INTERNATIONAL BUSINESS

The Global Business Imperative

A Definition of International Business

• “International business consists of transactions that are devised and carried out across national borders to satisfy the objectives of individuals and organizations.”

• Transactions involving companies or governments of 2 or more countries.

International Business

IB—all commercial transactions between two or more countries
• Involves modes of business that differ from those in domestic business
• All activities of a firm, which relate to the exchange of goods, services, or information for commercial purposes across national boundaries.

Transactions that are devised and carried out across national borders to satisfy individuals/organization. Firms that engage in international trade or investment are engaged in international business.

Three Major Concepts

• 1. Forces of Change within the World Economy
• 2. The Changing Environments of International Business
• 3. How International Firms differ from Domestic ones.

1. Forces of Change

• 1. Declining barriers to trade
• 2. Revolution in Communication since WWII, and especially since the advent of the internet
• 3. Increasing levels of Global Competition
• 4. Increasing levels of Concentration in Industries
• 5. Increasing Market Access for Firms
• 6. Decreasing time for Technology Transfer

2. The Changing Environment of International Business

1. Following WWII the U.S. was almost alone in the world of industrial powers with an intact physical plant.
2. Since then we have grown, but others have grown faster (in terms of industrial output).
3. The changing world order leads to new opportunities in the future
What does this mean in terms of Business?

- over the past 30 years, U.S. dominance in international trade has eroded
- U.S. firms have fallen behind in global competitiveness
- Europe increased rapidly in the early post WWII years
- Europe Stagnated
- Several economies in Asia have shown enormous growth over the past several decades.

In terms of Markets: People...

- listen to world music
- watch international programs broadcast by CNN and the BBC
- wear blue jeans and dance the same dances
- eat hamburgers, tacos, and pizza..............
- Have become global consumers

In terms of Investment:

Global investments force companies to reconsider and play by new rules in:

- business practices
- legal requirements
- ethics
Microeconomic Impacts of International Business

- firms can attain economies of scale not attainable only in domestic markets, because
- global markets increase the number of potential customers

Visualize Global Markets as a series of interrelated domestic markets
Consider the differences in various functional (controllable), and (Uncontrollable) areas of business:

<table>
<thead>
<tr>
<th>Product</th>
<th>Political / Legal System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>Economic System</td>
</tr>
<tr>
<td>Accounting</td>
<td>Competitive Forces</td>
</tr>
<tr>
<td>Management</td>
<td>Culture</td>
</tr>
<tr>
<td>Marketing</td>
<td>Distribution Structure</td>
</tr>
</tbody>
</table>

| Geography, etc. |

Some Advantages Available to the International Firm:

- Access to Advanced Technology
- Ability to Capitalize on Product Development
- Superior Financial Strength
- Depth and Breadth of Management Talent
- Reduced Political Risk

In SUMMARY:

- International business has existed since national borders were formed
- International business has shaped world history
- Global Connections/linkages are the key to international business opportunities and success

Entering New Markets

<table>
<thead>
<tr>
<th>Clothing Company Entering an Advanced Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Less Advanced (Poor) Economy</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Legal Adaptation</th>
<th>Economic Adaptation</th>
<th>Cultural Adaptation</th>
<th>Geographic Adaptation</th>
<th>Political Adaptation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brandname Protection?</td>
<td>Price to reflect local conditions</td>
<td>Style</td>
<td>Climate affects cloth and clothing</td>
<td>Are there political constraints or tariffs?</td>
</tr>
</tbody>
</table>