

International Business - A Lucrative Alternative

by Erik C. Meyer

Although U.S. technology and products have a ready market around the world, U.S. technology-based industry has been slow to develop long-term international markets. Companies have the wrong impression of the global marketplace and lack the talent necessary to

understand the intricacies of this business sector. Most companies approach the international markets with the same ideas and expectations as they have for the U.S. market. Many fail to develop a significant business base overseas and withdraw from the global business scene with the wrong conclusions.

Developing a successful and long-term presence in global markets requires internationalists or global managers, who are in tune with the varying economic, business, and cultural differences in other markets. Corporate management often does not see the need for this type of professional. Hence, most U.S. companies have limited vision when it comes to marketing their products and services. They typically think of the domestic market as foreign military sales (FMS) only and overlook the fact that the vast world market offers lucrative business opportunities. The concept of the home market, on which industry has been banking, is a thing of the past; the world is fast becoming one big marketplace, divided into several major blocs.

The Pacific Rim, the Concept of Europe 1992, and the U.S./Canadian Trade Agreement will result in three giant markets made up of the world's industrialized countries. By 1992, western Europe will become a single internal market with no boundaries or internal restrictions, and it will represent the largest single market in the world, made up of 12 different countries with a total population of 330 million.

Means of Conducting International Business

Before a company enters global markets, it should have a practical concept and plan to ensure that the venture will be successful and bring the expected results. International business does not consist of export from the home office or FMS sales alone. Although this is usually the first step, international business will grow from there and will eventually comprise a host of possibilities, including the following:

- Export from the U.S. plant via a network of representatives and/or distributors in selected countries.
- Setup of regional overseas offices to perform sales and marketing functions in conjunction with and backed by representatives and distributors in that region.
- Licensing of technologies to companies in other countries to avoid import restrictions, high duties, and freight charges, and to take advantage of the often lower labor costs. Licensing is not the most attractive route to enter a new market, but it is the least costly and least risky. If properly administered, licensing can be a solid contributor to the company's business. It is especially attractive for large, difficult-to-ship items or if importing into a country is restricted.
- Joint venture companies with local partners in another country. This requires a certain amount of capital and commitment; in return it provides con-



siderable control over marketing, engineering, and manufacturing to the U.S. company, if properly structured and administered.

- Wholly-owned subsidiaries in another country, if permitted by that

country's laws, leave almost total control over their destiny with the U.S. company. This alternative requires careful preparation and substantial financial commitment and support by the U.S. parent company.

Planning Is Necessary

Even small- and medium-size companies must devote time to basic planning before entering the international business arena. Once the commitment is made, the first step should be to hire a qualified contracts professional and an outside expert to develop an international presence. These individuals must understand the various business methods and conditions around the world and must have experience in international management to avoid the pitfalls and mistakes that many companies have experienced and paid for dearly. They should have basic international qualifications, such as:

- An open mind and appreciation for international cultural, economic, and business differences. This will ensure that personal relationships, which are so important in many countries, can be developed.
- An understanding of world economies, cultures, and business conduct. This will facilitate the conduct of business and make it easier to explain to the corporate management what to expect from a certain market.
- A willingness to do extensive overseas travel in the beginning to establish a business base in other countries. The telephone is not effective in establishing overseas business because of potential language barriers and different time zones. Letters and telexes do not adequately communicate to partners and customers the plans the company has for that market.
- Linguistic ability to communicate with clients and interpret information in host countries, and remain in tune with the general situation in those countries. Information gained from studying the local business papers and magazines is invaluable.
- The ability to get along with and relate to people of varying cultural backgrounds, and be the company's sole representative around the world. Personal relationships often play a greater role than detailed technical knowledge.

Qualifications like these cannot be obtained in school; they are acquired through many years of direct experience. It is therefore foolish to assign international planning, marketing, and operation responsibilities to someone

(continued on page 38)



