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Global Business Strategies

The management of an American beauty care products company set its goals to setup a manufacturing facility in china, a lower labor cost country. Prior to investing in infrastructure facilities and infrastructure, a comprehensive country risk analysis must take place. Topics of risk assessment include political and legal risks, exchange and repatriation of funds risk, competition, taxation and double taxations risks. Additional focus points include market risks, distribution and supply, physical environment and operating in a foreign target market, and social, cultural, and technology risks. Included with the country risk assessment entails strategic planning that focus on mission and objectives, SWOTT analysis, market strategy selection, mode of entry, control and evaluation and a contingency plan.

**Country Risk and Strategic Planning Analysis**

Mission objectives

Entering a new market itself can be a challenge, entering in a market in another country is an even bigger challenge with many risks. One of the most important aspects in doing business relate to knowing the customers wants and needs before customers know their needs and wants. The same holds true with China, but on a larger scale with knowing the culture within the region. Selling beauty care products will be a challenge because of the political legal and regulatory risk. The political instability of the Chinese Communist Party (CCP) is a large concern, especially with millions of disgruntled unemployed workers. To ensure the global beauty care Products Company is aware or the different risks that could arise, the company may consider joining the United States (US) US-China Chamber of Commerce (USCCC). This organization created to help businesses, professionals, and the public better understand market conditions and cultural differences (US-China Chamber of Commerce, n.d., para. 1). Members of the USCCC have advantages over non-members because of accessibility to important information, services, and potential important contacts could help with a competitive advantage, and improve visibility in the market. The USCCC could be an important part of doing business globally; using the USCCC would help network the beauty care products company with trade and investments professionals and help elevate some of the legal political and regulatory risks.

SWOTT analysis

Repatriation of funds is very important part of doing business in foreign countries. The beauty care products company needs to ensure the properly register any foreign loans with the Foreign Exchange Bureau. If loans are used to finance business ventures and investments, companies must register the foreign loans properly to minimize problems and loan payments can begin. The loans must have proof of existence using proper documentation for seeking approval for repatriation of funds from the Foreign Exchange Bureau.

Strategy selection

Several companies within China sell beauty care products usually facing risks penetrating an established market, so the beauty care products company will need to evaluate the competitors carefully. Some of the competitive companies within China are, Tsung Hau Technology Co., Ltd, Biocrown Biotechnology, Puro Biotechnologh, and Bonanza. The products sold within these companies range from healthy socks, medicated cosmetic products, hair, and beauty products (B2B Manufactures, 2010, p. 1). Because there are a wide variety of competitors who sell an array of products, market penetration should easy. However, establishing the beauty care products company will not be as easy. Many of the competitors have been in the market for as many as 20 years. Finding a competitive edge in a highly saturated market could be a challenge.

Taxation and double taxation risks

The new beauty care products business must be aware of taxation and double taxation risks when doing business globally, especially in China. China has set up double taxation treaties with many countries worldwide and the need for this new business to research the risks associated with not knowing those risks would be costly. Double taxation can occur when a foreign country taxes those businesses for importing and exporting goods within their country and the same company faces liability for taxation in their home country on the same income. The new beauty care company can manage the risks associated with double taxation by looking into whether or not the United States has reached a double taxation agreement with China to ensure that the income earned in that country faces taxation only once.

Market risks (four Ps)

The four P’s are generally associates with the term Marketing Mix. The four P’s describes the various choices companies have to make in bringing a product or service to market. The four P’s refer to Product (or Service), Place, Price, and Promotion. According to the SEC, the rules address risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices, and other market changes that affect market risk sensitive instruments (SEC, 2009). The new beauty care products business will manage these risks by hiring a risk manager who can identify, asses any risks and direct the company to take action to protect the organization from those risks. The new company can balance and manage these possible risks and balance potential gains against potential losses and avoid expensive mistakes in providing our beauty care products in China.

Distribution and supply chain risks

The new business will rely heavily on its supply and distribution chain to sell the beauty products to the Chinese population and other target markets. The company must be aware of the risks associated with the components of moving our product to our customers using a system of other companies, resource, people, technology, activities, and information. The company can manage the risks associated with distribution and supply chain by using a proactive approach in preventing risks shown below:

Increased globalization – reduced controls on suppliers and networks

Outsourced functions – functions normally performed internally

Political instability – potential affects heightened because of global terrorism

Product safety legislation – improved product safety legislation requires intensive material tracking

Supply chain weaknesses – exposure from internet and extranet ordering and communications

(Revere Group, 2010)

Physical and environmental challenges to entering and operating in a target market

Aside from a number of risks both physical and environmental challenges exits marketing and selling beauty products in China. The first challenge needs assurance that the beauty products sold remains environmentally friendly, including packaging capable of recycling or re-used to eliminate waste. The other physical challenge will be to encourage Chinese women to try these new beauty products. Most Chinese women use little make up on a daily. The company faces a challenge to provide products less noticeable after use, but still make the women believe they appear beautiful.

Social and cultural risks

Included with physical and environmental challenges to operating a beauty business in China, social, and cultural risks must also require consideration. Knowing the culture of China will help this company to introduce the new line of beauty products into the marketplace. The company sees the importance of describing the line of beauty products and how the organization operates. Additionally the company sees the importance of conducting a product needs assessment to determine what products are already available to the Chinese population and which beauty products are in high demand. For example, the company understands the importance of learning which make up products is accepted culturally in China. According to Kate (2010), “Chinese women rarely wear makeup other than lipstick.” Knowing this about Chinese women can help the company to focus its products line on more lipsticks and lotions, versus mascara and eye liner because the public does not use eye makeup and normally do not appreciate eye make up products on women.

Technology

Other important information to consider would be the technology of the products and the ease of ordering the products. Once the beauty company being operation it would imperative to offer the same products to online shoppers as well as shoppers who enter the store to buy products. These products should be easy to view online, order, and receive for the customer. The ease of navigating the website and the language used on the site should also appeal to the Chinese customer.

**Strategic planning**

Mission and Objectives

The mission of the beauty care products organization provide quality beauty product to the world. Every individual wants to believe she appears beautiful and special and with the help of our products can bring out the beauty in all people. The objectives of the organization are to establish a centralized base and distribute our products across the globe. The company will use the quality of the products combined with the quality of the organization to give the people a product that they can trust and be proud to purchase, at an affordable price. Our objectives continue as we plan to expand the company to have regional facilities in the areas close to distribution of products.

SWOTT Analysis of China

The strengths to doing business in China are the growing economy, being a member of the World Trade Organization, foreign investment, and high-level of exporting. China’s market is growing between 9% and 10% every year. After joining the WTO China has averaged a growth of 20% per year in American exports from China. Roughly $60 billion in foreign investment per year occurs in China, and China exports $200 billion a year to the United States of America (WW Business Net, n.d.).

Just as in any country there are some weaknesses to doing business in China. Dealing and obtaining construction permits are nearly twice the wait as the average. This could be a problem if our company does not properly plan for building our facility. Another weakness is the way people do business in China; the Chinese will only do business with people they know, so we may have problems starting our business (Carmosky, 2008).

The major opportunity to doing business in China is the low cost of exporting. To export a good from China is about half the cost of the OECD average as well as to import a product. Our company is also able to keep roughly 12% more profit from taxes than the world average. (Doing Business, n.d.). A threat to doing business in China involves the Communist party. Although the government in China has allowed a state owned business sector as well as a private sector, foreign companies face difficulties competing with state owned companies because of government financial support and backing.

Strategy Selection

The strategy for our company is to manufactory our products in China, and then use the low cost of importing and exporting goods from China to distribute our products around the world. The initial starting point will be setting up a manufacturing facility in China, and beginning to gain business partners, to aid in gaining distribution of our products. The company must carefully select a team to handle public relations and meeting potential business partners, as the Chinese have a different set of business practices. Once we have a large enough customer base in China, it will be time to start our exporting aspect and slowly and carefully launch our products in different regions.

Entry Mode

The company will use exporting as their mode of entry into the global market. The reason for beginning our global venture with exporting is the low costs, and we do not have to set up a facility in the desired regions. Exporting will allow our company to take more risks, and attempt to gain further distribution. Company operations consist of four players in the exporting process, the exporter, importer, transport provider, and government. Our company can handle the necessary arrangements and accept bids from our current facility. If the organization witnesses significant growth in certain regions, we can further investigate and decide to begin a foreign direct investment (Business and Economics, 2005).

Control and evaluation

The manner an organization measures and evaluates a foreign strategic business unit (SBU) determines the motivation for decisions and actions of SBU managers. Failure to consider strategic objectives and culture identity of its management accentuates a primary difficulty that many American Multinational Corporations experience. Concern for cultural differences of host country management personal should dictate the methods used in control, performance measurement, and evaluation. Too often multinational corporations measure return on investment (ROI) or economic value-added and not the strategy of the foreign business unit. Sub-optimum decision making, conflicting objectives between corporate and SBU managers are typical results of incorrect performance evaluations. If the reward system of the SBU manager matches the SBU strategy, performances matches’ corporate strategy and corporate objective become enhanced.

Contingency plan

A contingency plan consisting of choosing another country would take place when management sees political, legal and regulatory issues as unworkable obstacles. All other country risks have little impact if proper training of core management and professional legal consultation take place prior to investment of manufacturing facilities. If the analysis of country risk assessment proves accurate then setting up facilities in China has slightly higher risk compared to western countries but with the benefit of lower labor rates.

In summary country risk assessment analysis requires exhaustive investigation and research, but a necessary task prior to investing into business facilities and operations in a foreign country. Included in the business risk assessment requires strategic planning with mission objectives, SWOTT analysis. Additionally establishing appropriate mode of entry into the foreign country, control and evaluation, contingency plans for strategies must accompany the master business plan.

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