DENSIL A. WILLIAMS

INTERNATIONAL BUSINESS BLUNDERS

LESSONS FOR FUTURE MANAGERS

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DENSIL ANTHONY WILLIAMS

University of the West Indies, Jamaica

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To
Tracy-Ann Henry-Williams and Na'Ima Toni-Ann Williams

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Acknowledgments

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Despite the many persons who I have thanked for assisting with this volume, all lacunae are mine.

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Preface

The work presented in this volume is motivated by previous work done on *Blunders in International Business*. Most notable is the work of David Ricks, Vice President of Academic Affairs at Thunderbird – The American Graduate School of International Management over two and a half decades ago. In 1993, Ricks produced a 172-page volume titled, *Blunders in International Business* published by Blackwell Business. The volume provided insightful and interesting anecdotes of mistakes firms made in all aspects of their international business operations, from production to finance. This work is a welcomed addition to the very scarce literature on mistakes that firms make in the international business arena. For, while we know that mistakes in business are inevitable, and especially so in the international business environment where cultural differences exist, legal and regulatory frameworks are different from what exists in the home country markets, social and business networks are not easily penetrated, among other things, we still have very little information on the types of mistakes that have been made and, more so, lessons that can be learnt from them. There is no doubt that the institutional and social differences between home and host markets make the task of managing in the international business environment much more onerous, and also, the chance of committing blunders is much higher. However, very few executives are willing to speak about the blunders that are made. They do not always see mistakes as inevitable and take them for what they are, but instead, they view them as failures and, as such, prefer not to speak on failures. It is clear, therefore, why the literature on business failures is so sparse despite the tremendous lessons that can be learnt from studying why companies fail (Campbell, Heriot, Jauregui, & Mitchell, 2012; Williams, 2014).

On the other hand, the literature on successes in business is quite extensive and executives are much more enthusiastic to speak on their successes. While it is similarly critical to understand why and how firms have become successful as Ricks (1993) pointed out, if the stories are not absolutely incredible, then one tends to forget about them and do not learn much valuable lessons from them. It must be understood that mistakes are not the flip side of success but have their own unique characteristics and, therefore, must be studied in detail in order to derive valuable lessons. This is why Ricks' work, over two and a half decades ago, made an important contribution to the field and to our knowledge in the area of blunders in international business.

However, despite the significance of the work done by Ricks, there are still some lacunae in the anecdotes and stories. A careful reading of the volume showed that the anecdotes are heavily biased to firms from developed countries that have done business in markets in other developed countries or in markets in developing countries. There is a very sparse amount of reference to firms from developing countries that are doing business in markets in developed countries, a directionality that has become prominent over the last two decades. Indeed, since Ricks' volume, the world has seen a large increase in multinational corporations from developing countries, especially those in East Asia moving to do business in markets in more developed countries in North America, Western Europe and Developed Asia. A new phenomenon that has also emerged is the rise in multinationals from other developing areas such as Latin America and the Caribbean that have now taken on greater urgency in doing business in the markets of the developed countries in North America, Western Europe and Developed Asia. Garvey and Shirley (2015) provided a good summary of how these multinationals, referred to as *Third World Multinationals*, have been moving across the globe in recent times. With this new development, invariably, there will be blunders along the way as the institutional, legal, regulatory and cultural landscapes are generally different in the developed world from those in the developing world. Importantly also, most of these firms that are moving from the developing world to the developed world are making their first foray into international business. As such, the chance of making mistakes is very high. Learning about these mistakes in this peculiar new circumstance can provide very valuable lessons for all executives, especially those from the developing world who are aspiring to do business in the international market and more so, in the markets in the developed countries in North America, Western Europe and Developed Asia.

This volume, *International Business Blunders: Lessons for Future Managers*, tries to make a modest contribution to our understanding of mistakes made by firms engaged in international business by focussing on those firms that are considered to be a part of the new phenomenon called, Third World Multinationals. This unique focus will fill a gap left by Ricks' (1993) work. More importantly, it will shed light on a set of firms that have received very little attention in the wider international business literature, but which have a substantial story to relate as to how firms from resource poor locations, with limited financial capital and limited technological capabilities, can operate and do so successfully in most cases, in the hostile and highly competitive global market landscape. The lessons that can be learnt from these stories are not only fascinating but can provide a lens through which executives from similar locations, facing like challenges, can view their aspirations to participate in the international business community. The lessons can help them better determine which markets to enter, when to enter the markets, the best market entry strategies to use, the best strategies to use to launch marketing and promotional campaign, among other things. It cannot be taken for granted that the stories and lessons from firms in large and developed markets can be easily replicated by firms in markets in developing countries, where external operating conditions and the internal dynamics of the firm are different and, in some cases, less sophisticated than what exists in the markets in large and developed countries. The need for context-specific area studies is very relevant in order to identify the idiosyncrasies of the firms in the particular environment.

The work presented in this volume focussed on the firms that have emanated from the Small Island Developing States of the Caribbean that have decided to do business in the markets in developed countries in North America, Western Europe and Developed Asia. These firms are by international standards, very small, to the extent that some scholars refer to them as Nano-firms (Bernal, 2006). However, despite their size, they have been operating successfully in the markets in the developed countries of North America, Western Europe and Asia. While there is a sparse literature on the factors that have contributed to their success (see e.g. Garvey & Shirley, 2015; Williams, 2015), there is comparatively less work on mistakes and blunders that they have made along the way. While blunders are inevitable along the way, given the significant difference between their home and host markets, comparatively less work has been done in recording the stories and anecdotes on these blunders. The work presented in this volume is an attempt to correct this lacuna.

The work reported on in this volume emanated from extensive research across the larger and more developed countries of the English-speaking Caribbean. It entails interviews with executives in firms that have and are still carrying out international business operations in the markets in developed countries in North America, Western Europe and Developed Asia mainly. Using the value chain analysis and, more specifically, Porter's (1985) conceptualisation of the value chain as the grounding framework with which to organise the work, the interviews focussed on blunders that are made at each node in the firms' value chain from marketing to relationships with governments in the host countries. The text then uses the qualitative technique of narrative analysis to analyse the data and present findings and lessons that can become useful to executives who have the aspiration to conduct business in markets in developed countries. The volume will also provide a useful teaching tool for persons who are taking courses in international business, business in a global environment, international management or general management programmes. The anecdotes and stories can be used as a useful teaching tool for group discussions and projects in graduate and undergraduate programmes alike.

International Business Blunders: Lessons for Future Managers provides a set of interesting anecdotes on the types of blunders that are made by the firms studied in the volume. Some of these make for fascinating reading. For example, in marketing, some managers have reported that they underestimated the sheer size of the US market and tried to adopt their distribution model that they use in the Caribbean to meet the demands of US wholesalers and retailers only to find out that the market size just does not allow for this to happen. Similarly, while one would think that being in business for a long time would give one the expertise to do what appears to be simple, for example, pricing a product in the international market. However, this task turns out not to be so simple for some of the firms that conducted their operations in the international business marketplace. International business managers lamented the challenges they had in determining the right price point for their products due mainly to the complex system of duties and taxes that are paid at the ports and, also, the difference in relationship with distributors. Fascinatingly also, is how cultural differences can lead to the weakening of morale in a team and impact negatively on the strategic and operational outcomes. Anecdotes are given of how Latin American and Caribbean cultures clash on American soil and what was done to resolve this episode in order to ensure that the company's objectives are met at the end of the day. Further, stories are told of how firms went to trade shows, confirmed with distributors that they can deliver on orders made and by the time delivery is to be made, the firms realised that they do not have sufficient capacity to fill the orders. This led to serious cost implications and reputational damage to the firms over time. Also, stories are told of how firms have to use various routes to recall products in order to stay within the confines of the rules and regulations of the host country markets. These are exciting and insightful anecdotes that are not meant to create humour but, instead, provide examples of the types of things that firms of similar nature which have an aspiration to go international should pay attention to. There are valuable lessons to be learnt.

The blunders committed have also had impacts (low employee morale, damaged reputation, legal battle and financial loss) on the firms but not to the extent where they have resulted in a complete shuttering of the business in those markets in the developed world. In fact, it is to the credit of adroit, disciplined and dedicated leadership that the firms continue to operate successfully in the markets in developed countries despite the inevitable setback from the mistakes made on their journey to internationalise their operations. Despite these impacts, the most important things are the valuable lessons that executives have learnt from reflecting on the blunders. These lessons include, never to generalise, become culturally literate, always do context-specific market research and build social and business networks. These very valuable lessons have been crucial in helping to avoid future mistakes and also minimise the impact of the mistakes already made.

While the text is heavily focussed on blunders made by Caribbean firms when they go international and especially to the developed markets in North America, Western Europe and Developed Asia, the anecdotes on blunders are not exclusive to these firms. Drawing on the academic and practitioner literature, blunders made in the broader field of international business operations are also reported on in order to internationalise the readership of the material presented in this volume. The blunders from the literature are sometimes shared in exhibits or direct quotation from academic and practitioner sources. Readers can compare and contrast the blunders made in the broader international business arena with those made by the firms in the specific area of study. This will lead to a greater ability to replicate the findings in other jurisdictions.