Developing a new product or service, improving market penetration, or entering a new market are all ways to expand a business. When a corporation enters a new international market, it gains access to new clients, which can increase revenues. To successfully offer a product or service in a new international market, the company must develop an international strategy.

The most common entry approaches to a foreign market are export and import operations, wholly-owned subsidiaries, licensing, franchising, joint ventures, alliance, merger, and acquisitions.

The following are the advantages and disadvantages of the most common approaches:

For Exporting, the advantages are fast entry and low risk however the disadvantages are low control, low local knowledge, and potential negative environmental impact of transportation.

The advantages of licensing and franchising are quick entry, low cost, and little risk; the downsides are less control and the possibility that the licensee will become a competitor.

Partnering and strategic alliance, the advantages are shared costs reduce investment needed, reduced risk, seen as a local entity. The disadvantages are the Higher cost of exporting, licensing, or franchising; integration problems between two corporate cultures.

The advantages of a wholly-owned subsidiary include getting local market knowledge; being perceived as an insider who employs locals; and having complete control over the business. The downsides include high costs, high risk due to unknowns, and slow entry due to setup time.

Acquisition, the advantages are fast entry; known, established operations. The disadvantages are high cost and integration issues with the home office.

Healthcare, technology, financial services, and retail are the most typical industries for mergers and acquisitions. After reading several successful M&A stories, I have concluded that a successful acquisition is just as much about the people as it is about the technology, therefore culture alignment is one of the high bar requirements. Every merger or acquisition will have its own set of obstacles and unforeseen circumstances. Successful M&A requires quick integration of fundamental business, realtime visibility into combined enterprises, and embracing and aligning on culture.

A commitment to communication, a Win-Win attitude, a shared vision, a well-timed plan, and a contingency plan are all essential components of a successful and effective merger or acquisition.

"The historical evolution of organizational patterns indicates that in the early phase of internationalization, most firms separate their exports departments from domestic marketing or have separate international divisions. Companies with emphasis on global business strategies move towards global product structures whereas those with emphasis on location base strategies move towards global geographic structures. Subsequently, a large number of companies graduate to a matrix or trans-national network structure due to dual demands of local adaptations pressures and globalization. In practice, most companies hardly adopt either pure matrix or trans-national structures; rather they opt for hybrid structures incorporating both." (International Organizational Structures, 2022)

Many firms choose an organizational structure that best fits their size and business goals to ensure that operations function smoothly. Having and communicating a clear organizational structure aids employees in understanding their roles and responsibilities, as well as in goal-setting. International organizational structure is critical to a company's performance as it assists managers in determining departmental groupings.

Any questions to the author? please write a message to us: contact@nexiviti.com

References:

INTERNATIONAL ORGANIZATIONAL STRUCTURES The four major types of international organizational structures. The types are: 1. Expo-documents against acceptance Department 2. International division structure 3. Global Organizational Structures 4. Evolution of Global Organizational Structures. (n.d.). https://www.gurukrupacm.org/collegeadmin/uploadpdf/INTERNATIONAL-BUSINESS.pdf

Public Mergers and Acquisitions in Canada: Overview. (n.d.). Practical Law. Retrieved June 9, 2022, from https://uk.practicallaw.thomsonreuters.com/7-501-9618?transitionType=Default&contextData=(sc.Default)&firstPage=true