3. Organizational Participants

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Read chapter 3
Learning Objectives

1. Four types of participants in international business
2. Participants arranged by value-chain activity
3. Focal firms in international business
4. International entry strategies of focal firms
5. Distribution channel intermediaries in international business
6. Facilitators in international business
7. Governments in international business
Organizational Participants in IB

Foreign Market Entry Strategies
Organizational Participants in IB

- Foreign Market Entry Strategies
Major Participants in IB

- **Focal firm** – initiator of an international business transaction; e.g., MNEs, SMEs, BGs.

- **Distribution channel intermediary** – specialist firm that provides distribution, logistics and marketing services in the international value chain.

- **Facilitator** – a firm that provides special expertise in banking, the law, customs clearance, market research, or other.

- **Governments** – are active in international business as suppliers, buyers, and regulators.
1. Focal Firms

**MNE
Multinational Enterprise**

- A large organization with a network of production plants, marketing subsidiaries, and regional headquarters in numerous countries.
- E.g., Ford, Sony, Citibank, McDonald’s, Amazon.

**SME
Small and Medium-sized Enterprise**

- A relatively small player in its respective industry >> firms with 500 or fewer employees.
- Constitute the great majority of firms worldwide >> create the most new jobs.
- Characterized by limited resources >> internationalizing via exporting instead of via FDI.

**BG
Born Global**

- A relatively new breed of SME that undertakes early and substantial internationalization by leveraging ICT.
- A niche player >> a high degree of innovativeness, entrepreneurial orientation, and a ‘borderless’ mindset.
- The fastest growing segment of exporters in most countries.
SOME COMPANIES ARE BIGGER THAN THE ECONOMIES OF SOME NATIONS!!!

Ecuador's GDP: $100.5 b
Apple's Revenue: $182.80 b

Bangladesh's GDP: $186.6 b
Chevron's Revenue: $203.78 b

Czech Republic's GDP: $205.6 b
Walmart's Revenue: $476.30 b

Thailand's GDP: $373.8 b
Exxon Mobil's Revenue: $407.67 b

Year: 2014
Physical distribution and marketing service provider in the value chain

Providing logistics services such as warehousing and customer support

Critical to exporters that do not engage in FDI.

Connects the focal firm with the end user in the foreign market.

Either in the foreign market
- Foreign distributor
- Agent (Broker)
- Manufacturer’s representative

or in the home country.
- Trading company
- Export management company
### Foreign Market

<table>
<thead>
<tr>
<th></th>
<th>Foreign Distributor</th>
<th>Agent (Broker)</th>
<th>Manufacturer’s Representative</th>
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</table>
| Serves…                | as the extension of the focal firm in the foreign market.                            | on a commission basis                                                          | • under contract by the exporter  
• as a contracted salesperson in a designated territory. |
| Responsible for…       | • local transportation  
• the effectiveness of the focal firm in the local market.                          | bringing the buyer and seller together.                                       | representing and selling the merchandise of the exporter in designated territories. |

### Home Country

<table>
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<th>Trading Company</th>
<th>Export Management Company</th>
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<tr>
<td>Serves…</td>
<td>as an intermediary</td>
<td>as an export agent on behalf of the focal firm.</td>
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</table>
| Responsible for…       | imports and exports of various raw materials, parts, and finished products      | • finding export customers,  
• negotiating terms of sale,  
• arranging for international shipping, typically for smaller exporters |
| Main focus on          | commodities such as grains, minerals, coal, and metals                          | specific industries and geographic areas.                                              |
‘Disintermediation’ – bypassing traditional intermediaries – is made possible by the Internet.

Examples include Amazon, Dell, eBay.

Traditional retailers such as Tesco and Wal-Mart have also established an online presence.

One negative outcome is unscrupulous that marketers that prey on unsuspecting customers with fake products (e.g., pharmaceuticals).
3. Facilitators

- Assist the focal firm with specialized services required in international transactions.

- Examples include logistics service providers (e.g., DHL, FedEx), banks, international trade lawyers, freight forwarders, consultants, advertising agencies, market researchers, insurance companies, tax accountants.
Intermediaries and Facilitators in the International Value Chain of the Focal Firm

Distribution Channel Intermediaries

- Market Research
  - Consultant
  - Market research firm
  - Lawyer
- Research and Development
  - Universities
  - Research labs
- Sourcing
  - Commercial bank
  - Logistics service provider
  - Insurance company
  - Customs broker
- Production
  - Commercial bank
- Marketing
  - Consultant
  - Market research firm
- Distribution
  - Lawyer
  - Tax accountant
  - Logistics service provider
  - Freight forwarder
  - Insurance company
  - Consolidator
  - Carrier
  - Customs broker
- After-Sales Service
  - Designated customer service firm

Facilitators
Governments:

- exist at the local, provincial, national, and supranational levels.
- make and enforce laws and regulations.
- provide essential economic security by devising fiscal and monetary policies.

Central banks in each country issue currency and regulate national money supplies.

Sovereign wealth funds are state-owned investment funds that undertake systematic, global investment activities to generate income or to achieve policy objectives.
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