**Global Business Plan Project**

**10. Managing International Financial and Business Risks**

**Learning Goals**

1. To identify potential risks in global business settings
2. To assess alternative global risk management strategies

**Purpose**

High inflation and import restrictions are just two of the many risks that a company may encounter when doing business in another country. In this module, your goal is to obtain information related to managing various elements of global business uncertainty.

**Resources**

Web links:

* Global Edge CyberSite: <http://globaledge.msu.edu/>
* Business Around the World Atlas: <https://highered.mcgraw-hill.com/sites/0078137217/student_view0/business_around_the_world.html>

**Conduct Research**

Based on the country (or countries) you are analyzing for your global business enterprise, research information related to the following areas:

1. ECONOMIC AND FINANCIAL RISKS

Identify key areas of uncertainty related to level of economic development, infrastructure, and changing economic conditions in the country being considered for business operations. (A weak infrastructure or volatile currency increases the risk of doing business in a foreign market.)

1. SOCIAL AND CULTURAL RISKS

Discuss customs, traditions, and social values in your proposed location that could create risks for the enterprise. (Religious beliefs or the role of family can affect uncertainty when starting and implementing an international business operation.)

1. POLITICAL AND LEGAL RISKS

Analyze the uncertainty that might be created by political stability, corruption potential, and business regulations. (Required labeling, tariffs, or ownership restrictions may be encountered in various nations.)

1. RISK MANAGEMENT TECHNIQUES

Compare various risk reduction strategies available when doing business in other countries. (Common risk management methods include insurance, diversification of product line, strategic alliances with local partners, and employing local managers.)

**Supplementary Activity**

Interview a person who has worked with business enterprises in other countries. Obtain information related to identifying and managing global business risks.

**E-Commerce Application**

Locate web sites with information related to economic and political risks when doing business in other countries. What actions are commonly recommended to minimize or eliminate these risks?

**Prepare Summary**

In a separate Word document, prepare a summary report consisting of the following components:

1. A description of economic, social, and political-legal risks that might be encountered with the proposed global business enterprise.
2. Recommend risk management techniques that might be taken for these international business operations. Provide evidence to support your recommendations.

**View Sample Report**

The following project segments are EXAMPLES and SAMPLE MATERIALS. Please note:

1. These samples were selected from several student team projects at one school and are not intended to represent a particular level of quality, and DO NOT represent a complete project.
2. The accuracy of content, data, and clarity of writing are NOT guaranteed; and
3. These samples may NOT BE DUPLICATED.

The top business risks that Buen Salud faces as it begins to enter the vitamin market in Latin America are:

1. The possibility of government instability or an unfriendly change of power in which Buen Salud loses its governmental grant and must, therefore, discontinue research and development towards new products as well as cut back production rates of the standard multi-vitamin.
2. Buen Salud faces liabilities concerning the health of our consumers. Great lengths must be gone to in order to make sure that no allergies or other health conditions are negatively affected by our product.
3. The geography and physical infrastructure of Argentina, Chile, Brazil, and Latin America in general, may pose problems for the distribution of our products, especially to the rural areas.

The customs, traditions, and social values in the country can influence product decisions and hiring policies.

Recent elections have created uncertainty for the political environment as to future free-trade policies and other government regulations.

To reduce risk in this venture, negotiations must include clear expectations as to delivery dates, quality assurance, and payment methods.