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UNIT-1 INTRODUCTION TO INTERNATIONAL BUSINESS

UNIT-1

INTRODUCTION OF INTERNATIONAL BUSINESS

TOPIC 1: INTERNATIONAL BUSINESS- An overview

International business refers to trading services and goods in a worldwide market. It can also be recognised as the globalisation of trade. An International Business Environment (IBE) refers to the surroundings in which international companies carry on their businesses. It plays a critical role in the development and growth of a country.

An International Business Environment (IBE) involves different aspects like political risks, cultural differences, exchange risks, and legal and taxation issues. Thus, it is mandatory for the people at the managerial levels to work on factors comprising the international business environment as it is crucial for a country's economy**.**

Benefits of the International Business Environment:

- It unites and brings countries together, making the world a big global village
- It increases employment opportunities as it results in the exchange of information, ideas, capital across borders and services
- There is equal growth in wealth, availability of goods and services and price stability
- It brings a new environment of development, alliance, affluence, stability, modernisation, and technology across the globe.
- It unites and brings nations together- We know that trade makes us better off. Trade between countries would improve their conditions and relationships with each other.
- It increases employment opportunities- Employment opportunities would increase as people would get more exposure and there would be an increase in the exchange of ideas and capital across the borders.
- Equal growth in wealth and availability of goods and services

A new environment of development, stability, modernization, and technology across the world.

Helps businessmen across the world in expanding their business- We know that it is very important for businesses to expand in or outside their domains to earn more profits and give better goods and services to people of other countries.

Your products and services would get exposure from more customers across the globe- Businessmen would want their goods and services to get more exposure and the international business environment would give them that benefit.

Proper management of product life cycle

Helps in attaining mutual growth

Difficulties faced in the International Business Environment

Hindrance in Communication- Language and cultural differences can create Hindrance to communication in international business environments. Translation services can help to ensure that information is accurately conveyed between parties, preventing misunderstandings.

Vibrant Markets- Intense competition is a prevalent feature in international markets, primarily attributed to the diverse economic, political, and cultural dynamics present across various countries.

Currency Exchange Rates- International business profitability model is sensitive to exchange rate fluctuations. If the difference between the two currencies is too high, the business could incur losses.

Cultural Diversity- International business environments that celebrate multiculturalism and diversity may not always result in successful outcomes. Misalignment between an employee's cultural beliefs and an organization's values can lead to workplace conflicts and hinder employee retention and recruitment rates.

Components of the International Business Environment

Here are all the components of the international business environment:

Market Analysis:

A thorough market analysis is a fundamental component of the International business environment. This includes identifying target markets, assessing market potential, and analyzing market trends and dynamics. Market analysis helps businesses make informed decisions about market entry and expansion strategies.

Risk Assessment:
Assessing and managing risks is critical in international business. Companies need to evaluate political, economic, and market risks associated with a specific country or region. Risk mitigation strategies may involve diversifying markets or hedging against currency fluctuations.

Compliance with Regional Legal Frameworks:
Conforming to indigenous statutes and regulations stands as a fundamental requirement for international corporations. This encompasses adherence to trade protocols, tax codes, labor statutes, and the protection of intellectual property rights. Non-compliance may lead to legal disputes and harm to a company's reputation.

Cultural Understanding:
Developing cultural competence is vital for success in international markets. This includes understanding cultural nuances, norms, and etiquette. Companies may need to adapt marketing strategies and product offerings to align with local culture.

Market Entry Strategy:
Choosing the right market entry strategy is a strategic decision. Options include exporting, licensing, franchising, joint ventures, and foreign direct investment (FDI). The choice depends on factors such as market size, competition, and regulatory environment.

Supply Chain Management:
Efficient supply chain management is crucial for international business environment. Companies need to establish reliable supply chains that can navigate international logistics, customs procedures, and distribution networks.

Financial Management:
Managing finances in the international business environment involves dealing with foreign currencies, exchange rate risks, and international tax considerations. Financial planning and risk management are essential components.

Marketing and Branding:
Creating a successful international marketing strategy involves adapting branding, advertising, and promotional efforts to resonate with local consumers. This includes considering language, cultural references, and consumer preferences.

Conclusion
The realm of the International Business Environment (IBE) is intricate and constantly evolving, encompassing a wide array of dimensions including economic, political, sociocultural, technological, competitive, and global facets. To prosper in international markets, businesses operating on a global scale must meticulously evaluate and adjust to these multifarious influences. Understanding the types, factors, and components of the IBE is essential for making informed decisions and mitigating risks in the global business arena. As the world continues to globalize, mastering the nuances of the IBE becomes increasingly crucial for businesses seeking sustainable growth and success.

TOPIC 2: VARIOUS FORMS OF INTERNATIONAL BUSINESS ENVIRONMENT

International business means carrying on business activities beyond national boundaries. These activities normally include the transaction of economic resources such as goods, capital, services (comprising technology, skilled labor, and transportation.) and international production. Production may either involve production of physical goods or provision of service like banking finance, insurance, construction, trading and so on. Thus International business includes not only international trade of goods and service but also foreign investment, especially foreign direct investment.

International-Expansion Entry Modes

- Exporting
- Licensing
- Franchising
- Turnkey Project
- Mergers & Acquisitions
- Joint Venture
- Acquisitions & Mergers
- Wholly Owned Subsidiary

In this section, we will explore the traditional international-expansion entry modes. Beyond importing, international expansion is achieved through exporting, licensing arrangements, partnering and strategic alliances, acquisitions, and establishing new, wholly owned subsidiaries, also known as Greenfield ventures.

1. Exporting

Exporting is a typically the easiest way to enter an international market, and therefore most firms begin their international expansion using this model of entry. Exporting is the sale of products and services in foreign countries that are sourced from the home country.

The advantage of this mode of entry is that firms avoid the expense of establishing operations in the new country. Firms must, however, have a way to distribute and market their products in the new country, which they typically do through contractual agreements with a local company or distributor.

When exporting, the firm must give thought to labeling, packaging, and pricing the offering appropriately for the market. In terms of marketing and promotion, the firm will need to let potential buyers know of its offerings, be it through advertising, trade shows, or a local sales force.

2. Licensing

In this mode of entry, the domestic manufacturer leases the right to use its intellectual property (i.e.) technology, copy rights, brand name etc to a manufacturer in a foreign country for a fee. Here the manufacturer in the domestic country is called licensor and the manufacturer in the foreign is called licensee.

The cost of entering market through this mode is less costly. The domestic company can choose any international location and enjoy the advantages without incurring any obligations and responsibilities of ownership, managerial, investment etc.

3. Franchising

Under franchising an independent organization called the franchisee operates the business under the name of another company called the franchisor under this agreement the franchisee pays a fee to the franchisor.

The franchisor provides the following services to the franchisee.

- Trade marks
- Operating System
- Product reputation
- Continuous support system like advertising , employee training ,reservation services quality

assurances program etc

4. Turnkey Project

A turnkey project is a contract under which a firm agrees to fully design, construct and equip a manufacturing/ business/services facility and turn the project over to the purchase when it is ready for operation for remuneration like a fixed price, payment on cost plus basis.

This form of pricing allows the company to shift the risk of inflation enhanced costs to the purchaser. E.g. nuclear power plants, airports, oil refinery, national highways, railway line etc. Hence they are multiyear project.

5. Mergers & Acquisition

A domestic company selects a foreign company and merger itself with foreign company in order to enter international business. Alternatively the domestic company may purchase the foreign company and acquires it ownership and control. It provides immediate access to international manufacturing facilities and marketing network

6. Joint Venture

Two or more firm join together to create a new business entity that is legally separate and distinct from its parents. It involves shared ownership. Various environmental factors like social, technological economic and political encourage the formation of joint ventures.

It provides strength in terms of required capital. Latest technology required human talent etc. And enable the companies to share the risk in the foreign markets. This act improves the local image in the host country and also satisfies the governmental joint venture.

7. Acquisitions & Mergers

A Merger is a voluntary and permanent combination of business whereby one or more firms integrate their operations and identities with those of another and henceforth work under a common name and in the interests of the newly formed amalgamations.

Motives for acquisitions:

1. Removal of competitor
2. Reduction of the Co failure through spreading risk over a wider range of activities.
3. The desire to acquire business already trading in certain markets & possessing certain specialist employees &equipments
4. Obtaining patents, license & intellectual property.
5. Economies of scale possibly made through more extensive operations.
6. Acquisition of land, building & other fixed asset that can be profitably sold off.
7. The ability to control supplies of raw materials.
8. Expert use of resources.
9. Tax consideration.
10. Desire to become involved with new technologies &management method particularly in high risk industries.

8. Wholly Owned Subsidiary

Subsidiary means individual body under parent body. This Subsidiary or individual body as per their own generates revenue. They give their own rent, salary to employees, etc. But policies and trademark will be implemented from the Parent body.

TOPIC 3: GLOBALIZATION

Globalization means the speedup of movements and exchanges (of human beings, goods, and services, capital, technologies or cultural practices) all over the planet. One of the effects of globalization is that it promotes and increases interactions between different regions and populations around the globe.

What Is Globalization in the Economy?

According to the **Committee for Development Policy** (a subsidiary body of the United Nations), from an economic point of view, globalization can be defined as: "(…) the increasing interdependence of world economies as a result of the growing scale of cross-border trade of commodities and services, the flow of international capital and the wide and rapid spread of technologies. It reflects the continuing expansion and mutual integration of market frontiers (…) and the rapid growing significance of information in all types of productive activities and marketization are the two major driving forces for economic globalization."

Globalization and the G20: What is the G20?

The G20 is a global bloc composed by the governments and central bank governors from 19 countries and the European Union (EU). Established in 1999, the G20 gathers the most important industrialized and developing economies to discuss international economic and financial stability. Together, the nations of the G20 **account for** around 80% of global economic output, nearly 75 percent of all global trade, and about two-thirds of the world's population.

G20 leaders get together in an annual summit to discuss and coordinate pressing global issues of mutual interest. Though economics and trade are usually the centerpieces of each summit's agenda, issues like climate change, migration policies, terrorism, the future of work, or global wealth are recurring focuses too. **Since the G20 leaders represent** the "*political backbone of the global financial architecture that secures open markets, orderly capital flows, and a safety net for countries in difficulty",* it is often thanks to bilateral meetings during summits that major international agreements are achieved and that globalization is able to move forward.

The joint action of G20 leaders has unquestionably been useful to save the global financial system in the 2008/2009 crisis, thanks to trade barriers removal and the implementation of huge financial reforms. Nonetheless, the G20 was been struggling to be successful at coordinating monetary and fiscal policies and unable to root out tax evasion and corruption, among other downsides of globalization. As a result of this and other failures from the G20 in coordinating globalization, popular, nationalist movements across the world have been defending countries should pursue their interests alone or form fruitful coalitions.

How Do We Make Globalization More Just?

The ability of countries to rise above narrow self-interest has brought unprecedented economic wealth and plenty of applicable scientific progress. However, for different reasons, not everyone has been benefiting the same from globalization and technological change: wealth is unfairly distributed and economic growth came at huge environmental costs. How can countries rise above narrow self-interest and act together or designing fairer societies and a healthier planet? How do we make globalization more just?

According to **Christine Lagarde**, former President of the International Monetary Fund, "*debates about trade and access to foreign goods are as old as society itself* " and history tells us that closing borders or protectionism policies are not the way to go, as many countries doing it have failed.

Lagarde defends we should pursue globalization policies that extend the benefits of openness and integration while alleviating their side effects. How to make globalization more just is a very complex question that involves redesigning economic systems. But how? That's the question.

Globalization is deeply connected with economic systems and markets, which, on their turn, impact and are impacted by social issues, cultural factors that are hard to overcome, regional specificities, timings of action and collaborative networks. All of this requires, on one hand, global consensus and cooperation, and on the other, country-specific solutions, apart from a good definition of the adjective "just".

For some people, this global phenomenon is inherent to human nature. Because of this, some say globalization begun about 60,000 years ago, at the beginning of human history. Throughout time, human societies' exchanging trade has been growing. Since the old times, different civilizations have developed commercial trade routes and experienced cultural exchanges. And as well, the migratory phenomenon has also been contributing to these populational exchanges. Especially nowadays, since traveling became quicker, more comfortable, and more affordable.

This phenomenon has continued throughout history, notably through military conquests and exploration expeditions. But it wasn't until technological advances in transportation and communication that globalization speeded up. It was particularly after the second half of the 20th century that world trades accelerated in such a dimension and speed that the term "globalization" started to be commonly used.

Examples of Globalization (Concept Map)

Because of trade developments and financial exchanges, we often think of globalization as an economic and financial phenomenon. Nonetheless, it includes a much wider field than just flowing of goods, services or capital. Often referred to as the *globalization concept map,* some examples of globalization are:

- **Economic globalization**: is the development of trade systems within transnational actors such as corporations or NGOs;
- **Financial globalization**: can be linked with the rise of a global financial system with international financial exchanges and monetary exchanges. Stock markets, for instance, are a great example of the financially connected global world since when one stock market has a decline, it affects other markets negatively as well as the economy as a whole.
- **Cultural globalization**: refers to the interpenetration of cultures which, as a consequence, means nations adopt principles, beliefs, and costumes of other nations, losing their unique culture to a unique, globalized supra-culture;
- **Political globalization**: the development and growing influence of international organizations such as the **UN** or **WHO** means governmental action takes place at an international level. There are other bodies operating a global level such as NGOs like ***Doctors without borders*** or ***Oxfam****;*
- **Sociological globalization**: information moves almost in real-time, together with the interconnection and interdependence of events and their consequences. People move all the time too, mixing and integrating different societies;
- **Technological globalization:** the phenomenon by which millions of people are interconnected thanks to the power of the digital world via platforms such as Facebook, Instagram, Skype or Youtube.
- **Geographic globalization:** is the new organization and hierarchy of different regions of the world that is constantly changing. Moreover, with transportation and flying made so easy and affordable, apart from a few countries with demanding visas, it is possible to travel the world without barely any restrictions;
- **Ecological globalization:** accounts for the idea of considering planet Earth as a single global entity – a common good all societies should protect since the weather affects everyone and we are all protected by the same atmosphere. To this regard, it is often said that the **poorest countries that have been polluting the least will suffer the most from climate change**.

The Benefits of Globalization

Globalization has benefits that cover many different areas. It reciprocally developed economies all over the world and increased cultural exchanges. It also allowed financial exchanges between companies, changing the paradigm of work. Many people are nowadays citizens of the world. The origin of goods became secondary and geographic distance is no longer a barrier for many services to happen. Let's dig deeper.

The Engine of Globalization – An Economic Example

The most visible impacts of globalization are definitely the ones affecting the economic world. Globalization has led to a sharp increase in trade and economic exchanges, but also to a multiplication of financial exchanges.

In the 1970s world economies opened up and the development of free trade policies accelerated the globalization phenomenon. Between 1950 and 2010, world exports increased 33-fold. This significantly contributed to increasing the interactions between different regions of the world.

This acceleration of economic exchanges has led to strong global economic growth. It fostered as well a rapid global industrial development that allowed the rapid development of many of the technologies and commodities we have available nowadays.

Knowledge became easily shared and international cooperation among the brightest minds speeded things up. According to some analysts, globalization has also contributed to improving global economic conditions, creating much economic wealth (thas was, nevertheless, unequally distributed – more information ahead).

Globalization Benefits – A Financial Example

At the same time, finance also became globalized. From the 1980s, driven by neo-liberal policies, the world of finance gradually opened. Many states, particularly the US under Ronald Reagan and the UK under Margaret Thatcher introduced the famous "3D Policy": Disintermediation, Decommissioning, Deregulation.

The idea was to simplify finance regulations, eliminate mediators and break down the barriers between the world's financial centers. And the goal was to make it easier to exchange capital between the world's financial players. This financial globalization has contributed to the rise of a global financial market in which contracts and capital exchanges have multiplied.

Together with economic and financial globalization, there has obviously also been cultural globalization. Indeed, the multiplication of economic and financial exchanges has been followed by an increase in human exchanges such as migration, expatriation or traveling. These human exchanges have contributed to the development of cultural exchanges. This means that different customs and habits shared among local communities have been shared among communities that (used to) have different procedures and even different beliefs.

Globalization Benefits – A Cultural Example

Good examples of cultural globalization are, for instance, the trading of commodities such as coffee or avocados. **Coffee** is said to be originally from Ethiopia and consumed in the Arabid region. Nonetheless, due to commercial trades after the 11th century, it is nowadays known as a globally consumed commodity. **Avocados**, for instance, grown mostly under the tropical temperatures of Mexico, the Dominican Republic or Peru. They started by being produced in small quantities to supply the local populations but today guacamole or avocado toasts are common in meals all over the world.

At the same time, books, movies, and music are now instantaneously available all around the world thanks to the development of the digital world and the power of the internet. These are perhaps the greatest contributors to the speed at which cultural exchanges and globalization are happening. There are also other examples of globalization regarding traditions like **Black Friday in the US**, the Brazilian Carnival or the Indian Holi Festival. They all were originally created following their countries' local traditions and beliefs but as the world got to know them, they are now common traditions in other countries too.

TOPIC 4: MULTINATIONAL

A multinational corporation (MNC) is a company that has business operations in at least one country other than its home country. By some definitions, it also generates at least 25% of its revenue outside of its home country.
Generally, a multinational company has offices, factories, or other facilities in different countries around the world as well as a centralized headquarters which coordinates global management.
Multinational companies can also be known as international, stateless, or transnational corporate organizations or enterprises. Some may have budgets that exceed those of small countries.

KEY TAKEAWAYS

- Multinational corporations conduct business in two or more countries.
- Some consider a multinational company to be one that generates 25% or more of its revenue outside the home country.
- An MNC can have a positive economic effect on the countries in which it operates.
- Some believe outsourcing U.S. manufacturing to a foreign country has a negative effect on the U.S. economy.
- Investing in a multinational corporation is a way to add international exposure to a portfolio.

How a Multinational Corporation Works

A multinational corporation is an enterprise whose business activities occur in at least two countries. Some may consider any company with a foreign branch to be a multinational corporation. Others may limit the definition to only those companies that derive at least a quarter of their revenue outside of their home country.

Multinational companies can make direct investments in foreign countries. Many are based in developed nations. Advocates say they create high-paying jobs and technologically advanced goods in countries that otherwise would not have access to such opportunities or goods.

However, critics of these enterprises believe multinational corporations exert undue political influence over governments, exploit developing nations, and create job losses in their own home countries.

The history of the multinational company is linked with the history of colonialism. Many of the first multinational companies were commissioned at the behest of European monarchs to conduct international expeditions.

Some of the colonies not held by Spain or Portugal existed under the administration of some of the world's earliest multinational companies. One of the first was The East India Company, established in 1600. This British multinational enterprise took part in international trade and exploration, and operated trading posts in India.[1] Other early examples of multinational companies include the Swedish Africa Company, founded in 1649, and the Hudson's Bay Company, founded in 1670.

Characteristics of a Multinational Corporation

Some of the characteristics common to various types of multinational corporations include:

- A worldwide business presence
- Typically, large and powerful organizations

- Business conducted in various languages
- A complicated business model and structure
- Direct investments in foreign countries
- Jobs created in foreign countries, potentially with higher wages than found locally
- Seeks improved efficiencies, lower production costs, larger market share
- Has substantial expenses associated with navigating the rules and regulations of foreign countries
- Pays taxes in countries in which it operates
- Reports financial information according to International Financial Reporting Standards (IFRS)
- Sometimes accused of negative economic and/or environmental impacts in foreign markets
- Sometimes accused of negative economic impacts in home country due to outsourcing jobs

Frequently, multinational corporations will also be seen as multicultural organizations, but this is not always the rule. To be multicultural, the business must strive to avoid discrimination and prejudice and employ a workforce that includes diverse backgrounds across all departments and levels.

4 Types of Multinational Corporations

Multinational corporations can be viewed as four main organizational types.

A Decentralized Corporation

A decentralized corporation maintains a presence in its home country and has autonomous offices and other facilities in locations around the world. This type of multinational company has the capability to achieve more, faster because it's decentralized. Each office manages the local business itself, making its own decisions.

A Centralized Global Corporation

A centralized global corporation has a central headquarters in the home country. Executive officers and management located there oversee the global offices and operations as well as domestic operations. They, rather than managers at local offices in foreign countries, make the key business decisions. The offices typically must report to and obtain approval from headquarters personnel for major activities.

An International Division Within a Corporation

An international division is that part of the multinational corporation that has been made responsible for all international operations. This structure facilitates business decision-making and general activities in local, foreign markets. However, operating independently can pose problems when overall corporate consensus and action is required. Maintaining and presenting the carefully nurtured, enterprise-wide brand image established by the multinational may also be a challenge.

A Transnational Corporation

A transnational corporation involves a parent-subsidiary structure whereby the parent company oversees the operations of subsidiaries in foreign countries as well as in the home country. Subsidiaries can make use of the parent's assets, such as research and development data. Subsidiaries may be different brands, as well. The parent usually maintains a management role directing the operations of its subsidiaries, domestic and foreign.

Advantages and Disadvantages of Multinational Corporations

International operations present a variety of advantages and disadvantages to multinational companies, consumers, and a workforce.

Advantages

Developing an international presence can open up new markets and sales opportunities unavailable or not feasible when operating just domestically. For example, a presence in a foreign country such as India can allow a corporation to meet widespread Indian demand for particular products without the transaction costs associated with long-distance shipping.

Corporations can establish operations in markets where their capital can be used most efficiently and wages have less impact on the bottom line than they did in the home country.

By producing the same quality of goods at lower costs, multinational companies can reduce prices and increase the purchasing power of consumers worldwide.

Multinational companies can also take advantage of lower tax rates available in countries eager for their direct investments and the jobs that they'll create. Note, however, that the European Union has a plan to implement a minimum tax of 15% on corporate profits, to become effective in 2023.6

Other benefits include a direct financial investment in foreign countries and job growth in their local economies.

Disadvantages

A trade-off of globalization—the price of lower prices—is that domestic jobs move overseas. This can increase unemployment in the home country and make it difficult for longtime employees in outsourced industries to find new jobs.

Those opposed to multinational corporations point to the potential they may have to develop a monopoly (for certain products). This can drive up prices for consumers, stifle competition, and inhibit innovation.

Multinational corporations are also said to have a detrimental effect on the environment because their operations may encourage land development and the depletion of local and natural resources.

Multinational companies may also cause the downfall of small, local businesses. Activists have also claimed that multinational companies breach ethical standards. They accuse them of evading laws to advance their business agendas.7

What Makes a Corporation Multinational?

A multinational corporation is one that has business offices and operations in two or more countries in the world. These companies are often managed from a central office headquartered in the home country. Simply exporting goods for sale abroad does not make a business a multinational company.

Why Would a Business Want to Become a Multinational Company?

Usually, the primary goal of a business is to increase profits and growth. If it can grow a global customer base and increase its market share abroad, it may believe that opening offices in foreign countries is worth the expense and effort. Companies may also see a benefit in certain tax structures or regulatory regimes found abroad.

***Risks That Multinational What Are Some Corporations Face*?**

Multinational corporations are exposed to risks related to the different countries and regions in which they operate. These can include regulatory or legal risks, political instability, crime and violence, cultural sensitivities, as well as fluctuations in currency exchange rates. People in the home country may also resent the outsourcing of jobs.

TOPIC 5: THEORIES OF INTERNATIONAL BUSINESS

History and evolution of theories of international trade

Global trade has been a very crucial part of human civilization, and owing to its dynamic nature, the concepts involving trading have also evolved drastically. International trade has a long history. The simple concept of the exchange of goods and services between different countries has been interpreted in a number of ways by different philosophers and economists. These theories that provide different explanations and definitions of the concept of international trade are called international trade theories. These trade theories basically study the changing patterns of international trade, its origins, and its impact, along with its practicability.

The study of international trade has been a subject of research from the ancient Greeks to the present governments of different countries, political economists, and intellectuals. The determinants and factors affecting trade among the countries and its pros and cons have been a subject matter of study. The most important question of the research is the determination of policies for different countries as per their situation, in order to have efficient and smooth global trade.

In the early period, theoreticians and philosophers did not have a very systematic approach towards the study of trade theories. Their theories were a bit clouded by ethical and political considerations. The four most remarkable periods of development in trade theories in the middle ages were:

1. Ancient Greek ideas,
2. Scholastic and Christian thought,
3. Mercantilism and
4. Physiocracy.

The crucial ideas relating to these trade theories were put forward by Plato, Xenophon, and Aristotle in the Greek period. They emphasised the benefits of the division of labour and the exchange of goods and stated that not limiting them within the boundaries of the city would be mutually beneficial to both parties. Plato, in his work, “The Republic”, talked about the fact that it is practically impossible to attain self-sufficiency in terms of goods and services for a city, and explained the benefits of division of labour and how it would result in higher output and productivity. Xenophon, in his various studies, has also talked about the benefit of expanding the trading system internationally. However, despite various attempts made by the Greek philosophers, the Greeks were not much of a supporter of international trade. Aristotle also argued that as a part of efficient ruling, the rulers must decide which imports and exports are necessary and, not only should they do this, but they should also maintain fairness in these exchanges, possibly by forming some treaties with the countries.

The above-discussed ideas, mainly the Aristotelian philosophies, emerged as the basis of Scholastic and Christian thought, which came around the period of the 13th and 15th centuries. This period of intellectual legacy came to be known as the birth of economic science as a branch of ethics. Philosophers and theologians of this period were of the view that international trade could possibly be compatible with principles of moral philosophy. They acknowledged the possibility of differences in the availability of resources and accepted the fact that nature has not provided each region of the world with every possible resource and, hence, international trade, at least to a certain extent, is essential and unavoidable. But they were very much aware of the fact that this international commerce must be kept in check and that this might have adverse moral consequences. They acknowledged the possibility of fraud and other malicious practices in the event of global trading. However, with time, the importance of foreign trade was widely accepted and soon it became an established fact that this is an inalienable right that an individual has, and should not be snatched away from him, although a security check must be kept to avoid adverse consequences.

With the passing of time and the origination of national states, increasing commercial relations became of prime importance for both scholars and statesmen. However, with this growing popularity and acceptance of international trade, the national movement of mercantilism spread, which stated that before everything else, priority must be given to the welfare of one's own nation and that countries are often in conflict with each other, hence, we must first flourish our own nation. Thus, this aim could only be achieved by discouraging the welfare of other nations and focusing on oneself first. This aim was mainly achieved by collecting and increasing the country's treasure by accumulating gold and silver. Promotion of exports, the balance between import and export, and prioritising only the import of essential raw materials, were some of the main strategies behind the movement of mercantilism. However, this doctrine gradually lost its popularity and was severely criticised by the liberals.

After the failure of mercantilism, the theory of Physiocrats emerged, who believed in the liberalisation of trade. They advocated the importance of free and equally free trade in all branches.

THEORIES OF INTERNATIONAL TRADE

International trade theories were mainly developed under two categories, namely, classical or country-based theories and modern or firm-based theories, both of which are further divided into various categories.

Let's have a brief overview of the various theories of international trade.

Classical or country-based theories

The founders of the various theories of the classical country-based approach were mainly concerned with the fact that the priority should be increasing the wealth of one's own nation. They were mainly of the view that the focus should be on economic growth on a priority basis. The main classical theories in reference to international trade are discussed below.

Mercantilism

The Mercantilism theory is the first classical country-based theory, which was propounded around the 17-18th century. This theory has been one of the most talked about and debated theories. The country focused on the motto that, on a priority basis, it must look after its own welfare and therefore, expand exports and discourage imports. It stated that an attempt should be made to ensure that only the necessary raw materials are imported and nothing else. The theory also propounded the view that the first thing a nation must focus on is the accumulation of wealth in the form of gold and silver, thus, strengthening the treasure of the nation.

To put it simply, it can be stated that the classical economists behind the theory of Mercantilism firmly believed that a country's wealth and financial standing are largely demonstrated by the amount of gold and silver it holds. Hence, economists believe that it is best to increase the reserve of precious metals to maintain a wealthy status.

For this theory to work, the aim to be fulfilled was that a country must produce goods in such a large quantity that it exports more and should be less dependent on buying goods and other materials from others, thereby strongly encouraging exports and strictly discouraging imports.

A large number of countries in the past benefited from strictly following the theory of Mercantilism. History is evident that by implementing this theory, many nations benefited by strictly following the theory of Mercantilism. Various studies done by economists prove why this theory flourished in the early period. In the early period, i.e., around 1500, new nations and states were emerging and the rulers wanted to strengthen their country in all possible ways, be it through the army, wealth, or other developments. The rulers witnessed that by increasing trade they were able to accumulate more wealth and, thus, certain countries became very strong because of the massive amount of wealth they stored. The rulers were focused on increasing the number of exports as much as possible and discouraging imports. The British colony is the perfect example of this theory. They utilised the raw materials of other countries by ruling over them and then exporting those goods and other resources at a higher price, accumulating a large amount of wealth for their own country.

This theory is often called the protectionist theory because it mainly works on the strategy of protecting oneself. Even in the 21st century, we find certain countries that still believe in this method and allow limited imports while expanding their exports. Japan, Taiwan, China, etc. are the best examples of such countries. Almost every country at some point in time follows this approach of protectionist policies, and this is definitely important. But supporting such protectionist policies comes at a cost, like high taxes and other such disadvantages.

Absolute advantage

In 1776, the economist Adam Smith criticised the theory of mercantilism in his publication, “The Wealth of Nations”, and propounded the theory of Absolute advantage. Smith firmly believed that economic growth in reference to international trade firmly depends on specialisation and division of labour. Specialisation ensures higher productivity, thereby increasing the standard of living of the people of the country. He proposed that the division of labour in small markets would not cater for specialisation, which would otherwise become easy in the case of larger markets. This increase in size fostered a more refined specialisation and thus increased productivity all around the globe.

Smith’s theory proposes that governments should not try to regulate trade between countries, nor should they restrict global trade. His theory also encapsulated the consequences of the involvement and restraint of the government in free trade. Also, he firmly believed that it is the standard of living of the residents of a country that should determine the country’s wealth and the amount of gold and silver that a country’s treasure has. He states that trading should depend on market factors and not the government’s will.

Smith was firmly against the mercantilist theory, and he argued that diminishing importation and just focusing on exports was not a great idea, and thus restricting global trade is not what needs to be done. He proposed that even though we might succeed in forcing our country’s people to buy our own goods, however, we may not be able to do so with foreigners, and hence it is better that we make it a two-way trade and just focus on exports.

In relation to the restrictions imposed on import, Smith stated that even though the restrictions on import may benefit some domestic industries and merchants when looked at from a broad spectrum, it will result in decreasing competition. Along with this, it will increase the monopoly of some merchants and companies in the market. Another disadvantage is that the increase in the monopoly will cause inefficiency and mismanagement in the market.

Smith completely denied the promotion of trade by the government and restrictions on free trade. He reiterated that it is wasteful and harmful to the country. He proposed that free trade is the best policy for trading unless, otherwise, some unfortunate or uncertain situations arise.

Comparative advantage

The theory of comparative advantage flourished in the 19th century and was propounded by David Ricardo. This theory strengthened the understanding of the nature of trade and acknowledges its benefits. The theory suggests that it is better if a country exports goods in which its relative cost advantage is greater than its absolute cost advantage when compared with other countries. For instance, let's take the examples of Malaysia and Indonesia. Let's say Indonesia can produce both electrical appliances and rubber products more efficiently than Malaysia. The production of electrical appliances is twice as much as that of Malaysia, and for rubber products, it is five times more than that of Malaysia. In such a condition, Indonesia has an absolute productive advantage in both goods but a relative advantage in the case of rubber products. In such a case, it would be more mutually beneficial if Indonesia exported rubber products to Malaysia and imported electrical appliances from them, even if Indonesia could efficiently produce electrical appliances too.

What Ricardo proposed is that even though a country may efficiently produce goods, it may still import them from another country if a relative advantage lies therein. Similar is the case with export, even if a country is not very efficient in certain goods from other countries, it may still export that product to other countries. This theory basically encourages trade that is mutually beneficial.

Heckscher-Ohlin theory (Factor Proportions theory)

The theories founded by Smith and Ricardo were not efficient enough for the countries, as they could not help the countries determine which of the products would benefit the country. The theory of Absolute Advantage and Comparative Advantage supported the idea of how a free and open market would help countries determine which products could be efficiently produced by the country. However, the theory proposed by Heckscher and Ohlin dealt with the concept of comparative advantage that a country can gain by producing products that make use of the factors that are present in abundance in the country. The main basis of their theory is on a country's production factors like land, labour, capital, etc. They proposed that the approximate cost of any factor of resource is directly related to its demand and supply. Factors which are present in abundance as compared to demand will be available at a cheaper cost, and factors which are in great demand and less availability will be expensive. They proposed that countries produce goods and export the ones for which the resources required in their production are available in a much greater quantity. Contrary to this, countries will import goods whose raw materials are in shorter supply in their own country as compared to the one from which they are importing.

For example, India has a large number of labourers, so foreign countries establish industries that are labour-intensive in India. Examples of such industries are the garment and textile industries.

Modern or firm-based theory

The emergence of modern or firm-based theories is marked after period of World War II. The founders of these theories were mainly professors of business schools and not economists. These theories majorly came up after the rising popularity of multinational companies. The Country based classical theories were mainly focused on the country, however, the modern or firm-based theories address the needs of companies. The following are the modern or firm-based theories propounded by various business school professors:

Country similarity theory

Steffan Linder, a Swedish economist, was the founder of this theory. The theory marked its emergence in the year 1961 and explained the concept of in-train industry trade. Linder suggested that countries that are in a similar phase of development will probably have similar preferences. The suggestion proposed by Linder was that companies first produce goods for their domestic consumption and later expand production, thereby exporting those products to other countries where customers have similar preferences. Linder suggested that most of the trade in manufactured goods, in most circumstances, will be between countries with similar per capita incomes and that the in-train industry trade will thus be common among them. This theory is generally more applicable in understanding trade where buyers mainly decide on the basis of brand names and product reputations.

Product life cycle theory

This theory was propounded by Raymond Vernon, a business professor at Harvard Business School, in the 1960s. The theory that originated in the field of marketing proposed that a product life cycle has three stages, namely, new product, maturing product, and standardised product. The theory has a presumption that the production of a new product will completely arise in the country where it was invented. This theory, up to a good extent, helps in explaining the sudden rise and dominance of the United States in manufacturing. This theory also explained the stages of computers, from being in the new product stage in the 1970s and thereby entering into their maturing stage in the 1980s and 1990s. In today's scenario, computers are in a standardised stage and are mostly manufactured in low-cost countries in Asia. However, this theory has not been able to explain the current trading pattern where products are being invented and manufactured in almost all parts of the world.

Global strategic rivalry theory

Paul Krugman and Kelvin Lancaster were the founders of this theory. This theory emerged around the 1980s. The theory majorly focused on multinational companies and their strategies and efforts to gain a comparative advantage over other similar global firms in their industry. This theory acknowledges the fact that firms will face global competition and prove their superiority. They must surely develop a competitive advantage over each other. The ways through which the firms can gain competitive advantage were termed as barriers to entry for that particular industry. These barriers are basically the obstacles that a firm will face globally when they enter the market. The barriers that companies and firms may try to optimise are:

1. Mainly research and development,
2. The ownership of intellectual property rights,
3. Economies of scale,
4. Unique business processes or methods,
5. Extensive experience in the industry, and
6. The control of resources or favourable access to raw materials.

Porter's national competitive advantage theory

The theory emerged in the 1990s with the aim of explaining the concept of national competitive advantage. The theory proposes that a nation's competitiveness majorly depends upon the capability and capacity of the industry to come up with innovations and upgrades. This theory attempted to explain the reason behind the excessive competitiveness of some nations as compared to others. The main determinants proposed in this theory were local market resources and capabilities, local market demand conditions, local suppliers and complementary industries, and local firm characteristics. The theory also mentioned the crucial role of government in forming the competitive advantage of the industry.

Conclusion

For years, theories concerning international trade have been the subject of intense research and debate. Growing international trade has its own pros and cons. The analysis of the system of international trade by way of various theories has enabled a systematic framework for better understanding. International trade contributes to the economic growth of a country, thereby increasing the standard of living of its people, creating employment opportunities, a greater variety of choices for consumers, etc. The development of trade theories has seen a major shift from the view of restricting free trade as stated in the theory of mercantilism to the various modern theories providing a better understanding to facilitate smooth international trade with increasing benefits.

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UNIT-2

INTERNATIONAL BUSINESS ENVIRONMENT

INTRODUCTION

International business refers to the exchange of goods, services, and information across national borders. The international business environment is complex and constantly changing, with a wide range of Factors affecting the International Business Environment. These factors include economic conditions, political stability, cultural differences, and technological advancements. Understanding the international business environment dimensions is essential for businesses that want to compete globally, as it provides valuable insight into potential opportunities and challenges

Firms has no control on external environment even in domestic business where it have to deal with issues like, tax rates and policy, changes to the economic structure, threats from competition, political factors, government regulations, industrial licensing and approvals, ecological concerns, legal compliances to different acts and rules and dealing with changing technological landscape. This becomes extremely complex when a firm enters international business as it has to deal with different business environment in the countries, it enters with. International business environment is regarded as the "sum of all the external forces working upon the firm as it goes about its affairs in foreign markets". A firm can plan a course of action to manage uncontrollable external factors in the domestic business as managers are familiar with business landscape of the country and forces shaping it including political economy of home country. This is not the case for international business operations where many uncontrollable external forces can challenge it. Some examples of such challenges are uncertainty of foreign trade regime, different political environment, changed economic legislation, confusing tax policies and procedure, misleading cultural interpretations and complex legal compliances. Hence, the managers of an internationally engaged firm need to scan the following elements of international business environment to enter a market for business.

Any firm intending to go-global require economic data of prospective national economies to interpret, analyse and make cross border comparisons using standard criteria to understand the external environment affecting their business. Fortunately, such data is available online and an exporter can easily analyse the nature of the environment on a country-by-country basis. Each economy has national accounts data, indicating estimates of gross national product including growth trends, gross domestic product, consumption, investments, government expenditures, and price levels. An exporter can also access the demographic data describing size of population, their distribution by age-category, and rates of population growth.

The International Business Environment refers to the economic, political, cultural, and technological factors that impact the operations of businesses operating in the global market. There are several types of International Business Environments, including:

Political Environment: The political conditions, such as the stability of the government, laws, regulations, and policies that impact businesses operating in a foreign country.

Economic Environment: This includes factors such as inflation, exchange rates, economic growth, and the level of development of a country.

Cultural Environment: The cultural values, beliefs, and attitudes of a society can influence consumer behaviour and the overall business climate in a foreign market.

Technological Environment: This includes the level of technology, infrastructure, and access to information and communication technologies in a foreign market.

Natural Environment: Natural factors such as climate, natural resources, and environmental conditions can impact the operations of businesses in a foreign country.
Each type of International Business Environment has a unique set of challenges and opportunities that businesses must consider when operating globally.

Political Environment in International Business
The political environment means the political risk, the government's relationship with a business, and the type of government in the country. Conducting business internationally implies dealing with different kinds of governments, levels of risk and relationships.

There are different types of political systems, such as one-party states, multi-party democracies, dictatorships (military and non-military) and constitutional monarchies. Thus, an organisation needs to take into account the following aspects while planning a business plan for the overseas location:

- Political system of the business
- Approach of the government towards business, i.e. facilitating or restrictive
- Incentives and facilities offered by the government
- Legal restrictions for licensing requirements and reservations to a specific sector like the private, public or small-scale sector
- Restrictions on importing capital goods, technical know-how and raw materials
- Restrictions on exporting services and products
- Restrictions on distribution and pricing of goods
- Required procedural formalities in setting the business

Economic Environment in International Business
The economic environment refers to the factors contributing to the country's attractiveness to foreign businesses. It can differ from one nation to another. Better infrastructure, education, healthcare, technology, etc., are also often associated with high levels of economic development. The levels of economic activities combined with infrastructure, education, and the degree of government control affect the facets of doing a business.

Usually, countries are divided into three main economic categories, i.e. more industrialised or developed, less developed or third world, and the newly emerging or industrialising economies. There are significant variations within each economic category. Overall, the more developed countries are rich, the less developed are poor, and the newly industrialising are those moving from poor to rich. These distinctions are made based on the Gross Domestic Product per capita (GDP/capita).

A business needs to recognise the economic environment to operate in international markets successfully. While analysing the economic environment, an organisation intending to work in a particular business sector should consider the following aspects:

- Economic system to enter the business sector
- Stage and pace of economic growth
- Level of national GDP and per capita income
- Incidents of taxes, direct and indirect tax
- Available infrastructure facilities and the difficulties

- Availability of components, raw materials and their cost
- Sources of financial resources and their costs
- Availability of workforce, managerial and technical workers, their salary and wage structures

Technological Environment in International Business
The technological environment includes factors related to the machines and materials used in manufacturing services and goods. As organisations do not have control over the external environment, their success depends on how they will adapt to the external environment. A significant aspect of the international business environment is the level and acceptance of technological innovation in countries.

The last decade of the twentieth century saw significant advances in technology, and it is also continuing in the twenty-first century. Technology often gives organisations a competitive advantage. Hence, organisations compete to access the latest technology, and international organisations transfer technology to be globally competitive.

Due to the internet, it is easier even for a small business plan to have a global presence, which grows its exposure, market, and potential customer base. For political, economic and cultural reasons, some countries are more accepting of technological innovations, while others are less accepting. In analysing the technological environment, the organisations should consider the following aspects:

- Level of technological developments in the country as a whole and specific business sector
- Pace of technological changes and obsolescence
- Sources of technology
- Facilities and restrictions for technology transfer
- Time taken for the absorption of technology

Cultural Environment in International Business
The cultural environment is one of the crucial components of the international business environment. It is the most difficult to understand as the cultural environment is unseen. It has been described as a commonly held and shared body of general values and beliefs that determine what is right for one group, according to Kluckhohn and Strodtbeck.

National culture is defined as the body of general values and beliefs shared by a nation. Beliefs and values are usually formed by factors such as language, history, geographic location, religion, education and government. Thus, organisations begin a cultural analysis by understanding these factors. The well-known model is the one developed by Hofstede in 1980.

The model by Hofstede proposes four dimensions of cultural values, which are as follows:
Individualism – It is the degree to which a nation encourages and values individual decision making and action

Uncertainty avoidance – It is the degree to which a nation is willing to deal with and accept uncertainty
Power distance – It is the degree to which a nation sanctions and accepts differences in power

Masculinity – It is the degree of the gender gap in a society
Hofstede's model of cultural values has been extensively used as it provides data for a wide array of countries. Many managers and academics found this model helpful in exploring management approaches appropriate in different cultures.
For example, in a country that is high on individualism, one expects individual tasks, goals and individual reward systems to be effective, while the reverse would be the case in a country that is low

on individualism. While analysing cultural factors, the organisation should consider the following aspects:

- Approaches to society towards business in specific and general areas
- Influence of cultural, social, and religious factors on the acceptability of the product
- Lifestyle of people and the products used by them
- Level of acceptance and resistance to change
- Demand for a specific product for a specific occasion
- Values attached to particular products, i.e. possessive or the functional value of products
- Consumption pattern of the buyers

The cultural environment consists of the influence of religious, family, educational, and social systems in the marketing system. Marketers who intend to market their products overseas may be very sensitive to foreign cultures. While the differences between our cultural background in the United States and those of foreign nations may seem small, marketers who ignore these differences risk failure in implementing marketing programs. Failure to consider cultural differences is one of the primary reasons for marketing failures overseas.

This task is not as easy as it sounds as various features of a culture can create an illusion of similarity. Even a common language does not guarantee similarity of interpretation. For example, in the US we purchase “cans” of various grocery products, but the British purchase “tins”. A number of cultural differences can cause marketers problems in attempting to market their products overseas. These include: (a) language, (b) color, (c) customs and taboos, (d) values, (e) aesthetics, (f) time, (g) business norms, (h) religion, and (i) social structures. Each is discussed in the following sections.

Language

The importance of language differences cannot be overemphasized, as there are almost 3,000 languages in the world. Language differences cause many problems for marketers in designing advertising campaigns and product labels. Language problems become even more serious once the people of a country speak several languages. For example, in Canada, labels must be in both English and French. In India, there are over 200 different dialects, and a similar situation exists in China.

Colors

Colors also have different meanings in different cultures. For example, in Egypt, the country’s national color of green is considered unacceptable for packaging, because religious leaders once wore it. In Japan, black and white are colors of mourning and should not be used on a product’s package. Similarly, purple is unacceptable in Hispanic nations because it is associated with death.

Consider how the following examples could be used in development of international marketing programs:

- In Russia, it is acceptable for men to greet each other with a kiss, but this custom is not acceptable in the US.
- Germans prefer their salad dressing in a tube, while Americans prefer it in a bottle.

- In France, wine is served with most meals, but in America, milk, tea, water, and soft drinks are popular.

McDonalds Corporation has opened 20 restaurants in India. Since 80 percent of Indians are Hindu, McDonald's will use a non-beef meat substitute for its traditional hamburger. The likely beef substitute will be lamb, a very popular meat in India. In anticipation of its restaurant openings, McDonald's conducted extensive market research, site selection studies, and developed a relationship with India's largest chicken supplier. McDonald's has opted to market its product in India, largely because India's population of more than 900 million represents one-sixth of the world's population.

Values

An individual's values arise from his/her moral or religious beliefs and are learned through experiences. For example, in America, we place a very high value on material well-being and are much more likely to purchase status symbols than people in India. Similarly, in India, the Hindu religion forbids the consumption of beef, and fast-food restaurants such as McDonald's and Burger King would encounter tremendous difficulties without product modification. Americans spend large amounts of money on soap, deodorant, and mouthwash because of the value placed on personal cleanliness. In Italy, salespeople call on women only if their husbands are at home.

Aesthetics

The term *aesthetics* is used to refer to the concepts of beauty and good taste. The phrase, "Beauty is in the eye of the beholder" is a very appropriate description for the differences in aesthetics that exist between cultures. For example, Americans believe that suntans are attractive, youthful, and healthy. However, the Japanese do not.

Time

Americans seem to be fanatical about time when compared to other cultures. Punctuality and deadlines are routine business practices in the US. However, salespeople who set definite appointments for sales calls in the Middle East and Latin America will have a lot of time on their hands, as business people from both of these cultures are far less bound by time constraints. To many of these cultures, setting a deadline such as "I have to know next week" is considered pushy and rude.

Business Norms

The norms of conducting business also vary from one country to the next. Here are several examples of foreign business behavior that differ from US business behavior:

- In France, wholesalers do not like to promote products. They are mainly interested in supplying retailers with the products they need.
- In Russia, plans of any kind must be approved by a seemingly endless string of committees. As a result, business negotiations may take years.
- South Americans like to talk business "nose to nose". This desire for close physical proximity causes American businesspeople to back away from the constantly forward-moving South Americans.
- In Japan, business people have mastered the tactic of silence in negotiations. Americans are not prepared for this, and they panic because they think something has gone wrong. The result is

that Americans become impatient, push for a closure, and often make business concessions they later regret.

These norms are reflected in the difficulty of introducing the Web into Europe.

Religious Beliefs

A person's religious beliefs can affect shopping patterns and products purchased in addition to his/her values, as discussed earlier. In the United States and other Christian nations, Christmastime is a major sales period. But for other religions, religious holidays do not serve as popular times for purchasing products. Women do not participate in household buying decisions in countries in which religion serves as opposition to women's rights movements.

Every culture has a social structure, but some seem less widely defined than others. That is, it is more difficult to move upward in a social structure that is rigid. For example, in the US, the two-wage earner family has led to the development of a more affluent set of consumers. But in other cultures, it is considered unacceptable for women to work outside the home.

Competitive Environment

The competitive environment differs from country to country. The political, economic, and cultural environmental factors help determine the degree and type of competition that exists in a country. The most likely sources of competition can be well understood for a domestic organisation, but it isn't the case when an organisation moves to compete in a new environment.

Competition can come from various sources, such as it can come from the private or public sector, large or small organisations, domestic or global organisations and traditional or new competitors.

Demographic Environment

Whether marketing to domestic or international markets, demographic information can provide important insights about a target market and how to address consumer needs. As discussed during this our discussion of consumer behavior, demographics refer to statistical information about the characteristics of a population.

Marketers typically combine several variables to create a demographic profile of a target market. A demographic profile (often shortened to a "demographic") is a term used in marketing and broadcasting to describe a demographic grouping or a market segment. Common demographic variables to consider for global and domestic marketing purposes include the following:

Age: Age bands, such as 18–24, 25–34, etc., are great predictors of interest in some types of products. For example, few teenagers wish to purchase denture cream.

Social class: Social-class bands such as wealthy, middle, and lower classes. The rich, for instance, may want different products than middle and lower classes, and may be willing to pay more.

Gender: Males and females have different physical attributes that require different hygiene and clothing products. They also tend to have distinctive male/female mindsets and roles in the family and household decision making.

Religious affiliations: Religion is linked to individual values as well as holiday celebrations, often tied to consumer preferences and spending patterns.

Income brackets: Indicating level of wealth, disposable income, and quality of life.

Education: Level of education is often tied to consumer preferences, as well as income.

Geography: Area of residence, urban vs. rural, and population density can all be important inputs into marketing strategy and decisions about where and how to target advertising and other elements of the promotion mix.

Demographic research may include a variety of other characteristics used to separate a country's population into groups that fit a company's target customer profile. A demographic profile also provides enough information about the typical member of this group to create a mental picture of this hypothetical aggregate. For example, a marketer might speak of the single, female, middle-class, aged 18–24, college-educated demographic.

Benefits of the International Business Environment

It unites and brings countries together, making the world a big global village
It increases employment opportunities as it results in the exchange of information, ideas, capital across borders and services
There is equal growth in wealth, availability of goods and services and price stability
It brings a new environment of development, alliance, affluence, stability, modernisation, and technology across the globe.

Difficulties faced in the International Business Environment

Hindrance in Communication- Language and cultural differences can create Hindrance to communication in international business environments. Translation services can help to ensure that information is accurately conveyed between parties, preventing misunderstandings.
Vibrant Markets- Intense competition is a prevalent feature in international markets, primarily attributed to the diverse economic, political, and cultural dynamics present across various countries.
Currency Exchange Rates- International business profitability model is sensitive to exchange rate fluctuations. If the difference between the two currencies is too high, the business could incur losses.
Cultural Diversity- International business environments that celebrate multiculturalism and diversity may not always result in successful outcomes. Misalignment between an employee's cultural beliefs and an organization's values can lead to workplace conflicts and hinder employee retention and recruitment rates.

Purpose of International Business Environment

- Companies can find chances for expansion and develop effective strategies by comprehending the scope of an international business environment.
- Utilizing cultural diversity, businesses can develop distinctive goods and services that appeal to wider customers.
- Comprehending the international business environment can assist firms in enhancing their operational flexibility and innovation so they can remain competitive.
- Having a presence in several markets might give you a competitive edge, such as reduced manufacturing expenses or tax breaks.
- Due to global trade, businesses can take advantage of economies of scale and resource availability.

Conclusion

In this article, we had a glance at the international business environment, forms of the business environment, types of the international business environment, and the benefits of the international business environment. The article has given a good depth analysis of each category mentioned above. The article has also given details and examples of the economic environment in the international business environment, the competitive environment in the international business environment, and the impact of the cultural or social environment on the international business environment. This article also emphasizes why people in managerial roles should take decision-based in the international business environments.