Managing in the Global Market Place: What's the Difference?

International Business: Any firm that engages in international trade or investment.

- Managers need to recognise that the task of managing an international business differs from that of managing a purely domestic business in many ways.
- This is because of different systems, politics and cultures.
- Managers therefore need to be informed about many different variables.
- They also need to be ethical, learn about what the best way to get into a country's market is

Six reasons for difference:

- Countries are different
- The range of problems faced is wider
- The problems themselves are more complex and demand more knowledge
- The competition is more intense
- You have to deal with government limits in the international trade and investment system
- Currency exchanges must happen.

The Uppsala Models (U-Models)

- Pioneered by researchers in Sweden, it shows the 4 different stages of entering an international market, where each successive stage represents a greater degree of internationalisation.

Stage 1: No regular export activity
Stage 2: Export via independent representative
Stage 3: Establishment of an overseas sales subsidiary
Stage 4: Overseas production / manufacturing units

Key assumptions:

- Market commitment not only affects commitment decisions but also the way the current activities are performed.
- These lead to changes in knowledge and commitment; that is, the firm tries to increase its long-term profit along with growth, and these objectives shape the decision making of the firm.
- Psychic distance: firms target markets that are psychically close i.e. have a similar language, similar culture and economic/political systems.

Definition of Psychic distance: Factors impending the flow of information between the firm and an international market.

The Theory level of the U Market

1. Market knowledge -> Commitment decision
2. Current activities -> Market commitment

Operational Level:

Development within a country

1. No regular export
2. Export via independent representatives
3. Establishment of an overseas sale subsidiary
4. Overseas production/manufacturing units

Development across countries

1. Psychic distance
2. Choice of new markets

Criticisms of the model:

- No allowance for 'born global' firms
- It's pretty vague
- It ignored external factors – risk
- Too product orientated
- Ignored different forms for market entry

Pros:

- Provides a strong guideline for businesses who have a lack of knowledge of the foreign model
- Descriptive and has high specificity