

TYBBI – SEM VI- MODULE 1

INTRODUCTION TO INTERNATIONAL BUSINESS

What is International Business?

Transactions involving parties from more than one country.

– FEATURES-

- Trade across boundaries.
- Large scale operations
- Wide scope
- Complex procedures
- Cultural diversity

- Severe competition
- Challenging business environment
- Multi – dimensional risks
- Difference in currency
- Influence of trade blocs
- Influence of international institutions

Determinants of IB

- Barriers to international trade and investment.
 - Cultural factors
 - Growth and spread of MNC's
 - International economic co-operation
 - International market structure
 - Political condition
 - Role of multi lateral institutions
 - State of world economy
 - Technology growth and transfer
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Domestic v/s IB

- Meaning
- Transaction time
- Technology
- Culture
- Restrictions
- Risks

- Marketing
- Competition level
- Scope
- Trade barriers
- Modes of payment
- Trading blocs

Strategies of going international

- Exporting
- Licensing and franchising
- Contract Manufacturing
- Management Contracting
- Turnkey Contracts
- Wholly owned manufacturing facilities
- Assembly operations
- Joint ventures
- Third country location
- Mergers and acquisition
- Strategic alliance
- Counter trade

Globalisation

It leads to integration of economies and reduction in trade barriers

– *ADVANTAGES:-*

- Reduction in tariffs.
- Identification of products with competitive advantages.
- Helps to compete in international market.
- Inflow of FDI

- It helps to expand domestic product in global market.
- Employment opportunities
- Helps to improve std of living
- Increases growth of FDP.
- Balancing of payments.

Multi National Corporations

Organisations doing business in more than one country

– ADVANTAGES:-

- Boosts export, technical and managerial development.
- Facilitates automatic flow of foreign capital,
- Employment generation
- Improved standard of living
- Helps in ending monopolistic competition

– DISADVANTAGES:-

- Exploitation of natural resources
- National interest of host country not looked after.
- Misuse of status
- Threat to local industries



INTERNATIONAL BUSINESS ENVIRONMENT

ECONOMIC ENVIRONMENT

Market demand factors

- Level of income
- Level of saving
- Level of spending

Market supply factors

- Number of suppliers
- Extent of 0 competition
- Nature of supply

Policies of government

- Industrial
- Fiscal
- Monetary
- Foreign Trade
- Foreign exchange

Economic system of country

- **Mixed economy**
- **Free market economy**
- **Command economy**

CULTURAL ENVIRONMENT

- Social stratification system
- Motivation
- Relationship preference
- Risk Taking behavior
- Information and task processing

POLITICAL ENVIRONMENT

- Political system
- Political process
- Stability of political structure
- Centre state relation

LEGAL ENVIRONMENT

- Prevailing laws
- Treaties and agreements
- Maintenance of law and order
- Reservation of fields of production
- Awarding patent and copyrights

Thank
you

Any
questions ?