

# Entrepreneurial Development: With reference to International Entrepreneurship

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## Abstract:

*"A successful economic development strategy must focus on improving the skills of the area's workforce, reducing the cost of doing business and making available the resources business needs to compete and thrive in today's global economy." - Rod Blagojevich, American politician* Today's world is not restricted to the geographical boundaries neither business is. Over the last couple of decades, international entrepreneurship has been conceptualized as an opportunity-focused activity. Simultaneously, research has progressed in uncovering the cognitive processes of entrepreneurs in creating opportunity. The present study aims to develop conceptualization of this activity further by bringing forth the systemic nature of international opportunities that come about as collective opportunity beliefs. The systemic view allows us to appreciate the multivoicedness of international entrepreneurship as an opportunity-oriented collective activity and to be familiarising with the main barriers for Indian business.

**Keywords:** International entrepreneurship, International opportunity, Systemic view

## **Introduction**

International Entrepreneurship refers to the process of conducting business activity across the national boundaries. It consists of exporting, licensing, opening sales office in another country etc. International entrepreneurship is defined as development of International new ventures or start-ups that from their inception engage in international business, thus viewing their operation domain as international from the initial stages of international operations. It must be remembered that international entrepreneurship is beneficial as if sales of company is declining market, they can sell products in international market considering demand for product in other country market customers.

### **KEY BENEFITS**

- Entrepreneur can sell their products in foreign market which have reached the maturity stage of their life cycle in domestic markets and earn profit by their sales.
- Companies which are incurring high level of fixed costs can lower their manufacturing costs by spreading these fixed costs over large number of units by selling their products in global market.
- Entrepreneur can improve their entrepreneurial competitiveness and enhance reputation.
- Entrepreneur is process of satisfying foreign customers, so they have to produce products as per international standards. This compels entrepreneurs not only to produce quality products for international market but for local market too.
- Internationalisation of business will teach entrepreneurs how to cultivate habit of customer relation management (CRM).
- Entrepreneurs can hire motivated, multi lingual employees; learn constantly about the foreign markets. They will think globally and start developing an outlook from a global perspective.
- Being global will make the entrepreneur sensitive towards their customers-domestic,

adopt more respectful attitude towards foreign habits and customers.

### 1.1. IMPORTANCE OF INTERNATIONAL ENTREPRENEURSHIP:

- **Increased sales and profit:** When the entrepreneurs are not able to earn profit or demand for their product decreases in local market they can sell their products in foreign market where life cycle of product is in favourable condition. Apple earned more profits from international business than in local market in US in the year 1994. (\$390 million foreign market / \$ 310 in Indian market,)
- **Lower manufacturing cost:** If the company manufacturing cost increases in home country than company can opt in for production process in host country, on the contrary if the company is in no profit or loss situation than company can choose in any option.
- **Advantages of cheap labour:** Quality and quantity of labour is one of the major challenge for every business, if the labour is cheap in foreign countries than company can outsource required labour, if organisation is into foreign operations. E.g. increasing cost of labour in China gas forced companies to search in for other options for outsourcing company activity to other countries were cost of labour is less.
- **Utilisation of talent and managerial competence:** When businesses are not able to get required talented work force in country, they can get the activity outsourced or hire host country employee which has given birth to concept of expatriation.
- **Growth opportunity:** Entrepreneurs whose core business strategy is expansion and diversification of business,

- international business is one of the primary platforms to achieve these objectives.
- **Expansion of domestic market:** International business causes domestic market to expand beyond national boundaries. When the domestic market has been fully tapped than company can go in for expansion of business to market their products in international market.
  - **Globalization of customers:** It refers to when customers in country prefer purchasing foreign brand products than domestic companies have to go in for internationalisation of business to keep in pace with competition to attract customers. Tata international begin to operate in international market after entry of foreign competitors in Indian market like Ford.
  - **Globalization of competitors:** International business increases the opportunity not only for the survival and growth but also motivates companies to face competition from global entrants in market, which in turn leads to growth of market, pursuing global scale efficiencies etc.
  - **Pay offs of international business:** International business improves image of the company in domestic market and attracts more customers in domestic market due to internationalization of business.

## **1.2. INTERNATIONAL AND DOMESTIC ENTREPRENEURSHIP; COMPARATIVE ANALYSIS**

- **Economic System:** When an entrepreneur is operating in national level he is required to understand economic conditions within country, but at international level he should be having information about economic system of countries where he is running business that includes currency rate, phase of business cycle etc.

- **Cultural sensitivity:** Entrepreneur operating at national level should understand cultural issues persisting in home country and at international level he has to understand and manage cultural diversity of customers as well as employees in company.
- **Stage of economic development:** When entrepreneur is operating at domestic level he should focus on development state of domestic country, on the contrary when he is operating at international scale he has to view country from developed, developing and underdeveloped perspective and accordingly plan in business strategies in economy.
- **Government policy:** Entrepreneur going in for internationalization of business have to study domestic as well as international policy, as restriction laid in home country for export of goods affect trade of entrepreneur and restriction in host country on entering of new entrepreneurs in their company.
- **Political and legal environment:** Politics and laws play a critical role in international business as well as domestic business. Entrepreneurs should be aware about political and legal environment in the domestic as well as international market.
- **Technological environment:** Even though technology is advanced at larger scale, still there are technological variations persisting in various countries depending on time of implementation, updating of technology etc. which has to be analysed by entrepreneur and accordingly plan in business operations.

### **1.3. LEGAL ISSUES RELATED TO INTERNATIONAL BUSINESS**

Running an international business in multiple jurisdictions is an exciting endeavour, however, there are a number of

legal issues one should be aware of. Running an international business in foreign countries means to comply with all relevant domestic laws if business is about to prosper. The best advice in such situations is to consult trustworthy local legal counsel. It is worth however to have an idea what to expect beforehand.

The most general legal issues one should be aware of when running an international business.

- **Company Laws**

The first thing one has to do when expanding the business to another country is to register the appropriate business structure. This can be a branch or a subsidiary of own company, or a new entity. Whatever one decides one must consider the relevant company laws.

Not all countries have a business-friendly legal climate. Request the advice of local consultants to have adequate knowledge of the appropriate procedures, bureaucracy and amount of time you will need before being able to start operations.

- **Employment Laws**

Running a global business means to employ staff in different locations. Employment laws differ substantially from jurisdiction to jurisdiction and are usually applied strictly by the local authorities. Making sure one comply with all relevant wage, health and safety and other legal requirements is a must for the proper operation of one's business. The point to be noted that violating employment laws may lead to severe penalties from the governmental authorities and even closure of the business.

- **Corruption Issues When Running an International Business**

Corruption is still a major issue in most of the countries in the world. When doing business internationally, Every

State has various customs regarding the way business is done. In that regard, it often appears that certain payments or presents are asked in order to foster the development of your business on local soil.

It is to be extremely cautious with such payments, as they can be considered a corrupt practice in other parts of the world. Especially if one falls under the jurisdiction of the US Foreign Corrupt Practices Act, one can get prosecuted for a payment that was presented as completely ordinary customary practice.

- **Investment Treaties**

When deciding whether to expand the business to a different country by investing there, it is worth having a look if there are any investment agreements in place between the home country and country in which one intend to invest. There are numerous bilateral (between two states) and multilateral (between more than two states) agreements which goal is to promote foreign investment and afford substantial protection to investors.

Making use of such treaties is really beneficial, as they impose a number of obligations to the receiving state as to the level of legal protection they should afford to foreign investors.

- **Legal Systems**

Another important issue for businesses that operate on an international level is the respect for the fundamental difference between legal systems. There are generally two legal regimes – the Civil law and the Common law systems. The UK and USA are representatives of the common law culture, where legal precedent is the leading factor. Continental Europe is the core of the Civil law countries, where mandatory legal rules are the primary source of law.



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As a basic consideration, it is worth knowing that such differences exist, and not to be surprised if the legal regime looks greatly uncommon to previous experience when operating in a different jurisdiction.

- **Tax Laws Running an International Business**

Compliance with tax regulations is a major part of the legal obligations a business has. When doing business internationally, one will have to pay taxes in all different locations. There are international agreements between states which support and ease such activities, and help businesses plan their tax obligations.

However, as tax laws differ substantively from country to country, it is worth seeking advice from a competent tax adviser in all locations your business operates. Tax is always one of many big issues for all businesses.

- **IP Rights When Running an International Business**

Intellectual property rights usually are assigned in each country one has applied. This means that if the name trademark registered in one state, protection will be afforded only in this jurisdiction. The same premise is valid for patents. In practice, the consequences of this regime are that in order to have IP rights protected, one should apply for such protection in any country businesses are seeking it. If business is operating in multiple jurisdictions, one has to apply to all of them one by one. Please note that this is not the case in the European Union, where there is a possibility of applying for a Community trade mark or for a European patent.

If business operates in a number of EU states, this is the best solution, as one will have to apply only once and will be entitled to protection in the entire European Union.

- **Exclusive Distribution Agreements**

Often times when entering a new market, you will be offered the opportunity of signing an exclusive distribution agreement with a single distributor, who will be the only, permitted entity to sell products. There are certain benefits to entering into such an agreement – usually; it allows faster and easier entry into the market.

On the other hand, however, it limits significantly growth perspectives, as one will not be permitted to allow a different distributor to sell or deliver the goods or services. Moreover, such agreements have stringent conditions and are hard to terminate.

Another disadvantage is the distributor who holds exclusive rights generally controls the business in this country, therefore can have substantive power over it. When offered such a possibility, one must evaluate the pros and cons and consider carefully the decision should base on specific situation.

#### **1.4. Conclusion:**

To establish strong long-term business relationships with foreign companies and/or governments, one should conduct a thorough risk assessment of the potential legal aspects before launching international operations. Then it is important to take advice of lawyer on how to avoid legal and corporate behavioural problems before they present themselves.

The most important legal issues one must be aware of when running an international business.

Running an international business is an exciting endeavour but must make sure that the business complies with all legal

requirements. Otherwise, one could find your business being derailed because of it. Make sure one comply with all key legal requirements of running an international business with a Start-up Legal Session.