INTERNATIONAL BUSINESS: CONTEXT AND CHALLENEGS

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Introduction

Internationalisation in business refers to the expansion of business in different countries. Companies and Organisations expand their businesses in different countries to increase their revenue and market share. In this race of expansion, companies face several issues and challenges. Most of the common issues faced by them are Internationalisation, Corporate Political Activity in Host Countries and Cultural distances. This study aims to identify the different challenges faced in the globalisation of business in a global context. This study also focuses on the different contexts which will affect the global expansion of any business. Also, a detailed analysis will be made to find the influence of these contexts in their expansion. A recommendation has been given in this study for the companies with the reference of a successful company for its internationalisation.

Part 1: Literature Review on Internationalisation of Business

Analysing the concepts of Internationalisation of business

The concept of Internationalisation of business comes into the mind of business leaders after a successful run of business on a national level. Business leaders who get success with their ideas in a particular nation try to expand their market share and revenue by expanding their businesses into a new country. As a result, the company gets a new market for their products and services. A new market builds new opportunities for them. This essay is focused on the internationalisation problem faced by them in their global expansion. As per the study of Turunen & Nummela (2017), entrepreneurs develop their language skills, cultural awareness and global mindset during the internationalisation of business. The process of Internationalisation is very hard. It goes through a difficult path. Business leaders face different challenges and issues on their way to internationalisation. Still, they chose to internationalise their business to increase market share and conquer the audience's mind. Different countries and regions have different cultures and audiences thus Internationalisation of the business or company will give them exposure to a new market where they will be able to learn new things and improve their business skills. Studies have found that internationalism improves the productivity of microbusinesses (Henley & Song 2020). Also, internationalisation gives businesses an opportunity to get talented people on their boards. Different countries have different talents in their population. As a result, if a company is only focused only in a particular country and doesn't globalise itself their workforce will be limited to the country only they will miss out on the talents from the other counties where their competitors might hire those talented employees. Studies found multinational companies pay higher than national companies to hire people (Newburry et al., 2014). This will give their competitors an edge over the companies. Thus international is important for them.

According to a study by Zaki et al., (2015) it has been found that internationalisation in the business helps the business in exporting with independent agents and also helps in getting direct investment. With the internationalisation of their business, they get an insight into the international market along with the regional market of different countries which helps them in negotiations with the traders of different raw materials or products. As a result, the business books a huge profit for this. Also, different types of natural resources are available in different countries thus there are high chances of cost saving for the companies if they set up their businesses and factories in those countries where there is an availability of natural resources. This saves the transportation cost of the resources which eventually reduces the overall cost and increases the total revenue and profit of the company. For these reasons, the concept of Internationalisation of business or globalisation business has become very relevant and important in the current contract.

Evaluating the Difference between nationalisation and internationalisation of businesses

There's a huge difference between internationalisation and nationalisation of businesses. Both the terms are totally different but both have a good impact on the company's success. Implementation of both of them influences the success of the business in different ways. The nationalisation of companies refers to the ownership transfer of different companies into companies. Internationalisation of companies refers to the expansion of business in different countries. Nationalised businesses located in particular countries don't focus on expanding in different countries; it is mainly owned by the government or small SMEs. Companies expand their business in different countries and explore new markets (Knapp & Kronenberg, 2016). Their main focus is to grow with the country and increase the Market share within the country. On the other hand, businesses focused on internationalisation first capture the national market then gradually their business in different countries. Their mission is to penetrate different markets in different countries and capture their market share with their products.

Companies that focus only on the national market are mainly owned by the SMES or the Government or any individual businessman. While the other companies that focus on internationalisation are owned by large corporations with a huge cash flow. Most internationalised companies dilute their ownership by tying up with different regional companies in different countries. Thus they are owned by many regional and international corporations.

The nationalised focused companies are focused on solving critical issues inside the country. They are mainly focused on generating employment rather than generating revenue. Contrary to the study of Stan (2014), it has been found that many nationalised companies fail because they don't look into the profit. These companies aim to provide affordable products for their country's people. On the other side, internationalised companies are revenue and growth-centric. Their focus is always to increase the growth and diversification of their business. They do not have anything to do with the country's growth. They only care about their profit. As a result, international companies have been criticised by the socialist people several times. These companies are also being criticised for their many unfair policies towards employee management. Nationalisation and Internationalisation also have a few differences in their implications. Nationalisation transfers the ownership of the companies to the government and the government changes the different policies of the company and restructures the whole business model of the company which becomes tough to adopt for their existing customers. On the other hand, internationalisation doesn't include any changes or restructuring in the business policy. The company doesn't change their pre-existing policy in a country where they are already operating successfully. If any kind of restructuring is needed in any country then it is done only in that particular country by doing particular research.

Evaluating the challenges faced by the companies at the time of business internationalisation

The expansion of business is not as easy as it looks from the outside. It has many complications. The biggest problem faced in globalisation or the Internationalisation of any business is the language barrier. As per the research of Sui et al., (2015), the language barrier is the biggest barrier for the companies. Internationalisation is impacted by languages. All the countries in the world have too much diversity. Each of them has a different language for communication. Thus it becomes difficult for the companies to expand into a new country and communicate with their people properly as they are not fluent or sometimes totally unaware of their language. As a result, sometimes it creates a big miscommunication among them which leads to a decrease in the brand image of the particular companies. On the other hand, the language barrier is also very problematic among the employees and labourers. Their manager faces difficulty in explaining the need for the products as a result they fail in building a good product or delivering a good product. The second most challenging challenge faced during the expansion of the international market is building a good team. According to a study, the hiring process of the company is also influenced by the country's situation. On the contrary, Lepori et al, (2015) claimed that, if the country has good infrastructure then the companies will be able to hire more employees there but if the country is not developed enough then the companies will face problems in hiring skilled employees. The company faces huge difficulty in building a new team and managing them in a new country. Finding good, loyal and skilled employees for the companies becomes tough work for the human resource managers of the company. This problem occurs mainly due to the language barrier. Companies mitigate this problem mainly by hiring employees from their competitors in the same country; this costs them a lot.

In a study by Gopinath (2015), the internationalisation of business is also an issue of currency exchange rate fluctuation. Research discloses that the currency exchange rate influences the inflation rates too. In the current days due to several circumstances, the currencies of different countries are fluctuating very fast. Someday the currency exchange rate is going very high whereas in the other it is going very high thus it is becoming a big concern for businesses wanting to expand internationally. The sudden fluctuation of the currency affects the profitability of the companies. Suppose the company buys raw materials at a certain price but after a few days once they prepare their final product if the currency exchange rate increases then they will have to sacrifice their profitability to launch the product at their promised price or at a competitive price. The political instability has also had a bad effect on the internationalisation of the company. Contrary to the study of Jiménez *et al.*, (2014) Political changes are a threat for multinational companies as opportunistic behaviour is increasing very fast among the people. Any political changes in the country can change the government regularities or policies which will lead to regulation implications for the companies. Thus it will be challenging for them to sustain themselves in the market.

Discussing the different cultural problems faced by the companies during internationalisation

The Internationalisation of business comes with different cultural differences among people. According to a study by García-Sánchez et al., (2013), different countries have different cultural systems such as gender equality, institutional collectivism or humanistic orientation which plays a big role in companies' different practices. It has a huge impact on the success of businesses in different countries. Different cultures in different countries and regions affect the business from the employee perspective as well as the consumer perspective. Companies are mostly attracted to a particular culture when they operate in only a single country but after the diversification of business in the international market they face different cultures. They face issues in managing them. Sometimes the mismanagement of culture can lead to a negative brand image among the audience. Thus it becomes very crucial for brands or businesses to maintain cultural management. This will help them in maintaining their brand image. Also on the other hand culture becomes a big issue in the management of employees. Managing employees coming from different regions is very difficult. They follow different cultures in their country thus it becomes difficult for the companies to maintain the cross culture among their company employees. In contrast to the study of De Jesus-Rivas et al.,(2016) it is suggested that vocabulary and training programs can help companies to prevent cultural mismanagement. Thus most companies train their employees and implement the cross-culture management program within their company to mitigate the problem.

Part 2: Impact of Internationalisation on Tesco

Employee Management

After the globalisation of Tesco, the company has started giving priority to its customers. Earlier they were focused on the growth of the company not on the growth of the employees but after the globalisation and internationalisation of the company they have started shedding light on their employees. Employees are one of the key stakeholders in any business thus it is very important for the business or company to look into their well-being. This becomes more important when the company is a retail company like Tesco. In retail businesses the employees and the customers have a direct interaction thus it becomes crucial for the companies to keep the employees happy else the sad or unsatisfied employees will not interact with the customer properly which will result in a bad customer experience. As a result, retail stores always take care of their employees' well-being. Tesco was also not an expectation; they also worked for the well-being of their employees by giving several schemes to them. It also helps them in retaining the employees. In Ireland, Tesco implemented added reward programs to motivate their employees (Ajibola, 2022). In internationalisation retention of employees is important because hiring a new employee and training them to make them efficient for the work is very costly. Also, other problems in the company were also solved after internationalisation. Tesco employees were facing a very bad work-life balance. Due to Internationalisation to attract new employees in their company, they fixed their employee's work-life balance by making a good routine in the company. Also, they started treating all their employees equally after this. Earlier Tesco was criticised for unequal treatment of employees and discrimination of employees.

Cultural Management

For a company that is expanding to a new country, it is very important to manage the country's culture. Else the customer of the country will become offended towards them and buy their products or use their services. As a result, it becomes important for the business to maintain a good culture. Thus Tesco being a customer-centric company and a retail company implemented a good culture management strategy. They took several cultural schemes to be emotionally connected with their customers as well as their employees. In different countries, they run several personalised campaigns during their occasion to connect with them emotionally. As a result, the campaign made an emotional connection between the brand and the customers. The customers become loyal customers to the brand in return. The customer retention rate of Tesco also increased due to these emotional connections. This eventually helped Tesco in increasing its market share and profitability.

Currency Management

Tesco is a UK-based retail company that operates in different countries like US and Canada and other European countries. All the countries have their different currency which keeps fluctuating often. As a result, Tesco was facing problems in dealing in other countries. Also, they need to import many raw materials for them from different countries which have different countries. Thus they are also facing issues in managing the exchange rate or currency fluctuation rate in the countries. Tesco follows the globalisation strategy in business in order to maintain business expansion. However, this internationalisation had created significant changes in Tesco. The joint venture with Samsung in the Korean market, improved the expansion planning for Tesco (Fitzgerald et al., 2022). Hence t6the globalisation has changed the decision-making style within the organisational culture in the global markets. As the complex market scenario has been established in the internationalised business the company has to go through fluctuations in the exchange rates. Exporting international goods has become more expensive. Although the company has a proper organisational structure in order to maintain globalised business the company had to adopt a more flat organisational structure to sustain the market.

Pay Scale Management

In globalised business managing the proper global compensation strategy is the most vital factor. In order to guarantee business compliances the companies should take on proper wage management practices in the business. As there are sufficient issues present in the globalised businesses related to the wage gap, Tesco in order to sustain the market competency and integrity has been taking an in-depth analysis of the current wage gap to integrate human rights. In the case of globalised business, the pay scale depends upon the Government policies regarding the minimum hours of daily duty, and minimum required wage for the suitable workers in the industry. In order to merge the business within the globally competitive market, Tesco has acquired its business policies with the globalised trade unions (Myant, 2023). Hence this approach has significantly improved the ability to build a cost-effective pay structure in Tesco's organisational structure. However, there had been several occasions of conflict in internationalised business due to the violation of collective agreements among the workers and unions. In the Central and Eastern European countries, the struggle of pay scale management was rampant, in demand of equal pay structure for the redundant employees (Myant, 2023). Therefore there have been several positive and negative impacts of internationalisation in business for Tesco.

Recommendations

After the study of the case of Tesco, many loopholes of the company have been found. There are many methods that can be used to mitigate the loopholes. They are discussed below.

Recommendations 1:

Though Tesco has updated its employment management in many ways still they are facing many problems managing them. Despite having many employee managing skills they are still facing issues in mitigating the gender pay scale issue. Tesco has failed to pay equally without any discrimination. Companies should mitigate this problem of unequal payment. The implementation of gender equality has improved productivity and competitiveness among women in Australia (Henley & Song, 2015). They should start paying on the basis of their work, not on the basis of their gender. Companies are recommended to evaluate the skill of the employees without looking into their gender this will mitigate the issue of gender inequality in the company.

Also, this will motivate the employees to work with more efficiency.

Recommendations 2:

The retail market chain Tesco was operating in the UK then they expanded their business to different countries. As a result, they faced issues with currency rate fluctuation. They were struggling to mitigate these issues. Thus these companies are recommended to have a currency reserve of the operating countries to counter the issues. If they reserve a certain amount of currency in their account it will help them to trade in that country using that. Currency reserve helps in managing currency risks (Yongding, 2014). This will help them in mitigating the issues. Also, they can evaluate the current scenarios of the countries to check whether this could cause currency fluctuations or not. Also, they can onboard financial experts in their company to forecast the problems and make decisions accordingly.

Link with Part 1

The second part of the study has focused on a few key points like employee Management, cultural management, pay scale management and currency management. This part has discussed the overall impact of globalisation in the company on these particular key factors. Though it's been found that the company Tesco has got so many positive impacts of these factors, some of their problems are not yet solved. Those needed to be solved by them. All these problems are directly linked to part 1. In the literature review of part 1, these problems of globalisation were discussed in brief. The literature described the probable challenges and issues companies could face due to the globalisation of their business. And it was clearly found in part 2. Thus it can be stated that both of these parts are linked with each other to build a proper essay.

Conclusion

International business is a very important but critical issue. It helps the company to grow its Market share and revenue but implementation of this is quite difficult. A proper plan and strategy are highly needed to implement this. It faces issues like language barriers, cultural mismatch, currency fluctuations and political issues. All these issues can be mitigated using a good study. This study has revealed that Tesco was one of the companies that have gone for internationalisation. Tesco has mitigated its many issues like employee Management and cultural management using its experience and leadership. Though they still have many problems which need to be solved. These are the problems that are also faced by several companies which can be solved through a strategic plan discussed in the recommendation. At last, it can be concluded that the Internationalisation of business is difficult to implement but a proper plan makes it easier for the leaders of the business to internationalise their business.

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