

Lesson Notes: Challenges in International Business Practices

When companies operate internationally, they face many challenges because business environments differ from country to country. These differences can affect how a business communicates, sells products, manages employees, and follows laws.

Challenges with Business Practices

a) Cultural Differences

- Different attitudes toward time, punctuality, and deadlines
- Different negotiation styles (direct vs. indirect communication)
- Different expectations about hierarchy and decision-making
- Risk of offending customers or partners due to misunderstanding customs

Example:

A company that uses informal communication in Canada may be seen as disrespectful in countries where formality is important.

b) Legal and Regulatory Differences

- Different laws for taxes, labor, safety, and product standards
- Different rules on advertising and labeling
- Import/export restrictions and trade regulations

Example:

A product legal in one country may be banned or require special certification in another.

c) Language Barriers

- Misunderstanding contracts and agreements
- Errors in marketing or packaging translations
- Communication difficulties with employees or suppliers

d) Economic Differences

- Different income levels affecting pricing strategies
- Inflation and currency fluctuations
- Differences in consumer purchasing power

e) Ethical Differences

- What is considered ethical in one country may not be in another
- Issues such as bribery, child labor, and environmental responsibility

f) Technological Differences

- Limited access to internet or technology
- Different payment systems
- Differences in logistics and supply chain infrastructure

Common Mistakes When Entering Foreign Markets

a) Lack of Market Research

- Not understanding customer needs, tastes, and preferences
- Ignoring local competition

b) Assuming “One Size Fits All”

- Using the same product, pricing, and marketing strategy everywhere
- Failing to adapt to local culture and consumer behavior

c) Ignoring Local Laws and Regulations

- Violating advertising, labeling, or labor laws
- Facing fines, delays, or bans

d) Poor Choice of Local Partners

- Partnering with unreliable distributors or agents
- Lack of trust and transparency

e) Underestimating Cultural Differences

- Miscommunication
- Ineffective advertising messages
- Offending local consumers

f) Inadequate Financial Planning

- Underestimating costs of tariffs, shipping, and taxes
- Poor management of exchange rate risks

g) Weak Supply Chain Planning

- Delays in shipping
- Inventory problems
- Poor quality control

Problems Businesses Face When Exporting

Exporting = selling products to another country

a) Transportation and Logistics

- High shipping costs
- Delays due to weather, strikes, or customs
- Risk of damage or loss

b) Tariffs and Duties

- Import taxes increase product prices
- Reduced competitiveness

c) Documentation and Paperwork

- Export licenses
- Certificates of origin
- Customs forms

d) Exchange Rate Risk

- Changes in currency value can reduce profits

e) Payment Risk

- Risk of non-payment by foreign buyers
- Longer payment cycles

f) Compliance with Foreign Standards

- Packaging and labeling requirements

- Health and safety standards

Problems Businesses Face When Importing

Importing = buying products from another country

a) Customs Delays

- Inspections and documentation errors
- Long waiting times

b) Import Quotas and Restrictions

- Limits on quantities
- Bans on certain products

c) Quality Control

- Products may not meet expectations or standards
- Difficulty returning faulty goods

d) Currency Fluctuations

- Increased costs if foreign currency rises

e) Political and Trade Risks

- Trade wars
- Sanctions
- Sudden policy changes
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f) Supply Chain Disruptions

- Natural disasters
- Port congestion
- Transportation shortages
