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# **International Business**

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## Lecture - 2

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## Topic covered

Scope of IB

Reasons for growth in Internal Business

Modes of Entry into Internal Business

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## Scope of IB

### **International Marketing:**

International marketing is the application of marketing principles in more than one country, by companies overseas or across national borders. International marketing is based on an extension of a company's local marketing strategy, with special attention paid to marketing identification, targeting, and decisions internationally.

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## Scope of IB

### Global Human Relations:

With the advent of globalization, organizations - big or small have ceased to be local, they have become global! This has increased the workforce diversity and cultural sensitivities have emerged like never before.

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## Scope of IB

### **International Finance:**

International finance – sometimes known as international macroeconomics – is a section of financial economics that deals with the monetary interactions that occur between two or more countries. This section is concerned with topics that include foreign direct investment and currency exchange rates. International finance also involves issues pertaining to financial management, such as political and foreign exchange risk that comes with managing multinational corporations.

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## Scope of IB

### **International Investment:**

International investing is an investing strategy that involves selecting global investment instruments as part of an investment portfolio. People often invest internationally to broaden diversification and spread investment risk among foreign markets and companies

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## Scope of IB

### Foreign Exchange:

The exchange of one currency for another, or the conversion of one currency into another currency. Foreign exchange also refers to the global market where currencies are traded virtually around-the-clock. The term foreign exchange is usually abbreviated as "forex" and occasionally as "FX."

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## Reasons for Growth of IB

**Expansion of technology**—transportation and communication are quicker and less costly

### **Liberalization of cross-border movements**

- Government barriers reduced because:
  - ✓ desire for better access to greater variety of goods and services
  - ✓ domestic producers forced to be more competitive
  - ✓ lowered trade barriers to their own exports

## Reasons for Growth of IB

**Development of supporting services by business and governments to:**

- Ease the flow of goods and services sold abroad
- Reduce risks of IB

**Increase in global competition**—firms have become more global to maintain competitiveness

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## Reasons for Growth of IB

- **Market-Seeking Motives**
  - Marketing opportunities due to life cycles
  - Uniqueness of product or service

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## Reasons for Growth of IB

- **Economic Motives**
  - Profitability
  - Achieving economies of scale
  - Spreading R&D costs

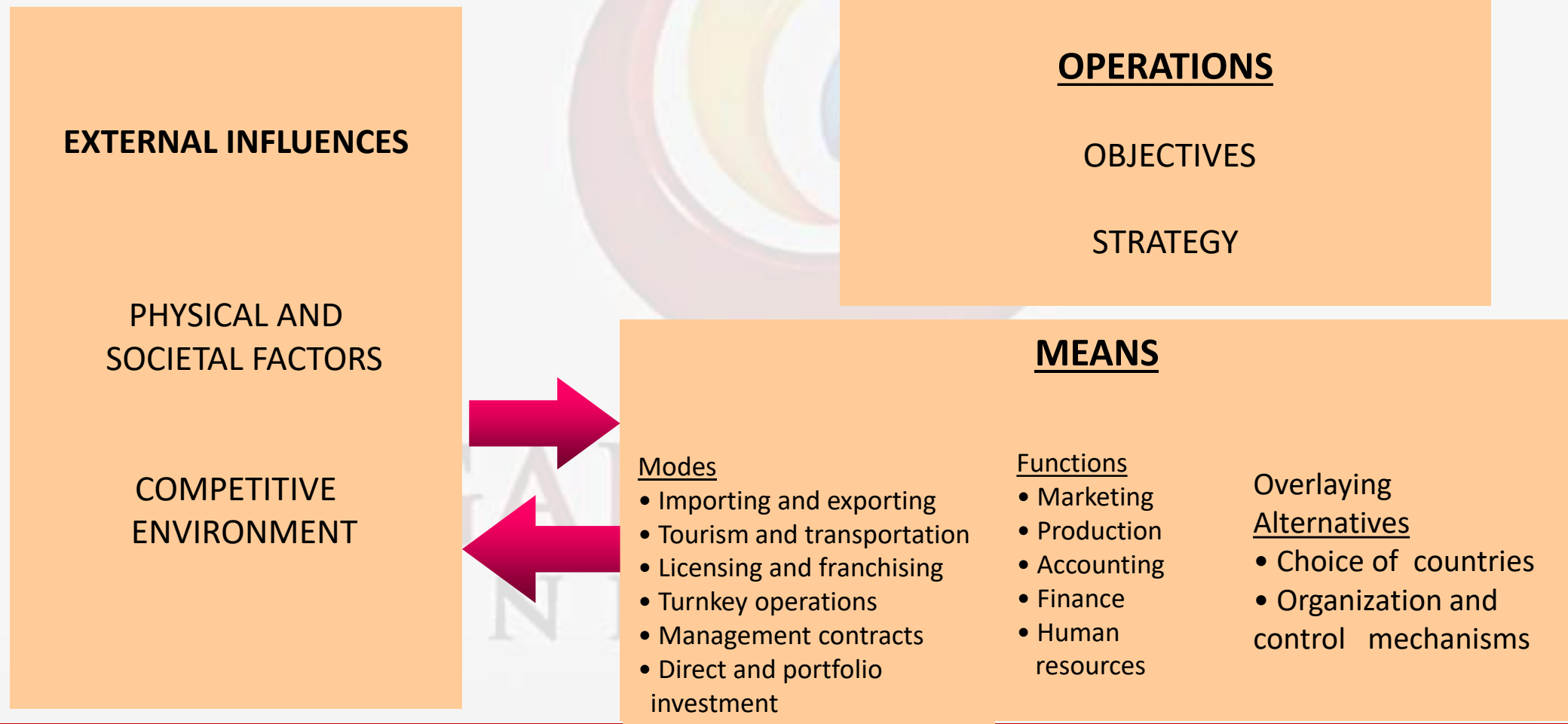
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## Reasons for Growth of IB

- **Strategic Motives**
  - Growth
  - Risk spread

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## Means of Carrying Out International Operations



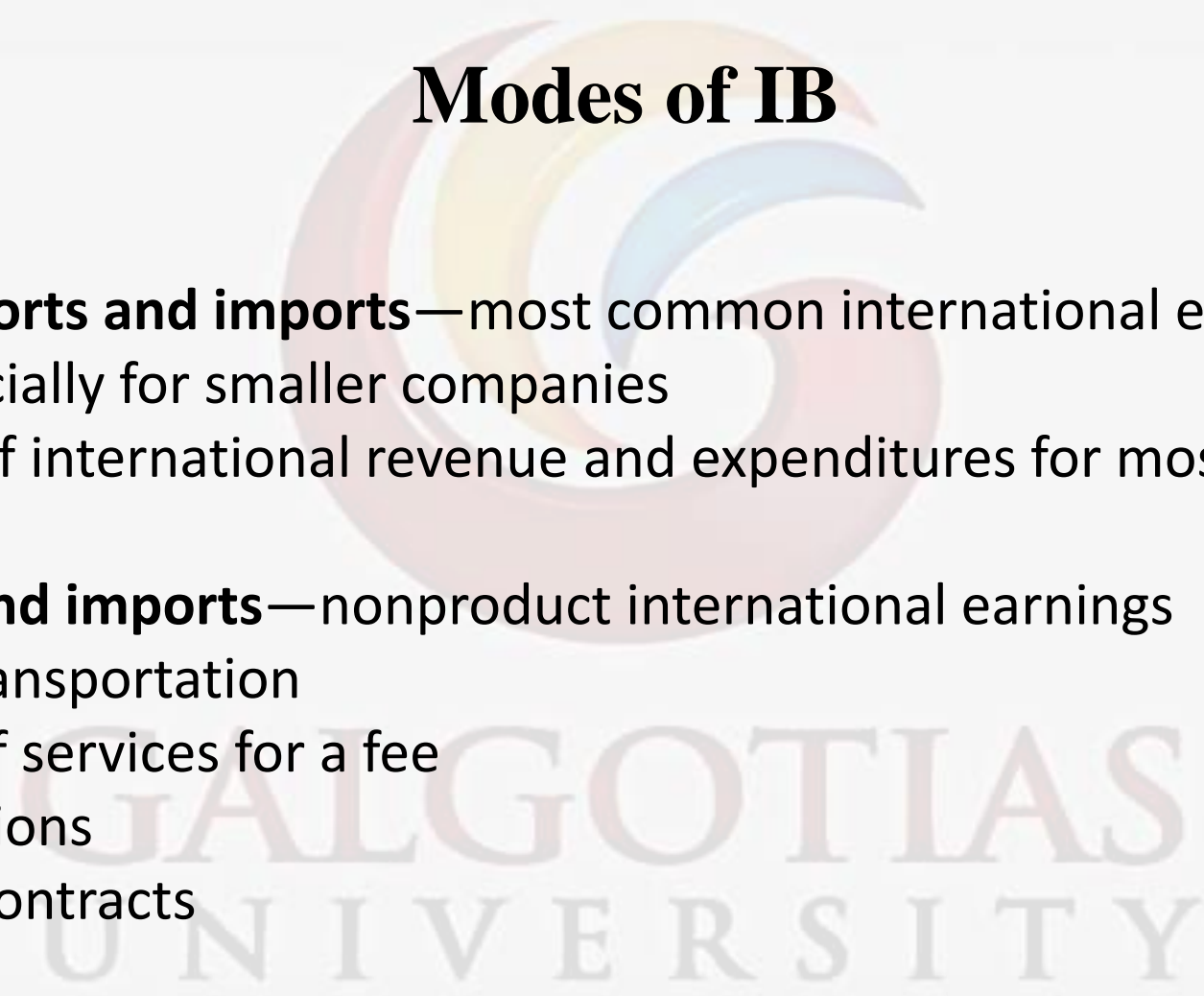
## Modes of IB

**Merchandise exports and imports**—most common international economic transaction, especially for smaller companies

- Major source of international revenue and expenditures for most companies

**Service exports and imports**—nonproduct international earnings

- Tourism and transportation
- Performance of services for a fee
- ✓ turnkey operations
- ✓ management contracts



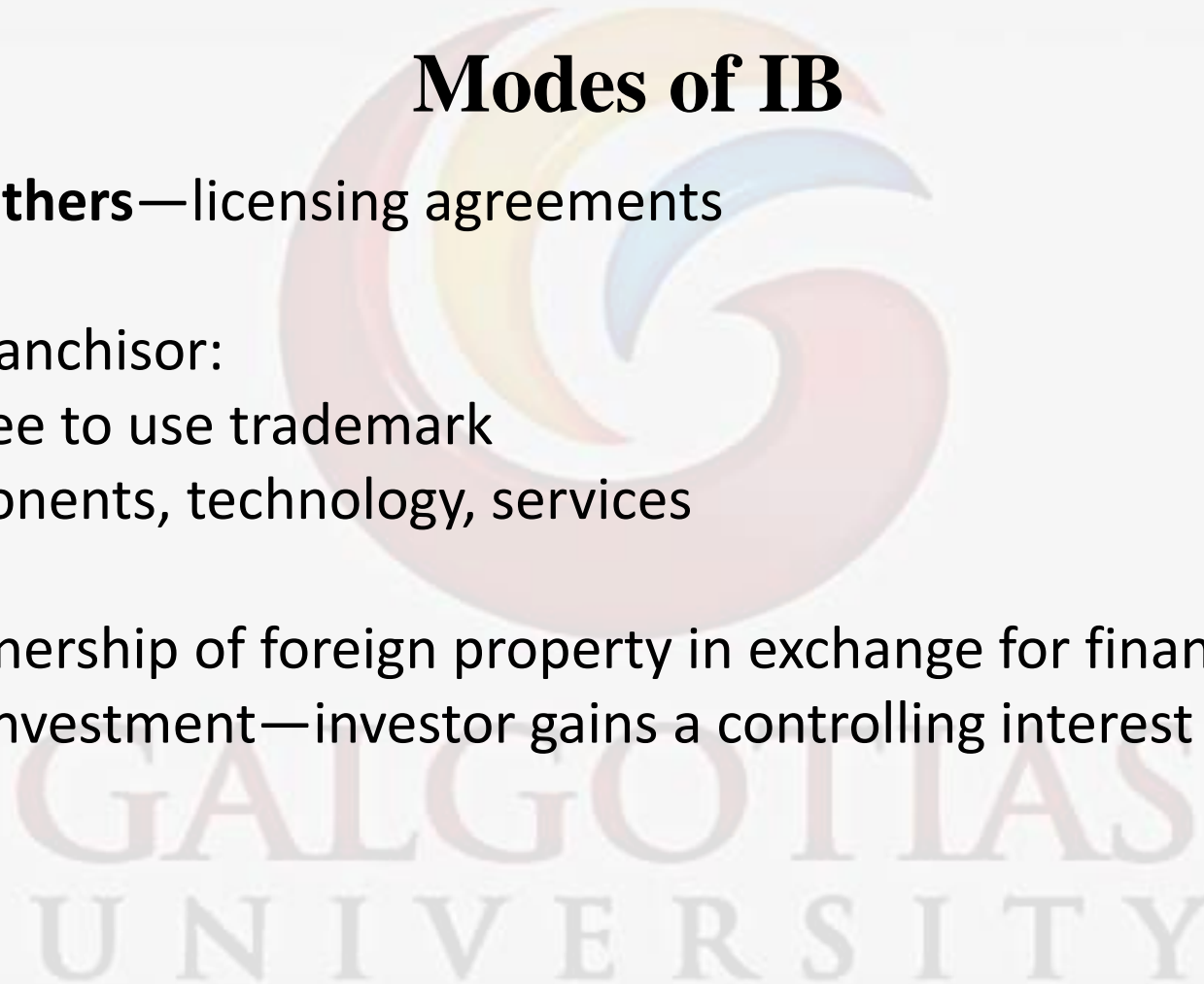
## Modes of IB

### **Use of assets by others**—licensing agreements

- royalties
- Franchising—franchisor:
  - ✓ allows franchisee to use trademark
  - ✓ provides components, technology, services

### **Investments**—ownership of foreign property in exchange for financial return

- Foreign direct investment—investor gains a controlling interest in foreign company
  - ✓ joint venture
  - ✓ mixed venture
- Portfolio investment—noncontrolling interest





## International Companies—terminology

**Strategic alliance**—collaborative arrangement of critical importance to the competitive viability of one or more partners

**Multinational enterprise (MNE)**—company with global approach to foreign markets and production

**Globally integrated company**—integrates operations located in different countries

**Multidomestic company**—foreign-country operations act fairly independently

## REFERENCES

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**Thank You**

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