

## Section 1 Introduction

### The Global Village

Due to developments in the key areas of transport, telecommunications and technology over recent years, the term 'global village' has now become part of our everyday vocabulary. No longer is the world seen as a vast community of foreign countries which are too far away to be easily accessible, and too difficult to do business with. Instead, now that we are able to make use of the internet, e-mail, mobile phones, three-way conferencing telephone calls and even video conferencing calls, it is as easy to communicate with colleagues and business partners abroad, as it is to deal with someone in the next office.

Over recent years, many SMEs (small and medium enterprises) in the UK have become aware of the existence of new and exciting international business opportunities. But many of the people who own and run these small businesses have not been at all sure about how best to take advantage of these opportunities, and begin trading internationally.

#### Aims

The aims of *Globalise* are to help you to:

- understand the nature of international trade
- develop strategies for trading outside the UK
- identify potential problems
- implement the appropriate solution to a problem
- demonstrate your ability to expand your business overseas.

In the sections that follow, we aim to provide you with the information and tools which every small business needs to expand overseas and do business on a global basis.

#### Specific outcomes

At the beginning of each of the seven sections, we have listed the specific outcomes which you should be able to achieve once you have read the text and completed the check points.

#### Glossary

After the outcomes for each section, you will find a list of commonly-used terms relating to the topics covered in that section.

#### Check points

Within each of the sections you will find a number of 'check points'. These check points are practical activities – things to do or find out about – which will help you to:

- build your knowledge and understanding of international business
- create an action plan to take you forward.

#### Helping you to get ready to do business abroad

Any UK business which is planning to participate in international trading needs to know about:

##### Marketing

In Section 2 we concentrate on international marketing, including the marketing mix, price adaptation and market entry methods.

##### Finance

In Section 3 you will find information about the way in which the foreign exchange markets operate and how these can affect your business; making transactions in foreign currencies (including the euro); making banking arrangements; and organising the transfer of funds between countries.

You  
can't cross the  
sea merely by  
standing and staring  
at the water.  
Rabindranath  
Tagore

## Law

In Section 4 we look at the legal implications of doing business abroad and how both UK and EU/global legislation can affect the way in which you do business.

## Planning

Section 5 focuses on how you can use a range of tools and techniques to plan for the future success of your business.

## Operations and administration

Section 6 deals with operational and administrative matters such as freight forwarding, insurance, documentation and tracking.

## Resources

Finally, in Section 7, we focus on how you can develop both your staff and yourself – through effective leadership, motivation, training and so on – so that you can make the very best of the international trading opportunities that become available to you.

### Please note!

Throughout the text we have identified a number of websites, companies, organisations, banks and other financial institutions, all of which provide a range of services aimed at small and medium enterprises who are keen to start importing, exporting and otherwise doing business outside the UK.

We do not support, recommend or endorse any of the businesses, institutions or organisations we mention.

Before obtaining the services of an accountant, broker, bank or any other kind of organisation, please ensure you undertake your own research as to the viability and professionalism of the company concerned. Wherever possible, we suggest that you obtain feedback from other small businesses who have previously used the services of the organisation you are considering.

Before reading through the sections that follow we would advise you to work through the following check points.

## Are you ready to go global?

This first check point will help you identify those areas – for example, international law, finance or planning – where it would be particularly helpful for you to hone your existing skills and knowledge and perhaps develop new skills and knowledge.

## Selecting the right global marketplace for your business

You may already know which country or countries you intend to begin trading with. On the other hand, although you may be very clear that you want to begin expanding your business outside the UK, there may still be some uncertainty as to *where* in the world you want to sell your goods or services.

The check point that follows is designed to help you work through a PEST analysis of each country with which you are considering doing business. This PEST analysis will help you to identify and consider the Political, Economic, Social and Technological factors which, within your chosen country, may affect your business and your profitability.

## Check Point

Are you and your business ready to go global?

The purpose of this check point is simply to help you identify how close you are to being ready to do business abroad.

- Read through the following statements.
- Tick the **one** box that most closely matches your response to each statement. (Bear in mind there are no right or wrong responses.)

### *Example:*

*Everyone in the business, including me, is fully committed to developing the business so we can trade internationally.*

- Yes, absolutely.  
 I think so.  
 I'm not sure – some people will need help, advice, coaching and training.

Everyone in the business, including me, is fully committed to developing the business so we can trade internationally.

**Check out Section 7 – Resources**

- Yes, absolutely.  
 I think so.  
 I'm not sure – some people will need help, advice, coaching and training.

We are ready to put down on paper the goals and targets we hope to achieve by doing business overseas.

**Check out Section 5 – Planning**

- Yes, we can start straight away.  
 I think so.  
 I'm not sure – we need to do some talking, planning and thinking first.

We have carried out market research and clarified our marketing strategy, including pricing.

**Check out Section 2 – Marketing**

- Yes.  
 We've done some work on this.  
 No, not yet.

We have the finance (or access to finance) that we need in order to begin trading abroad.

**Check out Section 3 – Finance**

- Yes.  
 I'm not sure we are totally ready.  
 No, we need to think about finance.

We have someone in the business who is up-to-date with all the legal implications of doing business abroad.

**Check out Section 4 – Law**

- Yes.  
 We are putting training into place.  
 No, not yet.

We have someone in the business who knows about exchange rates etc., and how to move money from one country to another.

**Check out Section 3 – Finance**

- Yes.  
 We are putting training into place.  
 No, not yet.

We have someone in the business who understands the importance of cultural differences, and who is confident they will be able to do business with colleagues, customers and partners abroad.

**Check out Section 2 – Marketing**

- Yes.  
 We have started to look into this.  
 No, not yet.

We have in place effective computer systems and other procedures which will enable us to keep track of our import/export activities.

**Check out Section 6 – Operations and administration**

- Yes.  
 We have begun to investigate systems.  
 No, not yet.

Our import/export distribution systems are ready to roll out.

**Check out Section 2 – Marketing**

- Yes.  
 Not really.  
 No, not yet.

If, like most people running small and medium enterprises, you have been unable to respond with a yes to all of these statements, then we feel sure that the sections that follow will help you to create a meaningful action plan which will help you to expand your business overseas.

## Check Point

This check point will enable you to carry out an in-depth PEST analysis on any country in the world.

Before you start working through this check point we suggest that you photocopy it as many times as you need to, using a fresh chart for each foreign country with which you are considering doing business.

## PEST analysis

Each of the four quadrants of the chart contains a number of important questions for you to answer. By answering these questions as fully as possible (and you may need to do some research such as reading or talking to other small business owner/managers), you will build up a picture of your target country. This will help you determine whether or not its political, economic, social and technological environment will offer beneficial opportunities for your business.

### Target country:

#### Quadrant 1 Political aspects

- What is the political system of this country?
- Form of government?
- Political ideology?
- How stable is the political environment?
- How does the government view trade with foreign countries – trade restrictions, tariffs, quotas etc.?
- To what extent does the government involve itself in business, and business affairs?
- What legal controls are there likely to be on business – and will they be restrictive or encourage business buoyancy?
- How might pressure groups – e.g. Greenpeace, Friends of the Earth, Amnesty International – affect your business, or the way in which you do business?

#### Quadrant 3 Social aspects

- What is the population of this country?
- What are the urban and rural distributions of the population?
- What are the age distributions of the population?
- What is the literacy rate?
- What is the language?
- What is the culture?
- Are there any religious or cultural rules or traditions which might impact on the sale of your products or services?
- What are the social trends towards consumerism, health and leisure etc.?
- What is the attitude towards foreign goods?

#### Quadrant 2 Economic aspects

- What is the currency of this country?
- What is the current rate of exchange?
- What is the rate of inflation?
- What is the balance of payments?
- What economic growth has this country had over the past five years?
- What is the average *per capita* income within this country, and what is the distribution of income?
- What is the relationship between wages and prices in this country, and how does this affect consumers' purchasing power?
- Is this country in a recession, coming out of a recession, or likely to be moving towards recession?
- Does this country have a history of boom and bust in the economy?

#### Quadrant 4 Technological aspects

- What is the shipping distance from the UK?  
By sea:  
By road:  
By rail:  
By air:
- How good are the physical distribution and communications networks?
- Do consumers of your goods or services need access to telephones or computers? If so, are these readily available?
- What technology and new processes are available?
- What new materials, brands, flavours and innovations are currently popular?