International Entrepreneurship Starting Developing and Managing a Global Venture 3rd edition Hisrich Solutions Manual

SKU: 9781483344393-SOLUTIONS

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International Entrepreneurship:
Starting, Developing and Managing a Global Venture

Part 1 – International Entrepreneurship and Entrepreneurship Opportunities

Chapter 2 – Globalization and the International Environment

Questions for Discussion

1. ***What are the most critical strategic factors to consider before entering a foreign market?***

- The allocation of responsibility between U.S. and foreign operations
- The nature of the planning, reporting, and control systems to be used throughout the
- international operations
- The appropriate organizational structure for conducting international operations
- The potential degree of standardization

Each of these must be thought through and understood so that the international venture works in concert with the domestic enterprise, each supporting the other. If these factors are not

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considered than there is the potential for miscommunication, overlapping of duties, or errors in action that would prevent the international venture from succeeding.

2. ***How does the control of foreign operations change as the enterprise grows?***

- At its infancy, the foreign operation is generally run by a very centralized decision making process. The international entrepreneur relies on their limited circle of advisor and partners to aid in controlling operations at home for the international markets.
- As the enterprise grows, it is able to build more of a local network in the foreign country. The larger size and complexity of the business makes it more difficult for all decisions to be made back in the home office. At this point the local office becomes more independent and is free to make its own business decisions.
- Once this process of decentralization has expanded to several different markets, it becomes very difficult to control and manage as one office might be acting in conflict with another, and information is slow to make it back to the home office. At this point control is brought back to the headquarters and systems and controls are implemented to improve the communication structure and process.

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Chapter Exercises

1. ***Describe each of the major issues and considerations an entrepreneur must address when launching his or her product or company in a new country.***

- Physical vs. Psychological Closeness: identifying how similar are the cultural, political, legal, and economic systems in a firm's home country versus its foreign outlets and then whether or not the psychological closeness actually makes a foreign market the best opportunity for the venture. An entrepreneur must consider if:
  - The physical and psychological proximity is based on reality or perception.
  - Psychological proximity can make a market easier to enter and can help the entrepreneur identify the first foreign market to enter.

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  - Similarities with entrepreneurs in the foreign market exist, since there are common bonds amongst all entrepreneurs.

- Strategic Issues Regarding Management and Organizational Structure:
  - The allocation of responsibility between the U.S. and foreign operations.
  - The nature of the planning, reporting, and control systems to be used throughout the international operations.
  - The appropriate organizational structure for conducting international operations.
  - The potential degree of standardization.
- Environmental Analysis:
  - Characteristics of the market in each country and whether or not countries can be grouped together to form a larger market.
- Strategic Planning:
  - Whether a company's current products meet the demands in the new market(s) and deciding if a new product should be developed or introduced.
  - Purchasing power in the new market(s) and how affordable are the company's products.
  - Banking and payment structures within the new market(s) and what method(s) will be used to extract profits from the country.
- Operational Program:
  - Selecting the right products, distribution channels, pricing etc.
- Marketing
  - Establishing measures to judge if the marketing program is successful.

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2. ***Choose a country besides your home country and create a comparative table that describes the key environmental factors (economic, political, etc.) in that country versus your home country. What major differences exist and what is one major attribute that you must consider when doing business in the foreign country?***

SAMPLE CHART SET-UP:

	Home Country	Foreign Country	Major Difference	Major Attribute
Economic				
Political				
Legal				
Cultural				

3. ***Suppose you are the CEO of a small firm that is taking its business into a new country. You are fortunate to have two gifted managers who have volunteered to handle the operational issues for this project, but you must choose just one to send to the new country. One of the managers has extensive work experience in all the operational aspects of running a business, and the other manager is from the new country and previously ran a business there. Which manager will you send and why?***

- Benefits of choosing the experienced operations manager: Will know exactly what the company needs to accomplish to consider the venture a success in the new company.

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However, might lose time and money in trying to understand the new culture, economy, politics, and laws.

- Benefits of the native manager: Will know how business is done in the new country and might already have important connections established. However, might not understand how the company defines and measures success and therefore will fall short of the company's expectations.
- Alternative: Have the two managers work together to make the entry into the new country as easy, efficient, and profitable as possible.

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Case

Mayu LLC

Case Questions

1. ***Assuming demand continued to grow, how would Kate scale operations in Peru? She had already accepted a full-time job in Chicago and would be working on Mayu on a part-time basis.***

   - Understand and document what makes a good Mayu knitter—the key characteristics, abilities and requirements. Create a job description for the position so as the company scales, they know whom to hire as additional artisans.
   - Define the organizational design of the on-the-ground operations—make sure communication flow is identified from the knitters to the team leaders to Kate in the United States.
   - Once the above two tasks are complete, hire a part-time person to work in Peru. It will be culturally difficult to bring in an "outsider" to the group that was not someone Kate knew from her time in the Peace Corps—trust and honesty is a big issue so Kate would most definitely need to be in Peru to do the interviewing and hiring.
   - Before she goes to Peru, she should have a shortlist of potential candidates based on a job description she creates for the position.

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- Once new people are incorporated, the part-time staff and Kate should divide the strong/competent team-members (the existing ones, who have been there from the start) into working groups. Each woman would be responsible for a group of 5-7 newcomers. It would be the responsibility of this team leader to communicate issues related to product design, quality and bookkeeping. She would report back to the overall leader, or part-time employee.
- In addition, for ease of communication, Mayu should purchase all team leaders a certain amount of cell phone credit to easily call Kate if need be.
- An incentive program should also be created to reward team performance based on quality and timeliness of output as well as ability to follow rules.

2. ***How would Kate take Mayu from an in-person, event-based company to a successful online store if people couldn't see and feel the Alpaca fiber? She needed an online marketing strategy.***

- Create an Integrated Marketing Communications Plan!
    - Decide on the type of media plan—use a seasonal/flighting budget that is focused on winter months and gift ideas.
    - Continue developing a consistent branding message across all mediums—digital and print.
    - Follow up with past customers using e-news blasts…these communications should facilitate purchase intent.
    - Create a referral program that convinces shoppers to tell their friends about Mayu as well as a loyal customer rewards program.

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- Continuously spread content around the Internet related to not only Mayu's products but also other related topics and industry trends such as eco-fashion, fair trade, alpaca fiber, eco-fashion, ethical fashion, Peru, Peace Corps, entrepreneurship, women-owned business etc.
    - Build Links: Join as many social networks as possible.
    - Listen and respond to what people are saying about Mayu and the topics mentioned above.
    - Join groups/associations related to alpaca sales, Peace Corps, small business etc. to network and spread the Mayu word.
    - Investigate the use of search engine marketing such as Google Adwords (pay-per-click advertising). It is quite technical so hiring a skilled professional might be the best bet.
- Work on SEO (search engine optimization)
    - Make sure on-page and behind-the-scenes keywords, meta tags etc. are updated and monitor them on a regular basis.
- Use viral videos and photos to show the alpaca and quality of the products.
    - Have customer testimonials.
    - Show people talking about the products.
- Narrow down the blogs and websites that could be used for paid advertising such as banners and/or coupons.
- Look into targeting a certain geographic area of metropolitan areas to make Internet marketing much easier.

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- Find creative ways of promotion—specials, user-created design (have customers design the ideal product), etc.

3. ***Admitting that finance was not her strong suit, Kate worried that the pro-forma financial data she'd calculated was missing something. She was looking for feedback on what she'd done.***
   - Kate should probably have included the costs she had already incurred to start the business such as the initial investment in capital and to create the website.
   - She should have factored in web design and fees—they would probably be more than she initially thought.
   - Kate should question whether the revenue growth rate she used was too high—she used 30% and the industry rate was about 7%.
   - She factored nothing in regards to exchange rate risk or other risks associated with an emerging market such as Peru.
   - She doesn't mention transportation of products (though they are factored into the cost of goods sold).
   - Should Kate put a monetary value on the work her mom had been helping her with in terms of shipping and receiving?
   - Should Kate pay herself a little something? At what point?
   - Kate did not consider taxes.

4. ***What fraction of equity would Kate give up assuming she would soon be seeking capital to expand operations?***

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- Kate should value Mayu based on past earnings (although the company was recently started) and/or comparable companies.
- She also needs to decide how much control she wants to give up— does she want majority control? Yes.
- Kate should also consider other alternatives such as a small business loan, financial support from family and friends, and/or partnering with one of the companies described below.

5. ***How would Kate be able to partner with the many Americans who had asked her to help them also import knitwear from Peru? She didn't want to give away her "trade secret" of the artisans who she'd worked hard to train.***
   - For those who are starting up, Kate could create a "consulting" arm of the business and offer advice and suggestions to those who are trying to start similar businesses—she does have some localized expertise.
   - Kate could also create an "outsourcing" arm of the business that facilitated the production of other designers' products. This business would ensure quality and timely production at a certain price.
   - She could partner with these companies and share customers and marketing costs—they could do some sort of affiliate marketing to take advantage of shipping and distribution channels.
   - Mayu could use the Americans as designers and pay them a commission or royalties for the products she sells through Mayu.

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- Kate could incorporate new products to her site that were different brands or they could be placed under the Mayu label.

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