Understanding the Importance of International Business to the Rockford Economy
By JJ Asongu, March 2011

As the Rockford economy struggles to recover from years of decline triggered by the decline of the manufacturing industry in the late 1980s, it is looking to international business as an important component of the solution. International business is used here to describe all commercial transactions or business activities involving cross border transactions of goods, services, and resources between two or more countries.

It might appear paradoxical to turn to international business as a solution considering that many of the family-owned companies that once made Rockford a national leader in manufacturing were killed by the forces of globalization. As we know, many of these firms were acquired by larger companies and the larger companies then relocated the products being made to other parts of the United States or sent them to lower wage countries altogether. For Rockford to regain its past glory, it must live up to the challenges of the global economy.

The global economy is increasingly becoming integrated as a result of the following factors: technology is expanding, especially in transportation and communications; most governments are removing international business restrictions; growth in institutions that provide services to ease the conduct of international business; consumers know about and want foreign goods and services; competition has become more global; political relationships have improved among some major economic powers; countries are cooperating more on transnational issues; and the abundance of cross-national cooperation and agreements.

Rockford may be a victim of economic globalization, but the future of the city’s economy may also depend on how successfully it attracts international businesses. The city’s political and economic leaders have understood this and are doing their best to attract multinational corporations and to turn some of the local companies into successful multinational corporations. There are many laudable initiatives along these lines, but Rockford business owners themselves must take the lead in going international.

International business is very important for the mere fact that it comprises a large and growing portion of the world’s total business. We cannot ignore international business because virtually every company, be it large or small, is affected by global events and competition. Almost every company sells its products or services to foreign countries, secures suppliers from overseas, and/or competes against products and services that come from abroad. Many a times, companies also compete for overseas labor.

The continuous decline in the US manufacturing industry points to the need for change. Not only are our firms threatened by cheaper goods from abroad, but also by a narrow focus on selling only in the US market. Selling in the US market may be easier, but greater business success lies in the ability to sell our products and services in foreign markets. Therefore, while our firms must continue to address the needs of our local Rockford market or even that of the US market, they must at the same time be able to cast their eyes on the global markets.

There are already a few Rockford firms that supply products to the global markets, but most haven’t developed an export strategy. An export strategy is very important in today’s economy because falling
or stagnant exports often indicate sluggish future growth. The current recession points to the fact that firms that had a successful presence in the rapidly growing foreign markets in Africa, Asia, and South America, fared better than those that depended more or entirely on the US market. When the U.S. economy slows, American companies must be ready to sell their goods and services in foreign markets. If foreign markets are ignored while their demand is weak and US market is strong, we will not be able to sell abroad as easily when the situation reverses itself. The most dangerous aspect of the US trade deficit is that too often we fail to appreciate the importance of exports to our economy.

As companies look into going international, they should take note of two points – the companies’ objectives and the means with which they carry them out. A company’s objectives may include sales expansion, resource acquisition, risk minimization, etc. The means with which the company carries out these objectives will include such issues as modes of entry into foreign markets (importing and exporting, tourism and transportation, licensing and franchising, turnkey operations, management contracts, direct investment and portfolio investments); its functions (marketing, global manufacturing and supply chain management, accounting, finance, human resources); and its overlaying alternatives (choice of countries, organization and control mechanisms).

It is also important to note that these operations affect and are affected by the physical and societal factors and the competitive environment. The physical and societal factors include political policies and legal practices; cultural factors; economic forces; and geographical influences. On the other hand, the competitive factors include major advantage in price, marketing, innovation, or other factors; number and comparative capabilities of competitors; and competitive differences by country.

Finally, it is also important to note that international business affects both large multinational companies as well as small companies located outside major cities. International commerce is a hallmark of successful local communities. Many large and small companies benefit from selling goods and services internationally. International business creates better-paying jobs, increases company profits and local public revenues, and stimulates purchases from local suppliers. Mayor Larry J. Morrissey is doing the right thing in attracting foreign-owned firms because they also contribute to the economic well-being of communities through new construction and creation of jobs. Foreign direct investment also enhances a company’s competitiveness and contributes to the local economy by stimulating demand for local products.

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