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INTERNATIONALIZATION STRATEGIS: CHALLENGES FOR BUSINESS

In a globalized world, similar to the one that we are currently facing, companies have to be precocious regarding the selection of their internationalization strategy.

The internationalization of multinational companies into emerging markets is a development that involves a great deal of risk due to volatile markets in the sense of both political and economical instability of Countries. In such a way, it becomes rather complicated to evaluate the how firm can enter the market. Consequently, the firms choose different paths when entering these markets for different reasons. Some companies prefer the gradual path considering one market after the other, taking into consideration time and knowledge; whereas others avoid a step-by-step approach.

Taking a proactive approach to internationalization makes companies more robust and potentially more successful, with a far greater client base and more scope to expand. While internationalization typically denotes big business carried out on a global scale, even the smallest companies can internationalize successfully with limited resources if they play their cards right.

Most of the time, companies are motivated to internationalize due to reactive reasons, such as:

- The possibility or necessity of increasing sales
- Diversifying its operations and associated risks
- Getting closer to its clients
- Reducing costs of labor production or supply
- Compensatingfor home market decline or saturation

Although these are perfectly valid reasons, all see internationalization as simply a solution to a fact or a set of circumstances that is changing the normal course of business (e.g. the deterioration of the margin, a market that is stagnant or a client who wants services and products in another country.)

However, there are other more proactive reasons for incorporating internationalization into the competitive strategy of an SME, including:

- Taking advantage of other markets growth and development
- Moving activities in the value chain to more competitive regions (be they costs delocalization of production to countries with lower manufacturing and labor costs or in capacity externalizing various processes from client services to call centers for research and innovation)
- Exploiting economies of scale and reach
- To gain knowledge about other clients and markets, the capacity of competitors at a global level in a particular industry or sector, and even the cultural diversity typical of teams in global companies.

This last argument, to gain knowledge, rarely appears in the list of reasons why a business goes international, and yet it is of crucial importance because those companies that don't work in international markets become less competitive and more vulnerable for this reason. It's imperative for companies to work abroad and to be exposed to the need for excellence that international competition brings.