

E-703

International Business

BUSINESS

Business is the process of exchanging goods and services for the earning profit.

Business is an economic activity, which is related with continuous and regular production and distribution of goods and services for satisfying human wants.

BUSINESS

All of us need food, clothing and shelter. We also have many other household requirements to be satisfied in our daily lives. We met these requirements from the shopkeeper. The shopkeeper gets from wholesaler. The wholesaler gets from manufacturers. The shopkeeper, the wholesaler, the manufacturer are doing business and therefore they are called as Businessman.

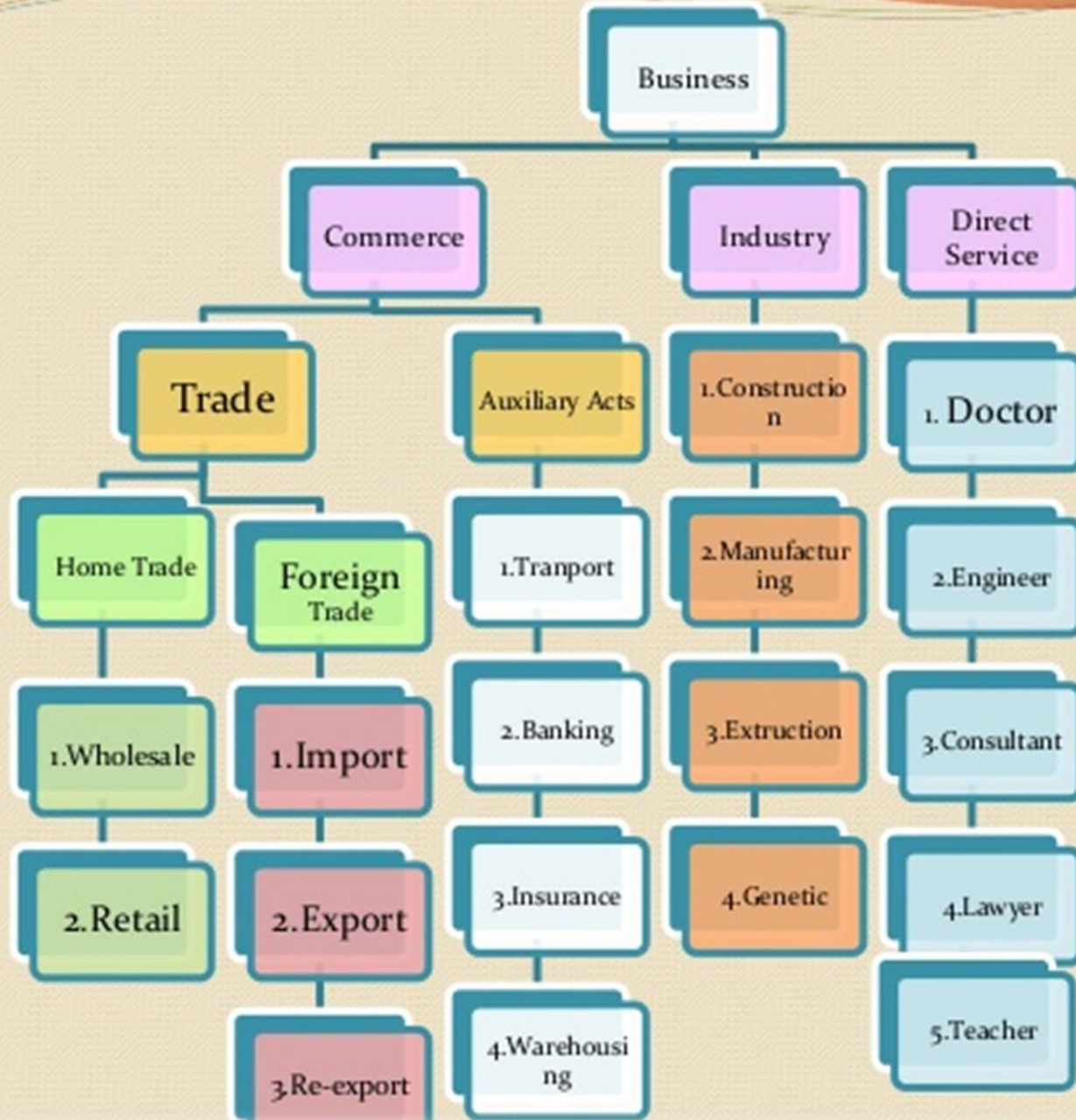
FEATURES OF BUSINESS

- ☐ Exchange of goods and services
- ☐ Deals in numerous transactions
- ☐ Profit is the main Objective
- ☐ Business skills for economic success
- ☐ Risks and Uncertainties

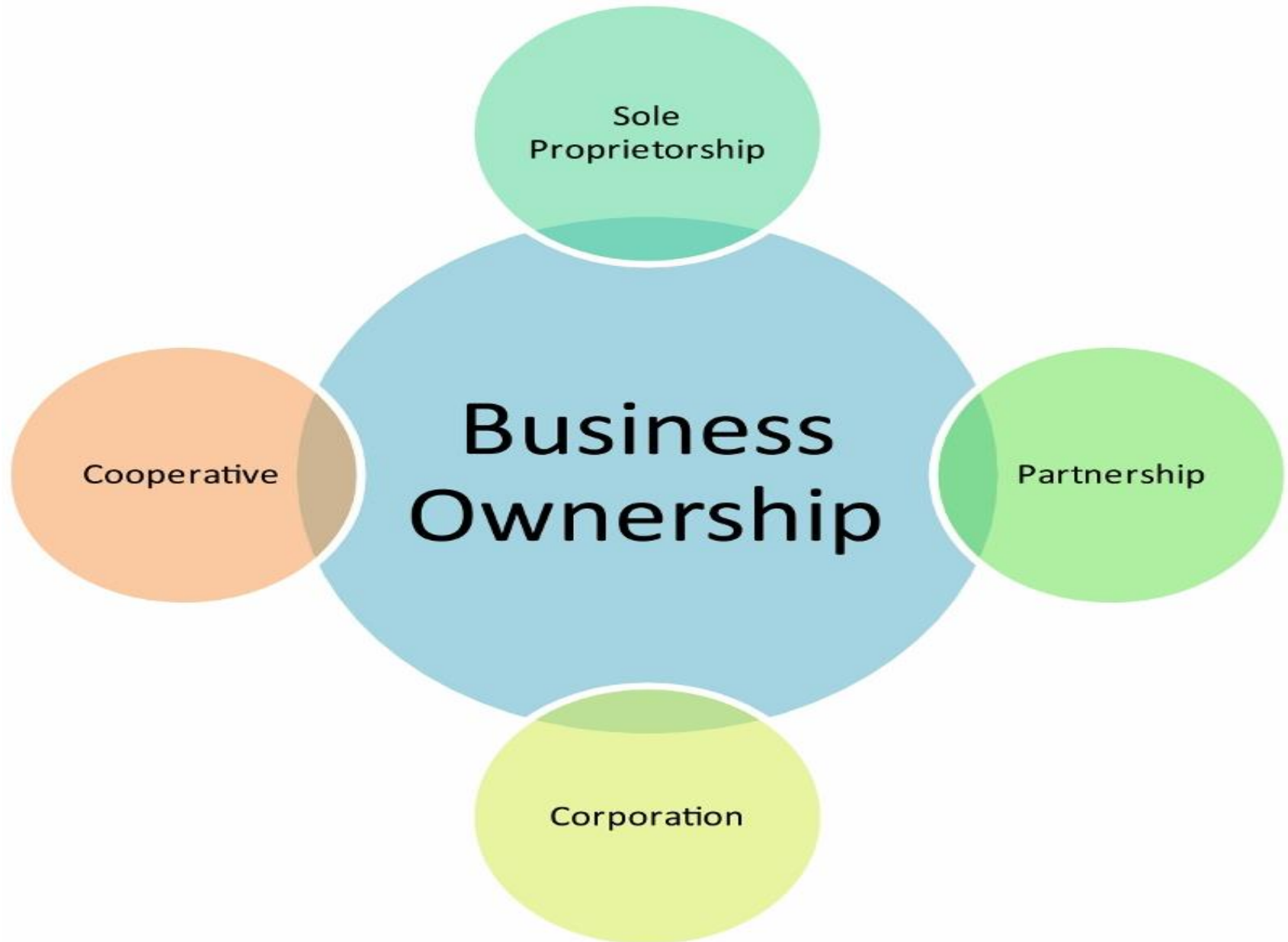
FEATURES OF BUSINESS

- ☐ Buyer and Seller
- ☐ Connected with production
- ☐ Marketing and Distribution of goods
- ☐ Social obligations
- ☐ To Satisfy human wants

Branches of Business



TYPES OR FORMS OF BUSINESS



INTERNATIONAL BUSINESS

A business activity done across national borders is International Business. The International business is the purchasing and selling of the goods, commodities and services outside its national borders.

The organization explores trade opportunities outside its domestic national borders to extend their own particular business activities, for example, manufacturing, mining, construction, agriculture, banking, insurance, health, transportation, communication and so on.

INTERNATIONAL BUSINESS

Any business that involves operations in more than one country can be called an international business. International business is related to the trade and investment operations done by entities across national borders.

Firms may assemble, acquire, produce, market, and perform other value-addition-operations on international scale and scope. Business organizations may also engage in collaborations with business partners from different countries.

ELEMENTS OF INTERNATIONAL BUSINESS

Element # 1 Import and Export of Goods and Services

Imports are foreign goods and services bought by residents of a country. Residents include citizens, businesses, and the government. It doesn't matter what the imports are or how they are sent. They can be shipped, sent by email, or even hand-carried in personal luggage on a plane. If they are produced in a foreign country and sold to domestic residents, they are imports.

Exports are the goods and services produced in one country and purchased by residents of another country. It doesn't matter what the good or service is. It doesn't matter how it is sent. It can be shipped, sent by email, or carried in personal luggage on a plane. If it is produced domestically and sold to someone in a foreign country, it

ELEMENTS OF INTERNATIONAL BUSINESS

Element # 2 Expansion in the Global Markets

The “import and export” activities are the first but basic step towards global trade. The next one is expansion of business operations in the overseas countries. It involves manpower, money and operating under other country's specific laws, and including activities like procurement, production, promotion and distribution for the global markets.

The cold drink giants Pepsi & Coca-Cola are now found in most of the countries of the world. The Macdonald, Pizza hut etc. are the other examples. In footwear take the case of Nike, Bata, Reebok, Woodland etc.

ELEMENTS OF INTERNATIONAL BUSINESS

Element # 3 Investment in Overseas Business Operations

The business related activities done in the overseas markets involve higher level of risk as compared to domestic markets, but such risks do have rewards and the lure of such rewards propels the forward movement of the international trade.

Investment is one such activity, perhaps one of the most crucial of the international business expansion decision, and organizations taking this take longer time in understanding the markets concerned and the profile of the demand and supply position in those markets.

ELEMENTS OF INTERNATIONAL BUSINESS

Element # 4 Patents, Copyrights Trademarks

“Patent” refers to the exclusive rights of one person or an organization for certain performances that result into tangible products and services that may or may not have money values. The products and associated processes are covered under patents. Each country has legally constituted body, which grants patent rights. The grant of patent right in one country does not mean it is applicable to all other countries. It is up to the patent holder to decide the list of the countries where he needs the protection.

ELEMENTS OF INTERNATIONAL BUSINESS

Element # 4 Patents, Copyrights Trademarks

“Copyright” refers to a text in print. The books and articles are covered under this legal protection. The news on TV and radio is also covered under similar protection.

“Trademark” refers to the specific name, logo, style, and anything else which identifies a product/ service to a particular product and manufacturer. Trademark and brand name are interchangeable identities.

BENEFITS OF INTERNATIONAL BUSINESS

Benefits to Nation

- ✓ It encourages a nation to obtain foreign exchange that can be utilized to import merchandise from the global market.**
- ✓ It prompts specialization of a country in the production of merchandise which it creates in the best and affordable way.**
- ✓ Also, it helps a country in enhancing its development prospects and furthermore make opportunity for employment.**
- ✓ International business makes it comfortable for individuals to utilise commodities and services produced in other nations which help in improving their standard of life.**

BENEFITS OF INTERNATIONAL BUSINESS

Benefits to Firms

It helps in improving profits of the organizations by selling products in the nations where costs are high.

It helps the organization in utilizing their surplus resources and increasing profitability of their activities.

Also, it helps firms in enhancing their development prospects.

International business also goes as one of the methods for accomplishing development in the firms confronting extreme market conditions in the local market.

And it enhances business vision as it makes firms more aggressive, and diversified.

INTERNATIONALIZATION OF BUSINESS

There are five major reasons why a business may want to go global –

First-mover Advantage – It refers to getting into a new market and enjoy the advantages of being first. It is easy to quickly start doing business and get early adopters by being first.

Opportunity for Growth – Potential for growth is a very common reason of internationalization. Your market may saturate in your home country and therefore you may set out on exploring new markets.

INTERNATIONALIZATION OF BUSINESS

Small Local Markets – Start-ups in Finland and Nordics have always looked at internationalization as a major strategy from the very beginning because their local market is small.

Increase of Customers – If customers are in short supply, it may hit a company's potential for growth. In such a case, companies may look for internationalization.

Discourage Local Competitors – Acquiring a new market may mean discouraging other players from getting into the same business-space as one company is in.

GLOBALIZATION

When a businessman crosses the geographical boundary (can be in terms of political, geographical, cultural etc.) of a country. A businessman basically, collects and converts the inputs (using, Land, Labor, Raw material, Capital, Entrepreneurship, technology, etc.) into outputs (production of goods and services) and finally sells that output to the customers.

Globalization in business, means, businessman now can take the inputs from the globe at low cost and high quality. In similar manner he can sell this output not only to his domestic customers but to his global customers.

FACTORS CAUSING GLOBALIZATION OF BUSINESSES

❑ The Reduction and Removal of Trade Barriers

After World War II, the General Agreement on Tariffs and Trade (GATT) and the WTO have reduced tariffs and various non-tariff barriers to trade.

❑ Trade Negotiations

The Uruguay Round of negotiations (1986–94) can be considered as the real boon for globalization. It is considerably a large set of measures which was agreed upon exclusively for liberalized trade.

FACTORS CAUSING GLOBALIZATION OF BUSINESSES

❑ Growth of Multinational Corporations

Multinational Corporations (MNCs) have characterized the global interdependence. They encompass a number of countries.

❑ Growth of the Internet

Expansion of e-commerce due to the growth of the Internet has enabled businesses to compete globally.

❑ Transport Costs

Over the last 25 years, sea transport costs have plunged 70%, and the airfreight costs have nosedived 3–4% annually.

❑ The Development of Trading Blocs

The 'regional trade agreement' (RTA) abolished internal barriers to trade and replaced them with a common external tariff against non-members.

GLOBALIZATION VS INTERNATIONALIZATION

Globalization is a much larger process and often includes the assimilation of the markets as a whole. Moreover, when we talk about globalization, we take up the cultural context as well.

Globalization is an intensified process of internationalizing a business. In general terms, global companies are larger and more widespread than the low-lying international business organizations.

GLOBALIZATION VS INTERNATIONALIZATION

Globalization means the intensification of cross-country political, cultural, social, economic, and technological interactions that result in the formation of transnational business organization. It also refers to the assimilation of economic, political, and social initiatives on a global scale.

Globalization also refers to the costless cross-border transition of goods and services, capital, knowledge, and labor.