

# A Study on the Strategies Adopted for International Trade

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## ABSTRACT

*Due to increasing globalization the previous decades, even smaller companies have been able to cross national borders and work together abroad. Consequently, numerous terms have been given to companies operating in multiple countries: multinationals, worldwide businesses, transnational companies, international firms etc.*

*Businesses that are exceptionally all inclusive integrated have the objective to reduce costs however much as could reasonably be expected by creating economies of scale through a more standardized item offering worldwide. Businesses that are profoundly locally responsive have as extra objective to adjust items and services to specific nearby needs. The current study highlights the strategies adopted for international trade.*

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## 1. Introduction

It seems that these strategic alternatives are fundamentally unrelated, however there are companies attempting to be both all inclusive integrated and locally responsive as can be seen in some examples below. Together these two variables generate four types of strategies that internationally operating businesses can pursue: Multidomestic, Worldwide, Transnational and International strategies.

Companies with a multi domestic strategy have as expect to meet the needs and requirements of the neighborhood markets worldwide by redoing and fitting their items and services extensively. Likewise, they have little pressure for worldwide integration. Consequently, multi domestic firms often have a very decentralized and loosely coupled structure where subsidiaries worldwide are operating relatively self-rulingly and independent from the headquarter.

A great example of a multi domestic organization is Nestlé. Nestlé uses a unique marketing and sales approach for each of the markets in which it operates. Furthermore, it adjusts its items to neighborhood tastes by offering different items in different markets.

Worldwide companies are the opposite of multi domestic companies. They offer a standardized item worldwide and have the objective to maximize efficiencies so as to reduce costs however much as could be expected. Worldwide companies are profoundly centralized and subsidiaries are often very dependent on the HQ. Their fundamental role is to implement the parent organization's decisions and to go about as pipelines of items and strategies. This model is otherwise called the center and-spoke model. Pharmaceutical companies, for example, Pfizer can be considered worldwide companies.

The transnational organization has characteristics of both the worldwide and multi domestic firm. Its point is to maximize neighborhood responsiveness yet additionally to pick up benefits from worldwide integration. Even however this seems impossible, it is quite doable when taking the whole value chain into considerations.

Transnational companies often attempt to create economies of scale more upstream in the value chain and be more flexible and

locally adaptive in downstream activities, for example, marketing and sales. In terms of hierarchical design, a transnational organization is characterized by an integrated and interdependent network of subsidiaries everywhere throughout the world. These subsidiaries have strategic roles and go about as centers of excellence. Due to efficient knowledge and expertise exchange between subsidiaries, the organization in general can meet both strategic objectives. A great example of a transnational organization is Unilever.

An international organization therefore has little need for nearby adaption and worldwide integration. Most of the value chain activities will be maintained at the headquarter. This strategy is likewise often referred to as an exporting strategy.

## 2. Strategies adopted for international trade

Items are produced in the organization's home country and send to customers everywhere throughout the world. Subsidiaries, assuming any, are working right now like nearby channels through which the items are being offered to the end-consumer. Large wine producers from countries, for example, France and Italy are great examples of international companies.

The centralized exporter is a home-country managed firm that trades and sells items internationally. Right now, creation facilities are located in the home country and foreign subsidiaries, assuming any, are working largely as facilitators for efficient home country generation. Items are standardized and just minor customer-oriented activities are done abroad. The second archetype is the international projector.

These sorts of companies expand upon a custom of transferring its proprietary knowledge, which was developed in the home country, to foreign subsidiaries over the globe. These subsidiaries are essentially clones of the home operations, since the business model and its success recipe are basically copied and pasted abroad. The automotive organization Portage is known for this strategy in its early days during the 1900s. Disneyland is another great example of a successful business model that has been copied everywhere throughout the world.

The international facilitator does not just rely on knowledge and resources from its home country as could be seen in the two archetypes above. Instead the international facilitator manages international operations both upstream and downstream the value chain through a firmly controlled yet at the same time flexible coordinations work. They tap into area advantages from multiple countries so as to frame an efficient vertical value chain across borders.

It is therefore perfectly possible that the crude materials are purchased and manufactured in multiple countries and that the item is being assembled elsewhere where work is cheapest. A genuine example of an international organizer is Apple. The components of Apple's lead item, the I-Phone, are purchased from multiple suppliers everywhere throughout the world and are at last assembled in China.

At long last, the multi-centered MNE comprise of a set of entrepreneurial subsidiaries abroad.

Neighborhood responsiveness is the establishment of this present organization's strategy. The main thing that holds these organizations together are the shared financial governance and the identity and interests of the establishing fathers and owners of the organization. Ultimately the multi centered MNE ought to be viewed as an arrangement of largely self-sufficient and independent businesses. Bartlett and Ghoshal's multi-domestic strategy is most closely associated with this archetype. Philips is known for utilizing this methodology in the early years of its existence.

Taken this all together, there are numerous manners by which companies can work together abroad. When a firm has economic operations located in at any rate two countries, they are often referred to as multinational enterprises or companies (MNE's or MNC's). Be that as it may, the manner by which they work together abroad determines whether we can consider it an international, worldwide or transnational organization for instance.

By being aware of these different types of multinationals, you will be better able to structure your own strategic choices when going worldwide. In case you need to find out about foreign market entry alternatives, you should read more about the OLI worldview.

### 3. Discussion

Emerging economies have assumed an increasingly important role in the global economy and are predicted to compose more than half of global economic output by mid-century. Partly in response to this growth, MNCs are directing increasing attention to those markets. Foreign direct investment (FDI) flows into developing countries.

One measure of increased integration and business activity—between developed and emerging economies—grew from \$23.7 billion in 1990 to \$204.8 billion in 2001. This was a nine-fold increase, helping to contribute to growth in the stock of (FDI) in developing countries from 5 per cent to 20.5 per cent of GDP. In particular, big emerging markets—Mexico, Brazil, Argentina, South Africa, Poland, Turkey, India, Indonesia, China and South Korea—have captured the bulk of investment and business interest from MNCs and their managers.

Recent research has suggested that entry order, into developing countries, may be particularly important given the transitional nature of these markets. In particular industries and economic environments, significant economies are associated with first-mover or early-entry positioning.

These include: (i) capturing learning effects important for increasing market share; (ii) achieving scale economies that accrue

from opportunities for capturing that greater share; and development of alliances with the most attractive (or in some cases the only) local partner. In emerging economies—that are undergoing rapid changes such as those of privatization and market liberalization—there may be a narrow window of time within which these opportunities can be best exploited.

In these conditions, first-mover strategies allow entrants to:

(i) preempt competition; (ii) establish beach-head positions; and influence the evolving competitive environment in a manner conducive to long-term interests and market position.

One study analyzed these benefits in the case of China, concluding that early entrants have reaped substantial rewards for their efforts, especially when collaborations, with governments, provided the commitment that—the deals struck in those early years of liberalization—would not later be undone.

First-mover advantages in some other transitional markets, such as Russia and Eastern Europe, are not so clear. Moreover, there may be substantial risks to premature-entry. That is, entry before the basic legal, institutional and political frameworks for doing business have been established.

In addition to strategies that must be tailored for the particular needs and circumstances in emerging economies, another condition—that calls for specialized strategies—is the international management of entrepreneurial and new-venture firms. Most international management activities take place within the context of medium to large MNCs.

Increasingly, small and medium companies, often in the form of new ventures, are getting involved in international management. This has been made possible by advancements in telecommunication and Internet technologies and by greater efficiencies and lower costs in shipping.

International entrepreneurship has been defined as a combination of innovative, proactive and risk-seeking behaviour that crosses national borders and is intended to create value in organizations.

However, despite this new access, there remain limitations to international entrepreneurial activities. Researchers show that deploying a technological learning advantage internationally is no simple process. They studied more than 300 private independent and corporate new ventures based in United States. Building on past research about the advantages of large, established multinational enterprises, their results—from 12 high-technology industries—show that greater diversity of national environments is associated with increased technological learning opportunities.

This is true even for new ventures, whose internationalization is usually thought to be limited. In addition, the breadth, depth and speed of technological learning—from varied international environments—is significantly enhanced by formed organizational efforts to integrate knowledge in cross-functional teams and in the formal analysis of projects. Further, research shows that venture performance (growth and return on equity) is improved by the technological learning gained from international environments.

### 4. Conclusion

The internationalization of the marketplace and the increasing number of entrepreneurial firms in the global economy have created new opportunities for small and new-venture firms. This international entrepreneurial activity has been observed in even the smallest and newest organizations.

In contrast, firms that internationalize earlier face fewer barriers to the international environment. Thus, the earlier in its existence, that

an innovative firm internationalizes, the faster it is likely to grow in both overall and in foreign markets.

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