

UWTSD MBA HKBM7009
(UWMBA-30013-2023-1-SS)

Global Business Challenges (1-1) Introduction to Global Business Challenges

Che Cheong POON
07 January 2024; Sunday 12:00 noon to 6:00pm

Before starting the lecture, would each of you please put forward a current global business/economic issue that you concern the most.

What is it about?

Why does it occur?

Is it a challenge or an opportunity? Or both? How does it affect your business?

How would you address the challenge /or seize the opportunity?

Economics Theories
Statistical Techniques

Pen holder

Economic, business,
regulatory, cultural,
political, and
ecological
environment

Ink

Information
(related articles,
reports, news,...etc)
and historical data

Nib



Analyze global business challenges

Lecture Agenda :

- The concept of globalization
- The linkage of production, exchange, distribution and consumption: An example
- Current global economic environment
- General characteristics of transnational corporations
- Major challenges in global business environment

The Concept of Globalization

Economic uncertainty is likely to be one of the biggest challenges for companies in 2024. Geopolitical tensions, inflation, fluctuating currencies, and supply chain disruptions can all impact a company's financial performance.

Globalization, in general, refers to the **flow** of goods, services, capital, labour, organizations, and **diffusion** of culture, religions, technologies, languages, and **spread** of pollution, diseases, and illegal activities amongst countries over the world.

Business refers to any type of economic activity in which goods or services (or a combination of the two) are supplied in exchange for some payment, usually money.

Global business refers to business activities that straddle two or more countries. Business nowadays routinely look beyond the bounds of their home countries for new opportunities.

Now we see business enterprises going global, what are their motivation?

What are the contribution of globalization to economic development?

Globalization has had a positive effect on economic growth, contributing to rising living standards and the reduction of extreme poverty across the world

Facts

The World current GDP in 1980 was 11.23 thousand billion of US dollar, in 2023 was 288.7 thousand billion of US dollar (about 25 time in 43 years, and the average annual growth rate is 7.8%

Sources: IMF DATA MAPPER

https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

The economic performance of China after its open-door policy in 1978. China's GDP in 1978 was 367.87 billion yuan , in 2021 was 114,366.97 billion yuan (about 310 times in 43 years, and the average annual growth rate was about 14.3%

Sources: China Annual statistical Report 2022

<https://www.stats.gov.cn/sj/ndsj/2022/indexeh.htm>

In the 1990s, with the integration of many of the states of the former Soviet Union and the entry of China and India, globalization now embraced most of the world's economies.

USA

In the 1980s the U.S. moved to expand free market capitalism within the global system:

- Little government interference in the market
- Freedom of individual choice
- Borderless market economy
- Markets as masters over state policies
- People should be free to pursue economic self-interest
- Consuming goods is a major value

**What is free
market
capitalism?**



However, most nations continued to pursue some forms of **economic nationalism**

China

In the 1980s China moved toward a free-market system and joined the global economy.

Billions of U.S. Dollars

Merchandise trade account	Mainland China		USA	
	2010	2020	2010	2020
Goods, credit (exports)	1478	2497	1290	1429
Goods, debit (imports)	1240	1982	1939	2351
Current account balance	238	274	-432	-616

Sources:

<https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52&sId=1542634807764>

[Choose data tables;

<https://data.imf.org/regular.aspx?key=60961513>

In 2020, while China had a merchandise trade surplus of US\$515 billion, the United States had a merchandise trade deficit of US\$922 billion.

Eastern European Countries

In 1989, the Berlin Wall came down and the Cold War ended. Eastern European countries broke away from Soviet control. The Soviet Union itself broke into more than a dozen new states



The Berlin Wall was built in August 1961

The Wall was destroyed on November 9, 1989



Top 10 Countries by Nominal GDP as of 2022 (US\$)

Country	Nominal GDP (in trillions)	PPP Adjusted GDP (in trillions)	Annual Growth (%)	GDP Per Capita
United States	25.50	25.50	2.10%	76,398
China	18.00	30.30	3.00%	12,720
Japan	4.20	5.70	1.00%	33,815
Germany	4.10	5.30	1.80%	48,432
India	3.40	11.90	7.00%	2,388
United Kingdom	3.10	3.70	4.10%	45,850
France	2.80	3.80	2.60%	40,963
Russia	2.20	5.30	-2.10%	15,345
Canada	2.10	2.30	3.40%	54,967
Italy	2.00	3.10	3.70%	34,158

What does globalization imply?



- Increasing global connectedness through rapid communication and transport.
- Rapid intensification of worldwide social relations.
- Swift and free flow of capital, people, and ideas across national borders.

Cap from
Bangladesh

Shirt from
Mexico

Backpack
from China

Soccer ball from
Pakistan

But what does
globalization
have to do
with me?

Jeans from
Malaysia

Video game
from Japan

Sneakers from
Indonesia



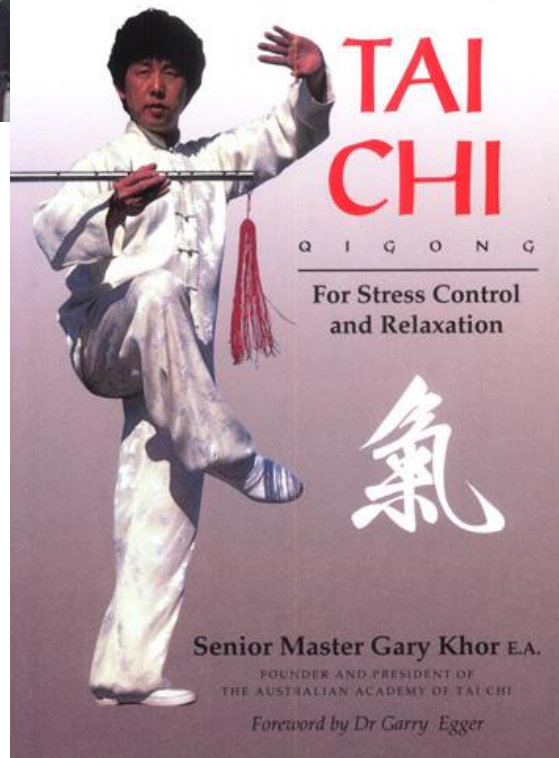
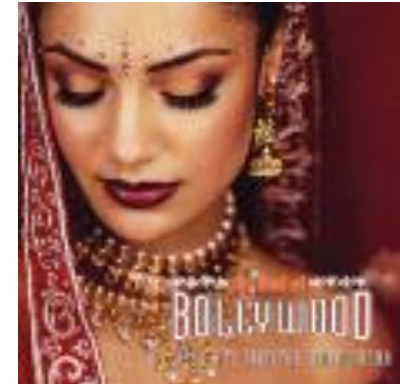
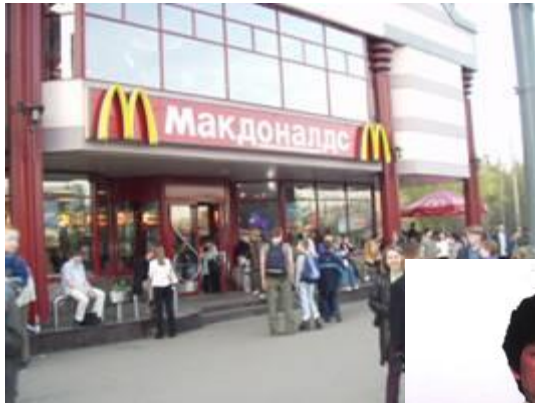
More goods are being produced, bought, and sold worldwide than ever before.



What shall
I buy next?



Globalization also spreads ideas and values.



The Linkage of Production, Exchange, Distribution and Consumption: An example

Four areas of study in Economics

Means

- Production: The creation of value (or utility)
- Exchange: The transfer of property right
- Distribution: The allocation of production output (or income) to the owners of production factors.

End

- Consumption: The destruction of value or utility so as to satisfy human wants ◦

Globalization is simply free international trade.

12 month's total output produced by two countries

	Country A		Country B		Total (MMT)
	Month	MMT	Month	MMT	
Pork	4	320	9	90	410
Rice	8	320	3	90	410
Total (Months)	12	--	12	--	820 24

Their productivities per month

	Country A	Country B
Port (MMT)	$320 \div 4 = 80^*$	$90 \div 9 = 10$
Rice (MMT)	$320 \div 8 = 40^*$	$90 \div 3 = 30$

* More output demonstrating an absolute advantage

Productivity is a measure of the efficiency of a person, machine, factory, system, etc., in converting inputs into useful outputs. It is computed by dividing average output per period by the total costs incurred or resources (capital, energy, material, personnel) consumed in that period. Productivity is a critical determinant of cost efficiency.

The opportunity cost of producing 1 Kg of pork/ Rice

	Country A	Country B
Pork	$\frac{1}{2}$ MMT of rice*	3 MMT of rice
Rice	2 MMT of pork	$\frac{1}{3}$ MMT of pork*

* It shows that the country has a lower opportunity cost in producing the product, and thus Country A has a comparative advantage in producing pork, Country B has a comparative advantage in producing rice.

Opportunity cost is defined as the value of the next-best alternative that must be given up when scarce resources are used for one purpose instead of another.

- Country A's opportunity cost of producing 1 MMT of pork is $\frac{1}{2}$ MMT of rice, Country B's opportunity cost of producing 1 MMT of pork is 3 MMT of rice. Thus, Country A enjoys a comparative advantage in the production of pork; so, it should be specialized in pig raising.
- Country B's opportunity cost of producing 1 MMT of rice is $\frac{1}{3}$ MMT of pork, Country A's opportunity cost of producing 1 MMT of rice is 2 MMT of pork. Thus, Country B enjoys a comparative advantage in the production of rice; so, it should be specialized in planting rice.

Results of 11 months of collaboration in producing pork and rice

	Country A		Country B		Total (MMT)
	Months	MMT	Months	MMT	
Pork	9	720	0	0	720
Rice	2	80	11	330	410
Total (Months)	11	--	11	--	1130 22

Through specialization in production, Country A and Country B each has one month rest in the year, but they can increase production output; assuming the rate of exchange between pork and rice is 1 to 1, rice consumption can maintain their original level, but everyone can eat more pork.

Consumption of pork and rice after exchange

	Country A		Country B		Total (MMT)
	Month	MMT	Month	MMT	
Pork	9	$720 - 240 = 480$	0	$0 + 240 = 240$	720
Rice	2	$80 + 240 = 320$	11	$330 - 240 = 90$	410
Total (Months)	11	--	11	--	1130 22

Current Global Economic Environment

Current Economic Environment

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graph LR; A[Current Economic Environment] --- B[Microeconomic Environment]; A --- C[Macroeconomic Environment];
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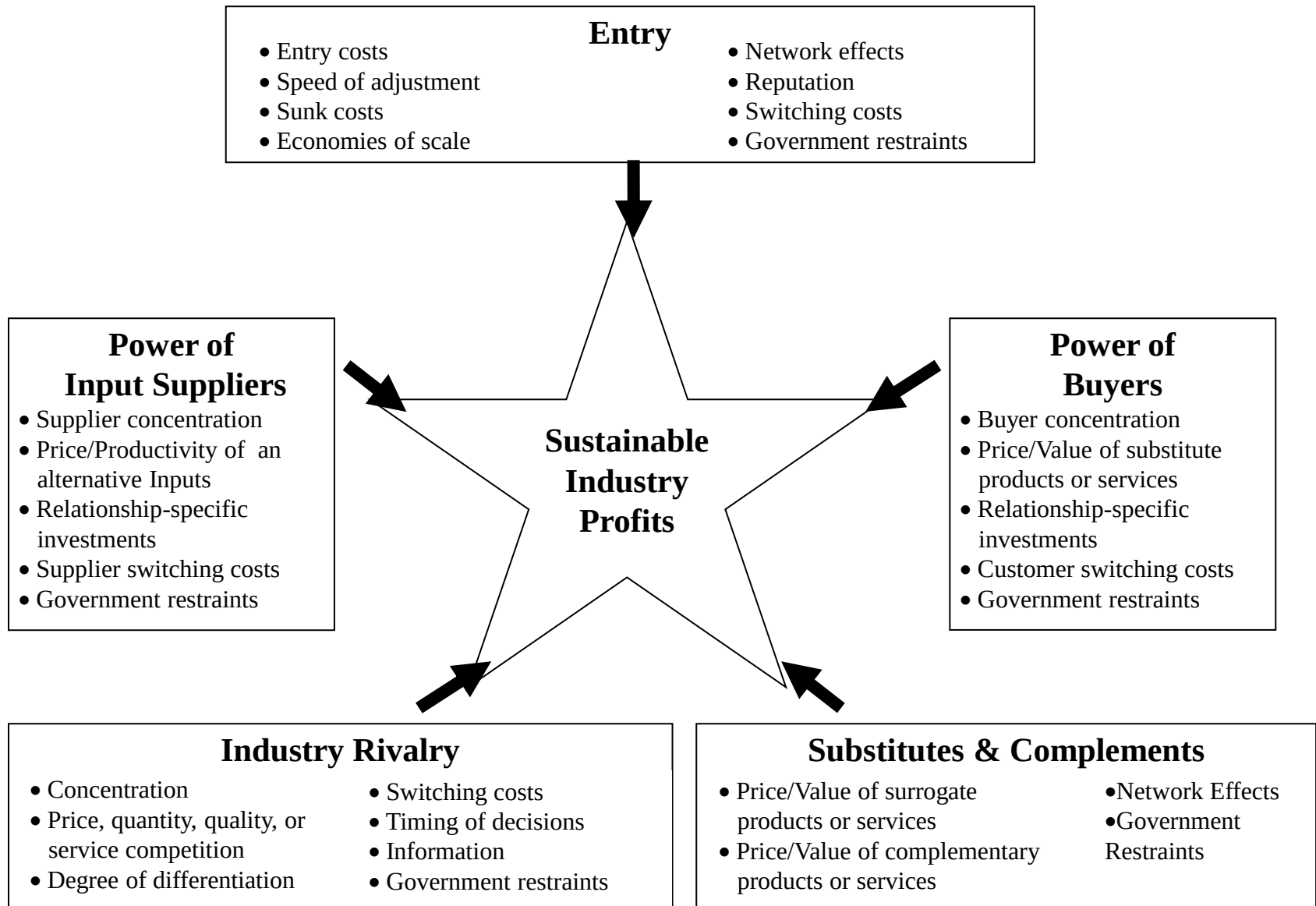
Microeconomic Environment

The study is focus on the determination of product price and quantity in an industry or a firm.

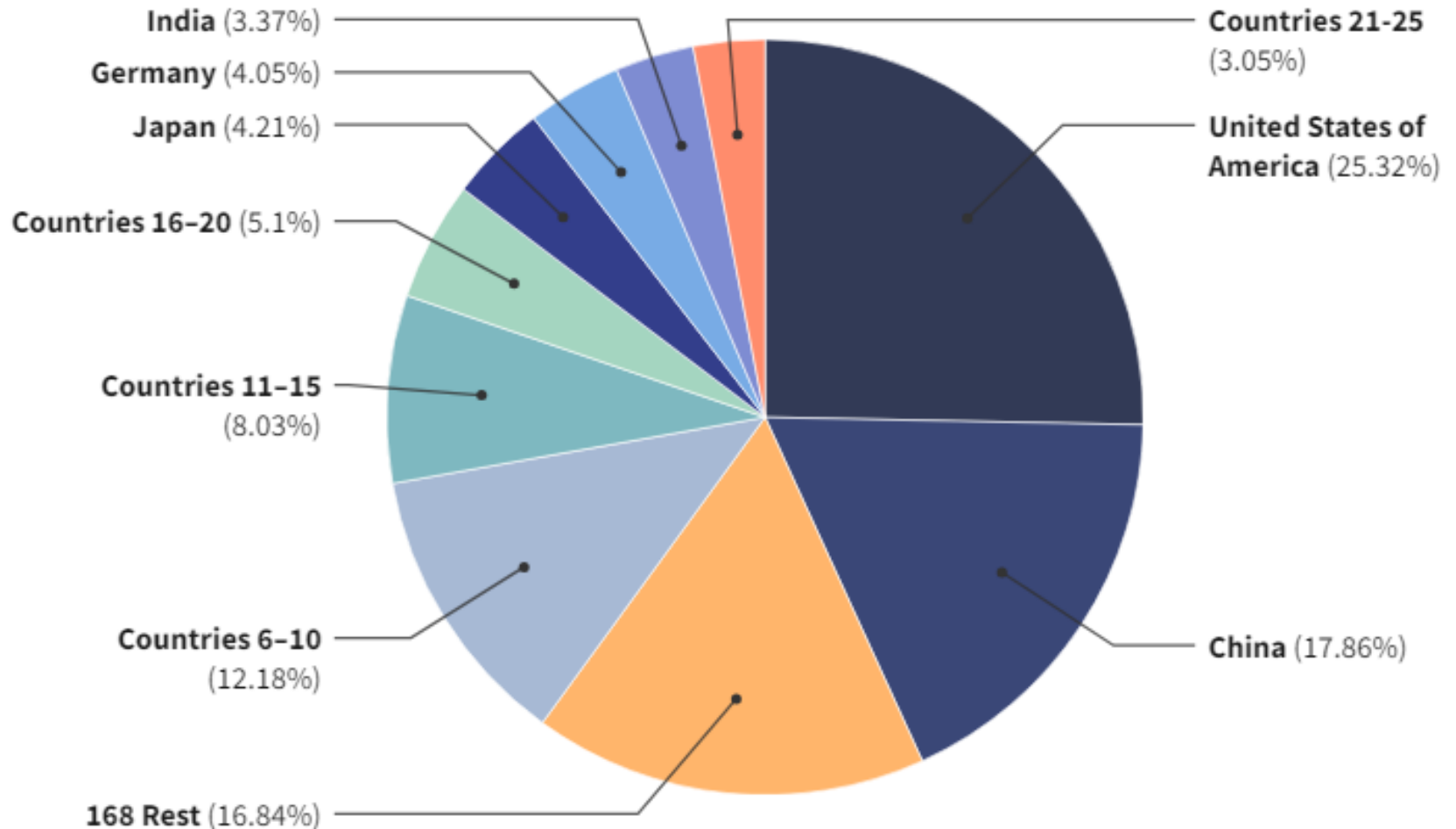
Macroeconomic Environment

The study is focus on the determination of Gross Domestic Product (GDP), employment, and general price level.

Microeconomic Environment: Michael Porter's Five Forces Model



% Share of the Global Economy in 2022



Macroeconomic
Economic Environment

Hong Kong

China

Macau

Taiwan

Global

Hong Kong Macroeconomic Data

- Census and Statistics Dept.

<https://www.censtatd.gov.hk/en/>

- Previous Budgets

<https://www.budget.gov.hk/2023/eng/previous.html>

- Office of the Government Economist

<https://www.oge.gov.hk/>

- Hong Kong Economy Today

<https://www.hkeconomy.gov.hk/>

- The HK Centre for Economic Research

<http://www.hkcer.hku.hk/>

- IMF Country Report

<https://www.imf.org/en/Countries/HKG>

<https://www.imf.org/en/Publications/CR/Issues/2023/05/30/Peoples-Republic-of-China-Hong-Kong-Special-Administrative-Region-2023-Article-IV-533975>

China Macroeconomic Data

- National Bureau of Statistics of China
<http://www.stats.gov.cn/>
- The State Council
<http://www.gov.cn/>
- The National people's Congress
<http://www.npc.gov.cn/npc/index.shtml>
- PBC
<http://www.pbc.gov.cn/>
- IMF Country Report
<https://www.imf.org/en/Publications/CR/Issues/2023/02/02/Peoples-Republic-of-China-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-529067>

Macao Macroeconomic Data

- Macao SAR

<https://www.gov.mo/en/>

- Macao Statistics and Census Services

<https://www.gov.mo/en/content/statistics/>

- Macao Monetary Authority (AMCA)

<https://www.amcm.gov.mo/en>

- IMF Country Report

<https://www.imf.org/en/Publications/CR/Issues/2019/05/06/Peoples-Republic-of-China-Macao-Special-Administrative-Region-2019-Article-IV-Consultation-46867>

Taiwan Macroeconomic Data

- P.O.C Government

<https://www.taiwan.gov.tw/>

- National Statistics, Republic of China (Taiwan)

<https://eng.stat.gov.tw/mp.asp?mp=5>

- Central Bank of the Republic of China (Taiwan)

<https://www.cbc.gov.tw/mp2.html>

Global Macroeconomic Data

- The World Bank: Statistical Performance Indicators

<https://www.imf.org/en/Publications/CR/Issues/2023/05/30/Peoples-Republic-of-China-Hong-Kong-Special-Administrative-Region-2023-Article-IV-533975>

- International Monetary Fund: IMF DataMapper

https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD
https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

- Bank For International Settlements

<https://www.bis.org/>

- United Nations Economic and Social Council

<https://www.un.org/ecosoc/en/>



EMED Consensus Forecasts for Advanced Economies: December 2023 Survey

ADVANCED ECONOMIES	Gross Domestic Product (% yoy)		Private Consumption (% yoy)		Capital Formation (% yoy)		Consumer Prices (% yoy)		Unemployment Rate (%)	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Australia	1.9	1.4	1.5	1.2	7.2	2.1	5.6	3.5	3.7	4.3
Canada	1.1	0.6	2.1	0.5	1.8	0.6	3.9	2.5	5.4	6.4
Euro Area	0.5	0.7	0.4	0.9	0.9	0.6	5.5	2.5	6.5	6.8
France	0.8	0.8	0.6	1.1	1.4	-0.1	5.7	2.6	7.3	7.5
Germany	-0.3	0.5	-0.8	0.9	0.6	0.1	6.1	2.7	3.4	3.7
Italy	0.7	0.5	1.2	0.6	0.5	-0.3	6.1	2.3	7.8	7.8
Japan	1.8	0.9	0.7	0.5	1.6	0.7	3.2	2.2	2.6	2.5
New Zealand	1.2	1.4	1.8	0.7	1.9	-1.1	5.7	3.3	3.8	4.9
United Kingdom	0.5	0.5	0.4	0.3	2.8	-0.6	7.4	3.0	4.2	4.6
United States	2.4	1.3	2.2	1.3	4.3	1.7	4.2	2.7	3.7	4.2

Sources: Emerging Markets Economic Data
Available at: <http://www.emed.com.hk/forecast.html>

ADVANCED ECONOMIES

	Current Account (% of GDP)		Exchange Rate (vis-a-vis USD)		Policy Rate (% p.a.)		10-Year Gov't Bond Yield (% p.a.)		WTI Oil Price (USD/barrel)	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Australia	1.0	0.1	0.66	0.69	4.35	3.97	4.50	4.03	---	---
Canada	-1.0	-1.1	1.36	1.32	5.00	4.00	3.45	3.38	---	---
Euro Area	1.7	1.9	1.08	1.12	4.50	3.70	---	---	---	---
France	-1.4	-1.5	---	---	---	---	3.25	3.30	---	---
Germany	5.1	5.3	---	---	---	---	2.60	2.60	---	---
Italy	0.3	1.0	---	---	---	---	4.59	4.61	---	---
Japan	3.0	3.1	146.00	138.00	-0.10	0.00	0.77	1.00	---	---
New Zealand	-6.3	-5.6	0.60	0.64	5.50	5.00	5.08	4.85	---	---
United Kingdom	-3.9	-4.0	1.25	1.26	5.25	4.59	4.01	3.78	---	---
United States	-3.0	-3.0	---	---	5.38	4.63	4.13	3.99	79.20	80.50

EMERGING MARKETS	Gross Domestic Product (% yoy)		Private Consumption (% yoy)		Fixed Investment (% yoy)		Consumer Prices (% yoy)		Unemployment Rate (%)	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Argentina	-1.8	-1.4	0.0	-3.3	-0.9	-2.3	125.1	174.0	7.0	9.1
Brazil	2.9	1.5	3.3	4.7	-5.5	-12.7	4.7	4.0	8.3	8.1
Chile	-0.1	1.7	-4.5	4.8	-2.9	-6.3	7.6	3.5	8.8	8.3
China	5.2	4.5	7.3	6.5	4.0	4.5	0.4	1.6	5.2	5.0
Colombia	1.3	1.9	0.2	1.9	-5.4	0.2	11.7	5.8	10.6	10.1
Czech Republic	-0.4	1.6	-3.2	2.3	2.5	3.2	11.0	2.4	2.7	3.0
Hong Kong	3.3	2.6	8.1	5.1	11.4	5.5	2.0	2.2	2.9	2.8
Hungary	-0.6	2.6	-2.7	3.6	-9.1	2.8	17.4	5.3	4.0	4.0
India*	6.3	6.2	5.3	5.0	8.6	6.5	5.3	4.6	7.0	7.3
Indonesia	5.0	4.9	4.8	4.9	4.9	5.2	3.7	2.9	5.3	5.4
Malaysia	4.0	4.4	5.8	4.5	5.4	6.4	2.7	2.4	3.4	3.2
Mexico	3.3	1.8	4.9	3.5	18.1	1.7	5.5	4.1	2.9	3.2
Philippines	5.3	5.6	5.5	3.6	6.6	7.7	6.0	3.4	5.0	4.8
Poland	0.4	2.8	-0.6	2.1	6.2	-1.1	11.6	5.4	3.4	3.9
Russia	1.6	1.5	5.7	1.9	6.4	4.6	5.8	6.1	3.6	3.4
Singapore	0.9	2.3	4.7	5.0	1.4	1.7	4.7	3.0	2.0	2.0
South Korea	1.3	2.2	2.0	2.3	1.4	1.4	3.6	2.4	3.2	2.9
Taiwan	1.1	3.0	8.0	3.0	-7.5	0.0	2.4	1.6	3.5	3.5
Thailand	2.7	3.5	6.3	3.1	1.5	3.4	1.6	1.9	1.0	1.0
Turkey	3.6	2.5	24.6	1.7	7.9	1.1	53.0	46.9	10.5	10.5

EMERGING MARKETS	Money Supply M2 (% yoy)		Merchandise Exports (% yoy)		Merchandise Imports (% yoy)		Current Account (% of GDP)		Exchange Rate (vis-a-vis USD)	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Argentina	---	---	---	---	---	---	-1.5	-2.5	---	782.02
Brazil	---	---	5.9	0.9	-0.4	0.8	-2.0	-2.5	5.00	4.96
Chile	---	---	---	---	---	---	-3.4	-2.0	885	860
China	10.2	9.3	-2.3	1.6	-3.5	3.0	1.5	1.3	7.15	6.98
Colombia	---	---	---	---	---	---	-4.4	-3.6	4250	4250
Czech Republic	---	---	2.4	4.7	-0.7	5.0	-0.9	0.1	22.8	23.3
Hong Kong	9.1	---	-8.8	7.8	-6.6	7.2	6.7	5.8	7.81	7.78
Hungary	---	---	---	---	---	---	0.1	0.4	363	365
India*	---	---	-4.6	9.8	4.8	7.2	-2.1	-1.9	83	82
Indonesia	---	---	4.8	0.7	8.8	1.6	0.1	-0.5	15500	15080
Malaysia	---	---	---	---	---	---	2.2	2.7	4.65	4.45
Mexico	---	---	-4.0	-1.2	8.0	1.4	-0.7	-0.3	17.8	18.2
Philippines	---	---	---	---	---	---	-3.7	-2.4	55.9	54.4
Poland	---	---	---	---	---	---	1.0	-0.3	4.29	4.21
Russia	---	---	---	---	---	---	4.0	4.5	95.0	96.9
Singapore	---	---	---	---	---	---	17.9	17.6	1.34	1.31
South Korea	---	---	2.4	4.8	3.2	3.8	1.8	1.9	1300	1240
Taiwan	6.0	5.2	-8.3	5.1	-13.1	5.7	12.0	12.4	31.2	31.1
Thailand	---	---	-3.1	3.2	-0.6	4.5	1.5	2.5	35.0	33.5
Turkey	---	---	---	---	---	---	-4.5	-3.4	29.30	32.23



List of Forecasters: December 2023 Survey

ABN Amro	First Trust Advisors	TD Economics
Action Economics	Freddie Mac	TISCO Securities
AIB Global Treasury	Grupo Financiero Monex	UniCredit Group
Allianz	Handelsbanken	University of Maryland
ANZ	IFO Munich Institute	University of Michigan - RSQE
ASB Bank	Infometrics	UOB
Banco de Oro Unibank	Intesa Sanpaolo	Wells Fargo
Bank Julius Baer	Invesco	WestLB
Bank Mandiri	ITOCHU Institute	Westpac Bank
Bank of Ayudhya PCL	Japan Center for Economic Research	
Bank of East Asia	JP Morgan	
Bank of Ireland	Kasikornbank	
Bank of Tokyo-Mitsubishi UFJ	KBC	
Bank Pocztyowy	KGI Institute	
Bahana TCW IM	Korea Investment and Securities	
BayernLB	Meirow Financial	
BBVA	Metrobank	
Berenberg Capital Markets	Mizuho Securities	
BHF Bank	Monte Dei Paschi Di Siena	
BMO Capital Markets	Moody's Analytics	
BNP Paribas	Mortgage Bankers Association	
BNZ	National Association of Realtors	
Cambridge Econometrics	National Australia Bank	
Capital Economics	National Bank of Canada	
CEBR	NBNZ	
CEESP	NIESR	
CIBC World Markets	Nordea	
Comerica Bank	Northern Trust	
Commerzbank	NZIER	
Commonwealth Bank	OCBC Bank	
Confederation of British Industry	OTP Bank	
Credit Agricole	Phatra Securities	
Credit Suisse	PNC	
Daiwa Institute of Research	Prometela	
Danamon Bank	Rabobank	
Danske Bank	Raymond James	
DBS Bank	ROBECO	
Deka Bank	Royal Bank of Canada	
Dejardins	RVI	
DIW Berlin	Schroders	
DnB NOR	Scotia Capital	
DZ Bank	Societe Generale	
Erste Group Bank AG	Standard & Poor's	
EUROFER	Swedbank	
Fannie Mae	Taiwan Institute of Economic Research	

Who controls the new globalized world?
States or Transnational Corporations (TNCs)?

General Characteristics of Transnational Corporations (TNCs)

Transnational corporation may be defined as a firm which engages in direct investment in more than one country; that is, it owns and/or controls income-generating assets (factories, mines, plantations, etc.) in several countries, and is thus engaged in international production.

The nature of TNCs

- The number and size of TNCs have significantly increased in the second half of the past century and have caused a shift from an international economy to a globalized economy.
- HQ in 1 country (in richer areas such as Japan and USA) , branches across the world (in poorer areas with lower labour costs, lenient laws or government wants investment).
- The main advantage of TNCs is the large scale of their operations which enables them to run efficiently and reduce operational cost.
- Reduced cost from mass production leads to increased profits and so TNCs can invest heavily in research, marketing, advertising, and general development.
- Acquisition of another domestic firm which already has foreign operations; virtually all TNCs include merger and acquisition as part of their development.

The Global 500 rankings 2023

The Top 10	Revenues (US billion)	Profit (US billion)
1. Walmart	611.3	11.7
2. Saudi Aramco	603.6	159.0
3. State Grid (2)	530.0	8.2
4. Amazon	513.9	-2.7
5. China National Petroleum	483.0	21.0
6. Sinopec Group	471.1	9.6
7. Exxon Mobil	409.7	61.7
8. Apple	394.3	99.8
9. Shell	386.2	42.3
10. UnitedHealth Group	324.1	20.1

Source: Fortune Global 500
<https://fortune.com/ranking/global500/>



Examples:

McDonald's is the world's largest restaurant chain by revenue, serving over 69 million customers daily in over 100 countries across 37,855 outlets as of 2018.

Nike operates in 80 countries, its three major HQs are in Netherland, USA, and Hong Kong,

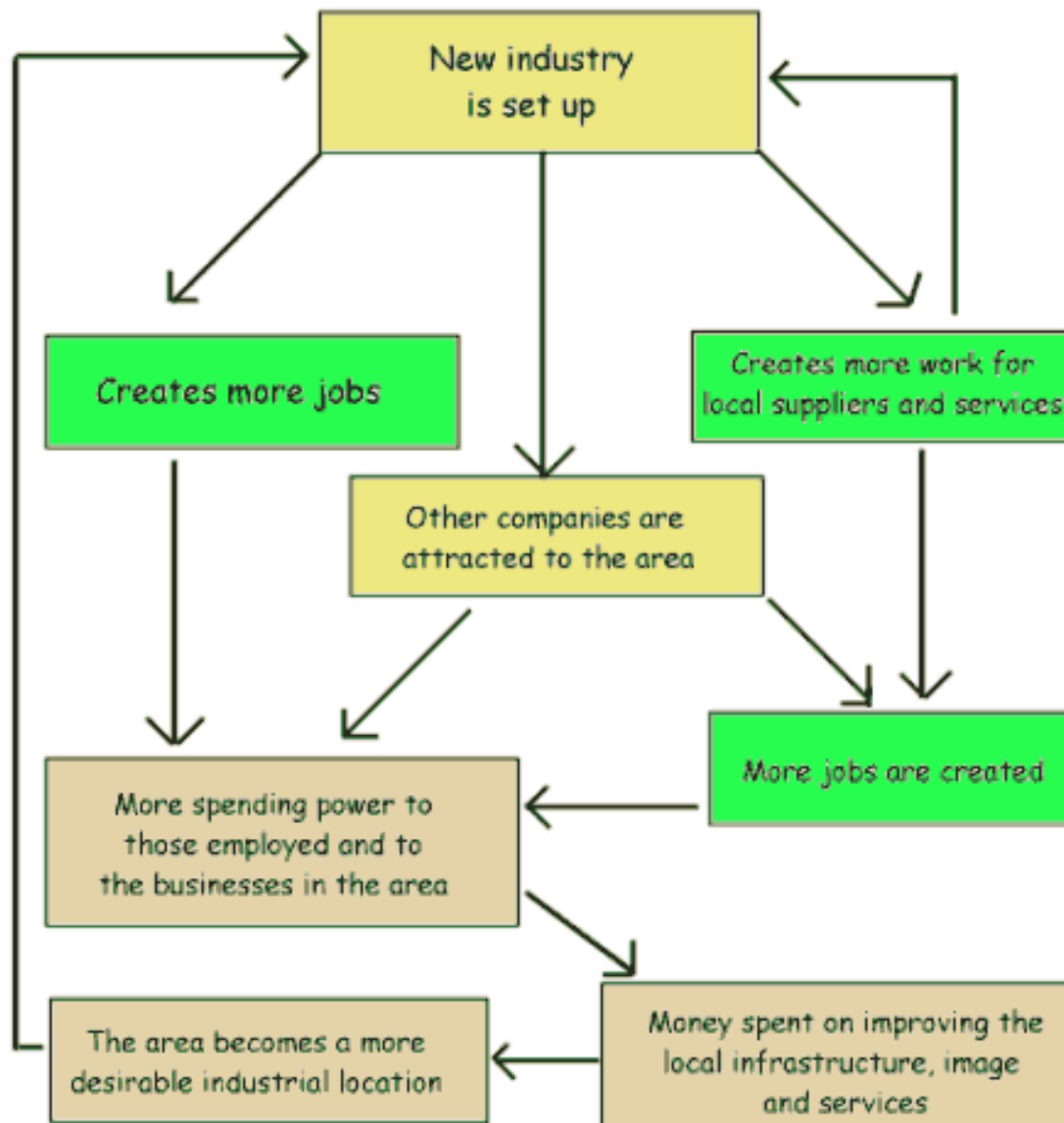
The giant American conglomerate General Electric (GE) holds more assets abroad than any other non-financial firm in the world—over \$500 billion worth. Its foreign assets make up over 70% of its total.



TNCs and LEDCs

- TNCs have a very powerful influence on LEDCs and their economies.
- In many cases they control most of, if not all, activities involved with a product from producing the raw material to processing, packaging, transportation, advertising, and sales.
- They provide LEDCs with the necessary investment and the provision of skills and technology.
- However, they may decide to switch production from one country to another. (the decision are made outside the related LEDCs at the TNC HQ).

Advantages of TNCs



Disadvantages

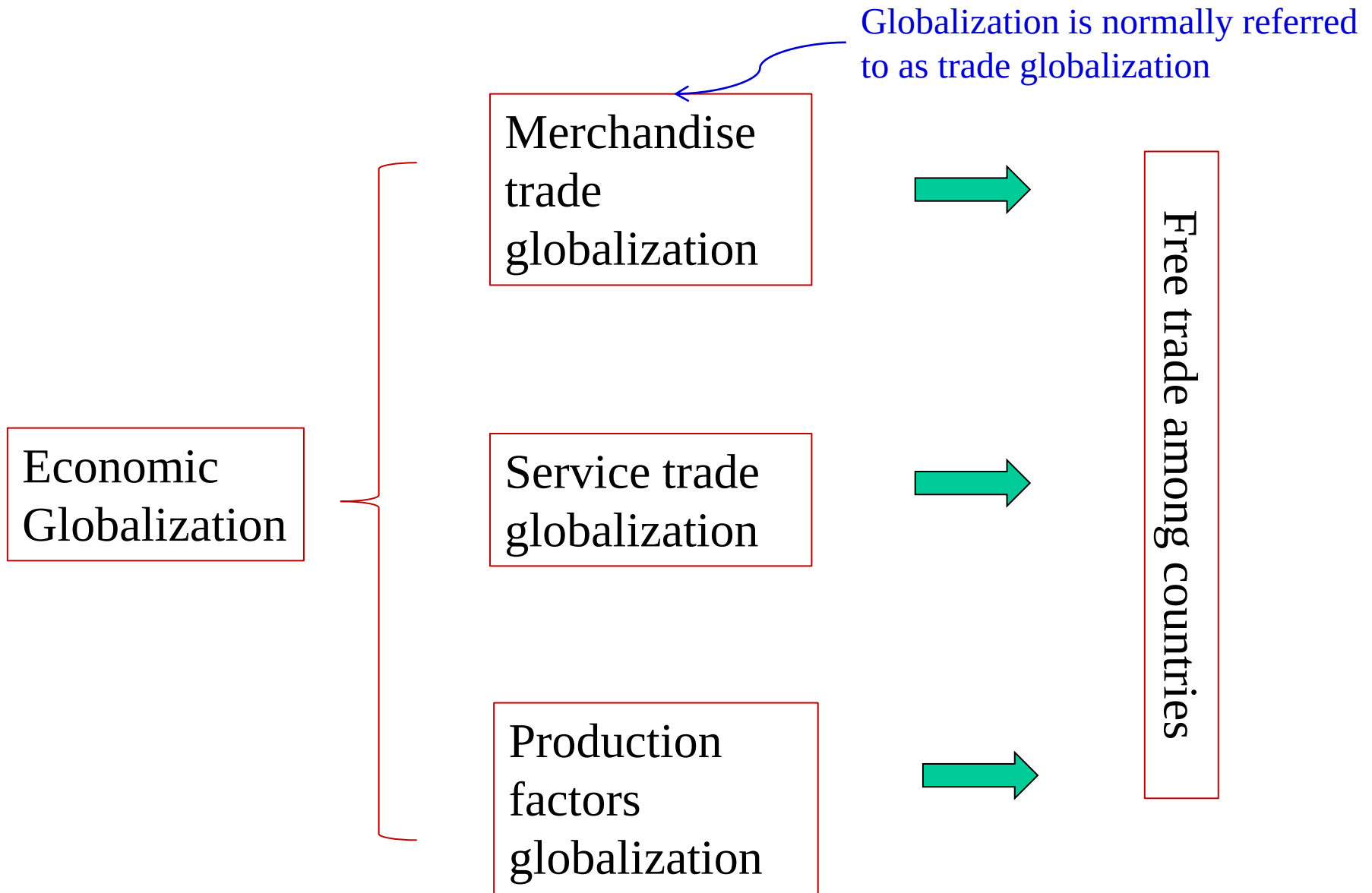
- Damage to the environment by ignoring the local laws of the host country.
- Profits going to companies overseas rather than locals.
- Little reinvestment in the local area.
- Markets appear to be homogenizing.
- Sweatshops

Like my new shirt?

Yeah! Those abused
Indonesian kids working
for slave wages in sweatshops
did a DAMN fine job!



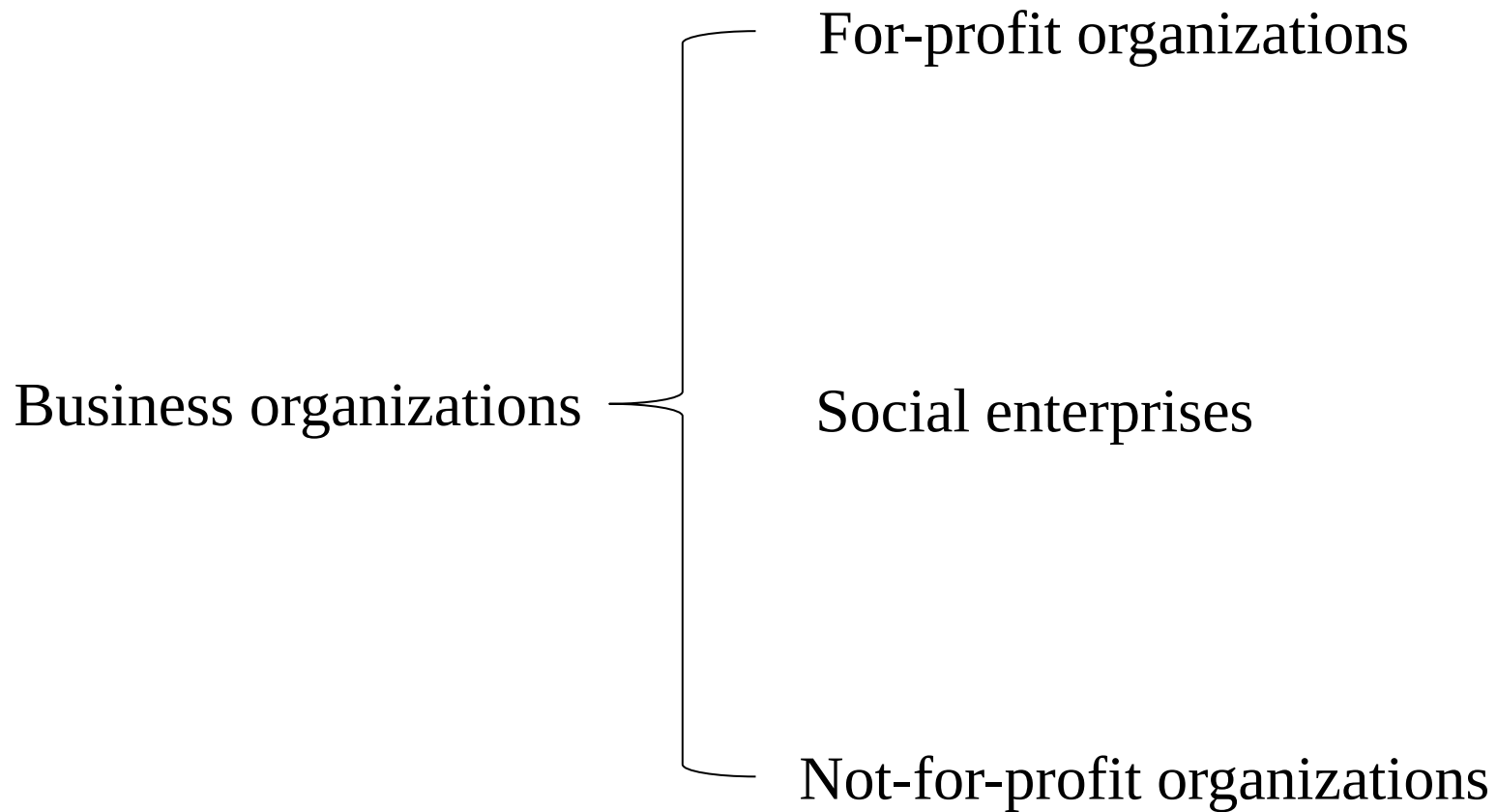
Major Challenges in Global Business Environment



The process of globalization can be captured by the world balance-of-payments.

The contents of globalization

	Multilayered environment	Multidimensional environment	Role of the state	Emerging economies	Changing societies	Globalization of Industries	International risks	CSR and sustainability
1 Introduction	✓	✓		✓			✓	✓
2 Globalization	✓			✓	✓	✓		
3 Economies and markets	✓	✓	✓	✓				
4 Trade and global competition	✓		✓	✓				
5 Strategies in a globalized world			✓	✓		✓	✓	
6 Cultural and social environment	✓	✓		✓	✓			
7 Political environment	✓	✓	✓				✓	
8 Legal environment	✓		✓				✓	✓
9 Financial markets	✓		✓			✓	✓	✓
10 Technology and innovation	✓	✓	✓	✓		✓		
11 Ecology and climate change	✓		✓	✓	✓			✓
12 Ethics and CSR	✓				✓	✓		✓
13 Critical themes in perspective	✓	✓	✓	✓	✓	✓	✓	✓





1. Company's structure

The structure of the company may pose a challenge to your business if its working structure is not pre-decided. There should be a qualified team if the company wishes to be globally competitive, for which it would consider the organization structure and location from where the team operates.

2. Foreign Laws

Not having clear understanding of the foreign laws poses a challenge for international businesses. Therefore, gain a comprehensive understanding of laws and regulations. There have been instances where businesses had to face the heat due to the lack of understanding of foreign laws. It's a major challenge that needs to be attended.

Accounting

It is a critical concept when it comes to multinational business liable to pay corporate tax in the countries they operate. Various tax implications, tax rates and compliance requirements make accounting a challenge in international operation.

Liability to pay taxes

A company is liable to pay taxes in the country of its operations. Paying multiple taxes proves to be a challenge for companies with double taxation even reducing their overall revenue. Tax liabilities pose a challenge to companies because of lack of understanding of tax concepts like tax treaties between countries etc. Companies should get advice and knowledge in tax concepts which can help the company.

Payment methods

Payment methods become one of the most terrain challenges in international business environment. This is because payment methods applicable in the home country may not be acceptable abroad. Therefore, it becomes a challenge for any business as payment is the key of running business. However, to tackle this, businesses may decide to keep different methods of accepting payment.

Fluctuation in currency rates

Fluctuation in currency rates is one of the challenges in international business environment that should be considered by the business operating overseas. Major volatility can affect the expense and profits.

Cultural Differences

Communication is an efficient skill for businesses, whether operating in the home country or overseas. However, differences in cultures and languages across countries constitute a significant challenge. Considering that effective communication is critical for international business success, companies look to adopt means to bridge cultural differences.

Political risk and Terrorism

International businesses have to deal with cases of political instability, and uncertainties as political risk is a major challenge and threat. Regulations and policies that are not pro-business can adversely affect the working of a business.

Terrorism has also been another massive issue that needs to be tended as global trade is not easy with terrorism.

Talk: Globalization - Opportunity or Risk?

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