: