



Challenges and Opportunities in International Entrepreneurship

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Abstract: This research paper explores the challenges and opportunities of international entrepreneurship (IE) research. The paper begins by discussing the importance of IE in today's global economy and the need for rigorous research to understand its complexities. The challenges facing IE research are then examined, including the lack of a clear definition and conceptual framework, difficulties in accessing data, and the complexity of studying a dynamic and rapidly changing phenomenon. Despite these challenges, the paper highlights the opportunities for IE research to contribute to our understanding of entrepreneurship in a global context and to inform policy and practice. The paper concludes by proposing avenues for future research, including the need for greater collaboration across disciplines and a focus on identifying best practices for successful IE.

Index Terms: International, Entrepreneurship, Challenges, Opportunities.

1. Introduction

In today's global economy, entrepreneurship has become a critical driver of economic growth and development. International entrepreneurship (IE), in particular, has emerged as an increasingly important area of study, as more and more entrepreneurs seek to expand their businesses beyond their home countries. However, while the importance of IE is widely recognized, there are many challenges to studying this complex phenomenon.

Definition of International Entrepreneurship:

According to McDougall and Oviatt, "International Entrepreneurship is a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations."

What is International Entrepreneurship?

International entrepreneurship is the process of creating and managing a business venture that operates in multiple countries. This type of entrepreneurship requires a deep understanding of various cultures, languages, and legal systems, as well as the ability to adapt to different market conditions and consumer behaviors.

Successful international entrepreneurs are able to identify opportunities for growth and expansion in foreign markets, while also mitigating risks and navigating complex regulations. They must be skilled at building relationships with local partners and stakeholders, and developing a global network of suppliers, distributors, and customers.

One key factor in international entrepreneurship is having a strong online presence, as more and more businesses are conducting transactions and marketing their products and services online. Therefore, entrepreneurs must also be adept at using digital marketing strategies to reach customers in different countries and cultures.

Overall, international entrepreneurship requires a combination of strategic thinking, cultural awareness, and a willingness to take calculated risks. Those who are able to master these skills and navigate the challenges of operating in multiple countries can enjoy tremendous success and growth opportunities for their business.

International entrepreneurship refers to the process of starting, growing, and managing a business venture in a foreign country.

Famous Examples of International Entrepreneurs:

Numerous multinational entrepreneurs have come from a variety of businesses, including Coca-Cola, Nike, McDonald's, BMW, Puma, Philips, Tata, and others. However, the most well-known businesspeople hail from the technology sector and began their endeavours as small-scale operations before expanding them to a global scale. Several instances are:

- Apple- Steve Jobs
- Google- Larry Page and Sergey Brin
- Microsoft- Bill Gates
- Facebook- Mark Zuckerberg
- Yahoo- Jerry Yang and David Filo
- Amazon- Jeff Bezos
- Alibaba- Jack Ma
- Tiktok- Zhang Yiming

2. Review of Literature

Rebecca Reuber (2018) Firm-level research on the pursuit of opportunities—in this case, market opportunities—has also been process-oriented in the literature on international business and has emphasised the significance of social networks with other market participants. The emphasis placed on learning, however, varies between the two bodies of literature. While international business researchers are generally concerned in the pursuit of several possibilities, entrepreneurship scholars are mostly interested in the pursuit of one opportunity (the establishment of an organisation). (Multiple geographic markets). As a result, in the literature on international business as opposed to the literature on entrepreneurship, more emphasis is placed on the variation in commitment across market opportunities, the firm-level knowledge that can be acquired and applied across market opportunities, and the connections that can be made across market opportunities.

Jehanzaib Akram (2016) Global businesses face many human management issues. One of them is finding the right staff who can balance the cultural and work expectations of both the host and home countries. Another is handling the expatriates who work and live abroad, and their return to their home countries. The Human Resource has to ensure that the expatriates are well-adjusted, supported, trained, evaluated, rewarded and developed in their foreign assignments. The expatriates may also suffer from homesickness that can affect their performance. The Human Resource has to manage all these factors while maintaining the organization's competitiveness and employee motivation and productivity. This is a challenging task that global entrepreneurs do every day.

Lasse Torkkeli & Sharon Loane (2022) The studies in this special issue show that different global crises may affect international entrepreneurship in different ways, and that it is important to build resilience to deal with the uncertainty and to take advantage of the new opportunities that arise from them. Resilience has been often mentioned as a key skill for entrepreneurs to survive in unpredictable times. This special issue also shows that resilience is a crucial factor for not only the international expansion of businesses in general, but also for the innovation and digitalization of their business models in international entrepreneurship specifically. Therefore, we see this as a beginning for research on resilience in international entrepreneurship and a valuable contribution to recent research that highlights the importance of digitalization, sustainability and entrepreneurial ecosystems in the field of international entrepreneurship.

Stephen, Pavlos and Leo-Paul (2003) This article has critically examined IE research. It has observed that IE studies have focused a lot on the resource-based view and the network approach. It has also pointed out that a new research stream emerges that connects IE research with strategic management and expands its scope. This article welcomes this expansion of IE research and argues that more theories from international business studies would also help to achieve this expansion. Furthermore, using international business concepts would make IE studies more comprehensive and emphasize the 'international character' of this concept. In short, this article has advocated for applying more international business theories and notions to IE research. It has shown how six research directions based on international business theories can be relevant to IE, and aims to make IE more clearly 'international' in future studies. By paying more attention to international business, IE research would cover the international activities of various types of organizations, regardless of their age, size, sector or market entry mode.

Vanessa Ratten (2022) This study adds new knowledge to the literature on international, sport, and diaspora entrepreneurship. It shows the significance of internationalization in the sport industry and the emergence of new types of international entrepreneurship. It provides practical implications for international sport entrepreneurs based on a combination of diaspora and international entrepreneurship perspectives. This is a valuable contribution to the practice and literature on international sport entrepreneurship as it is the first study to link diaspora types with international drivers and sport entrepreneurship outcomes. This may help to develop a more comprehensive view of the importance of considering a sport entrepreneur's diaspora connections in relation to their goals, achievements, and actions.

Marios & Spyros (2007) One of the challenges in international business arises from the fact that accounting standards and procedures differ across countries. This means that financial statements like balance sheets or income statements prepared in one country, such as the United States, follow a different set of rules compared to those prepared in another country like the United Kingdom. Although these balance sheets may appear similar, making comparisons between them can be risky. For instance, US accounting practices mandate the inclusion of plant and equipment on a balance sheet at their historical cost, while UK accounting practices allow for a different treatment of plant and equipment.

3. Hypothesis

H1: Cultural and institutional differences across countries have a significant impact on the success of international entrepreneurship ventures. Entrepreneurs who are able to understand and navigate these differences are more likely to succeed in international markets.

H2: Technological advancements and global trends create both new opportunities and challenges for international entrepreneurship. Entrepreneurs who are able to leverage emerging technologies and adapt to changing global trends are more likely to succeed in international markets.

4. Research Objectives

- a) To identify the cultural and institutional factors that impact the success of international entrepreneurship ventures and develop strategies that entrepreneurs can use to navigate these factors.
- b) To explore the role of networks and social capital in international entrepreneurship and identify the specific mechanisms by which these factors contribute to the success of international ventures.
- c) To examine the emerging technological and global trends that create new opportunities and challenges for international entrepreneurship and develop recommendations for entrepreneurs and policymakers on how to respond to these changes.

5. Data Collection:

Collection of data for this research paper was mainly secondary data. Data was collected from different sources like research paper and articles, book, and web references.

6. Research Methods:

After studying different sources like research papers, articles, book, web references and many more. SWOT Analysis can be done with the use of collected information.

7. SWOT Analysis:

Strength:

1. Access to Global Markets:

International entrepreneurship provides businesses with the opportunity to tap into a much larger customer base and diverse markets worldwide. This enables companies to expand their reach beyond domestic boundaries and target new segments, increasing sales potential and revenue growth.

2. Innovation and Adaptability:

Successful international entrepreneurs often exhibit a high degree of innovation and adaptability. They are able to identify emerging market trends, consumer preferences, and cultural nuances, allowing them to develop products, services, and business models that align with the specific needs of different markets.

3. Competitive Advantage:

International entrepreneurs may possess unique capabilities, resources, or expertise that give them a competitive edge over local competitors in foreign markets. This advantage can arise from factors such as advanced technology, superior quality standards, differentiated product offerings, or cost-effective production processes.

4. Knowledge and Cultural Intelligence:

Understanding different cultures, languages, and customs is a significant strength for international entrepreneurs. It enables effective communication, relationship-building, and market entry strategies. Cultural intelligence helps entrepreneurs navigate cultural nuances, adapt their business practices, and build strong connections with customers, suppliers, and partners in foreign markets.

5. Diversification and Risk Mitigation:

Operating internationally allows businesses to diversify their operations and revenue streams across multiple markets, reducing their dependence on a single market or economy. This diversification helps mitigate risks associated with economic fluctuations, political instability, or industry-specific challenges in any particular region.

6. Learning and Knowledge Transfer:

International entrepreneurship facilitates cross-border knowledge exchange and learning. By operating in different markets, entrepreneurs gain exposure to diverse business practices, industry insights, and technological advancements. This knowledge transfer can enhance their capabilities, foster innovation, and drive continuous improvement.

7. Network and Partnership Development:

Expanding globally presents opportunities for international entrepreneurs to establish strategic alliances, partnerships, and networks across borders. These collaborations enable access to local market expertise, distribution channels, shared resources, and complementary capabilities, fostering business growth and market penetration.

8. Talent Acquisition and Diversity:

International entrepreneurship allows businesses to attract talent from diverse backgrounds and experiences. Access to a global talent pool provides opportunities to recruit individuals with specialized skills, cultural intelligence, and knowledge of local markets, contributing to the company's competitive advantage and innovation capabilities.

9. Economies of Scale:

Expanding into international markets can lead to economies of scale, providing cost advantages through increased production volumes, procurement efficiencies, or shared resources. Economies of scale can result in reduced unit costs, improved profit margins, and enhanced competitiveness.

10. Brand Reputation and Recognition:

Successful international entrepreneurs often build strong brand reputations and gain global recognition. A positive brand image enhances customer trust, fosters loyalty, and facilitates market entry in new regions. Brand recognition can also attract potential partners, investors, and customers, providing a competitive edge in foreign markets.

International entrepreneurs can utilize these strengths to take advantage of opportunities on a global scale, surmount obstacles, and attain long-term growth and prosperity in the ever-evolving and interconnected world of business.

Weakness:

1. Distance:

New startups often lack the necessary infrastructure to handle operations and expand into distant markets. Additionally, geographical distances introduce challenges in dealing with time differences. Managing workweeks across multiple countries can also strain a startup's limited workforce. In North America, Europe, China, and India, corporate offices typically operate from Monday to Friday. However, in Israel, they follow a Sunday to Thursday schedule. Saudi Arabia and the UAE have a workweek from Saturday to Wednesday, while other predominantly Muslim countries like Lebanon, Morocco, and Turkey observe Monday to Friday or Saturday.

A major obstacle for global entrepreneurs is the concept of "psychic distance," as identified by British economist Wilfred Beckerman in 1956. This arises from factors such as cultural differences, language barriers, educational systems, political structures, religious beliefs, and levels of economic development. It can either heighten or diminish psychological barriers between regions, often leading entrepreneurs to make unconventional decisions. For example, the case of Encantos de Puerto Rico, a premium Puerto Rican coffee manufacturer established in 1998, illustrates this phenomenon. When CEO Angel Santiago sought new markets in 2002, instead of targeting the nearby U.S. market, he chose Spain. Santiago believed that Puerto Ricans and Spaniards had similar coffee preferences and that the shared language facilitated business transactions, reducing the psychic distance between the two countries. It was only two years later that Encantos de Puerto Rico entered the United States, initially focusing on Miami due to its large Hispanic population.

2. Context:

Differences in political, regulatory, judicial, tax, environmental, and labor systems exist between nations. The decisions made by entrepreneurs regarding the location of their company's headquarters impact shareholder returns and their ability to secure capital. When Andrew Prihodko, a Ukrainian student at MIT, and Sharon Peyer, a Swiss-American citizen studying at Harvard, established an online photo management company called Pixamo, they carefully considered the domicile options. Should they incorporate in Ukraine, which offers a simple and low-tax structure but has a questionable legal history? Or Switzerland, with higher taxes but a well-established legal system? Alternatively, Delaware, where taxes are even higher, but many U.S. startups are based? Ultimately, Prihodko and Peyer chose to base the company in the tax-friendly Swiss canton of Zug, a decision that proved beneficial for shareholders when Pixamo was sold to NameMedia in 2007.

For certain global entrepreneurs, managing multiple countries simultaneously can be a complex undertaking. In 1994, Gary Mueller launched Internet Securities, aiming to provide investors with data on emerging markets. Within three years, the startup had offices in 18 countries and had to navigate the jurisdictions of Brazil, China, and Russia on a daily basis. By successfully handling these challenges, Internet Securities emerged as a market leader. In 1999, Euromoney acquired an 80% equity stake in the company for a substantial sum of \$43 million.

3. Resources:

Customers anticipate startups to give the same levels of quality and skill as established businesses. For startups with limited resources, that is a big ask. Nevertheless, they are powerless to avoid doing whatever it takes to keep clients. Jim Sharpe bought XTech, a small company that is now a producer of faceplates for telecommunications equipment, in 1987. Initially, the business produced its goods in the US and distributed them internationally via sales agents and distributors. Cisco, Lucent, Intel, IBM, and other XTech clients, on the other hand, had moved the majority of their manufacturing to China by 2006. They grew wary of working with vendors who didn't manufacture goods or provide customer service in China. Sharpe was forced to establish a subsidiary in China as a result.

Opportunities:

Company might need to consider selling abroad as the domestic economy continues to grow slowly in order to remain profitable. You must be informed of the main trends in international business before looking into overseas markets so that you may capitalise on any that might benefit your business. International markets are changing quickly, and you may use this to your advantage to position your business in a certain niche.

1. Growing Emerging Markets:

As developing nations approach the developed world's living standards, they will see the highest economic development. If you want your company to expand quickly, think about selling in one of these developing areas. Which marketplaces you should favour can be influenced by language, financial stability, the local economic system, and cultural considerations.

2. Demographic Shifts

While the population of many developing nations is still quite young, the population of the industrialised world is ageing. Businesses that target wealthy retirees can prosper by concentrating on industrialised nations, while those that target young families, moms, and kids can find success in Latin America, Africa, and the Far East.

3. Speed of Innovation

As more new businesses create innovative new products and enhanced versions of established products, innovation is accelerating. As more corporations in developing nations acquire the know-how to innovate successfully, Western companies can no longer assume that they will always be at the forefront of technological advancement.

4. More Informed Buyers

With enhanced and accelerated communication channels, customers worldwide can now purchase products from any location across the globe and gain access to information about their desired purchases. As pricing and quality data become readily accessible across all markets, businesses will experience a decline in their ability to exert control over pricing, particularly the power to establish varying prices in different markets.

5. Clean Technology

Environmental factors currently exert a significant influence in Western countries and will increasingly do so on a global scale. It is imperative for businesses to consider the environmental consequences of their regular operations. One strategy they can adopt is promoting environmentally friendly technologies in the international market. The advantage of targeting this market lies in its projected faster growth rate compared to the overall economy.

Threats:

1. Foreign Exchange Risk:

Foreign exchange risk arises when the value of an investment is affected by fluctuations in the exchange rate of a currency. It is also referred to as FX risk, currency risk, or exchange-rate risk. When the domestic currency strengthens against a foreign currency, the profits or returns earned in the foreign country will decrease when converted back to the domestic currency. Protecting against this type of risk can be challenging due to the unpredictable nature of exchange rates, which can negatively impact sales and revenues.

For instance, let's consider a scenario where a U.S. car company conducts a significant portion of its business in Japan. If the value of the Japanese yen decreases in relation to the U.S. dollar, any profits earned in yen from the company's operations in Japan will result in fewer U.S. dollars compared to the period before the yen's devaluation. Foreign exchange risk primarily affects businesses engaged in exporting and/or importing products, services, and supplies.

2. Political Risks

Geopolitical risk, also referred to as political risk, arises when a foreign company is negatively affected by unexpected policy changes implemented by a country's government. These policy adjustments can encompass trade barriers that limit or impede international trade. Certain governments may impose additional charges or tariffs as a condition for allowing imports into their country. Tariffs and quotas are utilized to safeguard domestic producers against foreign competition. Such measures can significantly impact an organization's profits, either by reducing revenues through export taxes or by limiting the potential earnings that can be generated.

To mitigate trade barriers, countries have implemented free-trade agreements like the North American Free Trade Agreement (NAFTA) and similar initiatives. However, the success of these measures is not guaranteed, and ongoing trade disputes can disrupt the business operations and market efficiency of international companies. Therefore, the variations in foreign countries' laws continue to influence the profitability and overall success of companies engaged in international business transactions.

3. Economic Volatility:

Fluctuations in global economic conditions, such as recessions, currency devaluations, or financial crises, can pose risks to international entrepreneurs. Economic downturns may lead to reduced consumer spending, decreased demand for products or services, and increased market competition, impacting business profitability and growth.

4. Trade Barriers and Protectionism:

Protectionist trade policies, tariffs, import/export restrictions, or trade wars between countries can create barriers to international trade. These measures can increase costs, limit market access, disrupt supply chains, and erode competitiveness for businesses operating in multiple markets.

5. Competitive Rivalry:

International entrepreneurship often involves competition from local players, multinational corporations, or established global brands. Competing against competitors with greater resources, market presence, and established customer bases can pose challenges for international entrepreneurs, especially when entering saturated or highly competitive markets.

6. Technology and Cybersecurity Risks:

Embracing technology advancements, such as e-commerce, digital platforms, or cloud-based systems, exposes international entrepreneurs to technology-related risks. These risks include data breaches, cyberattacks, privacy concerns, and the need for robust cybersecurity measures to protect sensitive information and maintain customer trust.

Understanding and proactively addressing these threats is crucial for international entrepreneurs to develop risk mitigation strategies, enhance resilience, and navigate the complexities of the global business landscape successfully.

8. Conclusions:

- ✓ Based on this SWOT Analysis, the following conclusions can be drawn:
- ✓ International entrepreneurship offers significant opportunities for growth and expansion in global markets.
- ✓ Successful international entrepreneurs need to leverage their strengths, such as innovation, adaptability, and cultural intelligence, to overcome weaknesses and challenges.
- ✓ Strategic approaches are required to capitalize on opportunities, navigate threats, and mitigate risks.
- ✓ Continuous learning, network development, and adaptation to market dynamics are crucial for sustained success.
- ✓ Effective risk management strategies, including legal compliance, currency hedging, and supply chain resilience, are essential for mitigating potential threats.
- ✓ Building strong partnerships and alliances can enhance competitiveness and market presence.
- ✓ Ultimately, international entrepreneurship requires a comprehensive understanding of the internal and external factors impacting business operations, and proactive strategies to leverage strengths, seize opportunities, and address weaknesses and threats to achieve sustainable growth and success.

Overall, international entrepreneurship presents both challenges and opportunities for entrepreneurs. Successful expansion into foreign markets requires a strategic approach that takes into account the unique cultural, legal, and economic factors of the foreign market, as well as a willingness to adapt and learn from experiences.

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