

lingua business

I love tacos, I like
cheese, my car is
German, my coat
Chinese!

By Paul Gibson



Yes, the international business world is changing local and domestic economies to the point where it is hard to distinguish between the two. Even your local clothing store may be importing clothes from China, where manufacturing costs are lower and therefore profit margins are higher. Chances are the majority of the products you buy during the day are either produced, serviced or originated in a country that is halfway across the globe.

In order to illustrate what I am talking about, you can do the following test (which is kind of fun actually!) Let's take a look at my desk right now:

I have a blue marker (made in Germany), a pen (made in USA), a BENQ computer monitor (made in Taiwan), a coffee cup made in Portugal, a telephone (made in China), an English dictionary made and bound in Spain, and a chair made in Germany as well. In fact, as I sit here in Spain, there is virtually nothing "Spanish" about it (not even the language I am working in... ha ha!). But that's okay! I was just trying to point out, that it really is amazing how the world has come together to produce and manufacture so many products and services we use every day. This is what we could call the "litmus test" of internationalisation, so often referred to in business magazines.

The face of international business is also changing. The major players are you and I, but the real protagonists are multinationals that have created divisions throughout the world, creating manufacturing platforms and portals to control each phase of their marketing, manufacture and after-sales service efforts, with sales teams worldwide. Who hasn't heard of Coca-Cola in any city in the world? Who hasn't tried "paella" in any corner of the world? To say nothing of "tacos"... These are just some of the phenomena created by the establishment of "multinationals" or companies operating in multi locations throughout the world. Many of these combine their efforts to achieve the cheapest production and marketing costs, while selling their products in areas with high profit margins. There is really no doubt, that the Chinese and Taiwanese are the kings of productivity and cost-effective manufacturing processes. This may be true of clothing, for example. But we can also find the most talented employees right here in Europe, in Slovakia and Prague, for a fraction of the minimum wage in most European member countries.

Scale economies exist when the unitary cost of production decreases progressively as manufacturing and production increases. This is true of these types of multinational manufacturing companies. They reduce the cost of production by producing more at cheaper prices.

In order to make a difference in pricing or productivity, a good manager takes a look at their fixed costs and tries to turn them into "variable" costs. The reason for this is that "overhead" or operational costs can not be unsatisfied. They must be covered in order for a business to be operational. Any reduction in fixed costs gets immediately transferred to the final profit margin. Reducing fixed costs while maintaining production levels stable translates into higher profit margins --- happy stockholders, good management, and even the possibility of reducing the price of your product for consumers in the future.

The international market offers diversity. Diversity can be appreciated in many areas: in business processes, in materials used for production, in means and capital available. Distribution channels and information resources are of the highest quality. This basically follows the laws of probability. If you have so many different choices to make, you have more of a chance that you will hit on the correct one. One of the most important areas of diversity achieved in the international business arena is human capital or talent. The Bill Gates of the world simply are not born in every country in the world. Or maybe they are, but they are few and far between and that's where internationalisation really adds value to your business. Not all activities can be "internationalised" though.

Obviously, if I have created a “market niche” or space within the market to promote or sell my products and services based on my local presence – it may not be feasible to “internationalise” my business.

Imagine a specific scenario, like Idiazabal Cheese Company (local company of Northern Spain). Idiazabal is not interested in making their cheese elsewhere. They are also not interested in changing their business processes –(they are already one of the best cheeses in Spain). They really are not interested in changing because they already have that “winning combination.” Sure, they can sell their cheese abroad...but they will not take advantage of the other benefits of internationalisation aforementioned.

One of the major challenges of embarking on the adventures of international business are the challenges involved in maintaining the focus or core of your business. Along the way, there are several temptations to be avoided that require real stamina or real expertise to overcome. Some businesses lose their local identity as they become more and more international. This issues becomes more and more acute to the degree that a company’s success was based on the local or domestic market. This is really common sense. If you are selling American flags, the most logical consequence would be that you should focus your business in the US not abroad. On the other hand, if I am selling United Nations flags, I should not focus all my attention on the US or British markets, but I should really embrace an international marketing strategy.

How do businesses lose focus? Most businesses lose focus when they try to expand into too many markets at the same time, or they try to take on too many lines of business at once. Signing too many business agreements at the same time adds extra pressure to sales teams and even after-sales service teams to meet monthly objectives that may prove to be unrealistic and may require special attention. On the other hand, businesses that are attempting to “go international” have to make a strategic decision. They can not wait too long to try to enter a particular country or region, otherwise they may lose their competitive advantage or the all-important market share they might have been hoping for.

As businesses become more and more international, multinationals rely on the talent and ability of local and regional managers to implement local corporate strategies. The overall corporate strategy can and should take on the “local” flavour.

This is what makes marketing successful: to the degree that your product or service, fits the customer you are serving. This is the other side of

the coin which says. “The customer is always right.” So this may sound like a really theoretical and quite philosophic observation, but it really isn’t. Let’s take a look at a practical example.

Coca-Cola. How many of you knew that Coca-Cola is actually a company from Atlanta, Georgia? Probably not many of you. Why am I not surprised! This is the reason - in the words of the Coca-Cola press release:

“Although Coca-Cola® was first created in the United States, it quickly became popular wherever it went. Our first international bottling plants opened in 1906 in Canada, Cuba and Panama, soon followed by many more. Today, we produce nearly 400 brands in over 200 countries. More than 70 percent of our income comes from outside the U.S., but the real reason we are a truly global company is that our products meet the varied taste preferences of consumers everywhere.”¹ And again: “Our local strategy enables us to listen to all the voices around the world asking for beverages that span the entire spectrum of tastes and occasions.”²

The words here that really stand out are: “400 brands”, “200 countries”, and “varied taste”. This is truly “diversity” in action. This has been and will be the key for many multinational companies. There is no need to change your local marketing plan, but you do have to adapt your local strategy to the “varied taste” that Coca-Cola refers to.

Now some of you may be thinking to yourself: “Oh, now I have to follow the steps of Coca-Cola. They are just another company with so many resources and so much capital that I really don’t have right now. What an unfair comparison to my company!” Remember, Coca-Cola did not come into existence as the unfathomable and unsurpassed multinational that it is today. It started with a business idea that was put into action.

¹ <http://www2.coca-cola.com/ourcompany/aroundworld.html>
Official Website of Coca-Cola, Co.

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² Idem.