Module 1

International Business Environment

Here is where your presentation begins

What is International Business?

International business refers to the commercial activities that involve the exchange of goods, services, and resources across national borders. It involves the movement of goods and services between countries, as well as the coordination of business activities on a global scale. International business encompasses a wide range of activities, including trade, investment, finance, and the transfer of technology.

Key Components of International Business

01

Global Trade

The buying and selling of goods and services across international borders. This can involve import and export activities

02

Foreign Direct Investment (FDI)

When a business or individual invests in assets or operations in a foreign country. This can include setting up subsidiaries, acquiring stakes in foreign companies, or establishing joint ventures.

03

Global Finance

Involves international transactions in currencies, investments, and financial instruments. Multinational corporations often deal with diverse currencies and financial markets.

04

International Marketing

Adapting marketing strategies to fit the cultural, economic, and regulatory differences of various countries. This includes considerations such as language, consumer behavior, and local competition.

05

Global Business Strategy

Developing and implementing strategies that consider the global market. This involves assessing risks, identifying opportunities, and adapting business models to the complexities of operating in different countries.

06

Global Supply Chain Management

Coordinating and managing the production and distribution of goods and services across multiple countries. This includes sourcing raw materials, manufacturing, transportation, and logistics.

Differences

Aspect	International Business	International Trade
Scope and Definition	Encompasses a broad range of global business activities.	Specifically involves the exchange of goods and services.
Activities Involved	Includes FDI, global supply chain management, marketing, etc.	Primarily focuses on the export and import of goods.
Emphasis on Business Operations	Involves the overall management and strategy of a global business.	Focuses on economic transactions related to goods and services.
Scale of Operations	Implies comprehensive engagement with the global market.	Can be a component of international business or a specialized focus.
Examples	Establishing subsidiaries, global workforce management, etc.	Importing and exporting tangible/intangible products.

Business Evolution Process

1. Total quality management
2. Business process improvement
3. Six sigma
4. Lean based approaches
5. Business process management
6. Customer expectations management

Total Quality Management (TQM)

Total Quality Management is an organizational approach that aims to improve quality and performance throughout all levels of a company. It involves all employees in a company and emphasizes continuous improvement.

Role in Business Evolution:

- **Continuous Improvement:** TQM is foundational for a business to evolve. It fosters a culture of continuous improvement where every member of the organization is committed to enhancing processes and products.
- **Customer Focus:** TQM places a strong emphasis on meeting or exceeding customer expectations. By consistently delivering high-quality products and services, a business can build a positive reputation and customer loyalty.
- **Reduction of Waste:** TQM principles often involve identifying and eliminating waste in processes, which contributes to increased efficiency and cost-effectiveness.

Business Process Improvement (BPI)

Business Process Improvement involves the systematic evaluation and enhancement of business processes to achieve better results in terms of efficiency, effectiveness, and adaptability.

Role in Business Evolution:

- **Efficiency Gains:** BPI focuses on streamlining and optimizing processes to achieve efficiency gains. This is crucial for businesses looking to evolve and compete effectively in the market.
- **Adaptability:** As businesses evolve, they often need to adapt to changing market conditions. BPI helps in creating processes that are agile and can easily be adjusted to meet new challenges.
- **Employee Engagement:** Involving employees in the BPI process can boost engagement and innovation, fostering a culture of continuous improvement.

Six Sigma

Six Sigma is a set of techniques and tools for process improvement. It seeks to improve the quality of process outputs by identifying and removing causes of defects and variability.

<u>**Role in Business Evolution:**</u>

- Data-Driven Decision Making: Six Sigma relies heavily on data analysis to identify and eliminate defects. This data-driven approach helps businesses make informed decisions and reduce errors.
- Standardization: The methodology emphasizes creating standardized processes, which is crucial for businesses evolving to larger scales or entering new markets.
- Customer Satisfaction: By reducing defects and improving quality, Six Sigma contributes to increased customer satisfaction, aligning with the goals of business evolution.

Lean-Based Approaches

Lean principles focus on maximizing customer value while minimizing waste. Lean thinking aims to create more value with fewer resources.

Role in Business Evolution:

- **Waste Reduction:** Lean methodologies target the elimination of various forms of waste, including overproduction, excess inventory, and defects. This efficiency is essential for evolving businesses.
- **Flexibility:** Lean approaches promote flexibility in operations, allowing businesses to respond quickly to changing market demands and innovations.
- **Continuous Flow:** The concept of a continuous flow of value from the producer to the customer aligns with the idea of a seamless and efficient business evolution process.

Business Process Management (BPM)

Business Process Management is a systematic approach to making an organization's workflow more effective, efficient, and adaptable. It involves the management of processes from end to end.

Role in Business Evolution:

- **Holistic View:** BPM provides a holistic view of business processes, making it easier for organizations to identify areas for improvement as they evolve.
- **Automation and Integration:** BPM often involves the use of technology to automate and integrate processes, enhancing efficiency and reducing errors.
- **Strategic Alignment:** BPM ensures that business processes are aligned with strategic goals, which is crucial for businesses evolving into new markets or product lines.

Customer Expectations Management

Customer Expectations Management involves understanding, setting, and meeting customer expectations to ensure satisfaction and loyalty.

Role in Business Evolution:

- **Customer-Centric Approach:** As businesses evolve, maintaining a customer-centric approach becomes increasingly important. Understanding and managing customer expectations are central to this approach.
- **Brand Reputation:** Satisfying customer expectations contributes to a positive brand reputation, which is crucial for the continued success and evolution of a business.
- **Innovation:** By understanding customer expectations, businesses can innovate and adapt offerings to meet changing market demands, a key aspect of business evolution.

Evolution of International Business

1700s

- **Event:** Establishment of the East India Company.
- **Significance:** Beginning of globalization with British trade in spices and textiles.

1800s

- **Event:** Industrial Revolution.
- **Significance:** Enables cheaper and faster global transportation of goods, fostering international business growth.

Evolution of International Business

1900s

- **Event:** Formation of the Bretton Woods system.
- **Significance:** Fixed exchange rates promote cross-border trade and investment.

1920s

- **Event:** Founding of the League of Nations.
- **Significance:** Aims to promote international understanding, peace, and economic cooperation.

1930s

- **Event:** The Great Depression.
- **Significance:** Slows global economic growth, but technological advances continue to support international trade.

Evolution of International Business

1940s

- **Event:** World War II.
- **Significance:** Halts international trade with tariffs and restrictions, hindering global collaboration.

1950s

- **Event:** Formation of IMF, GATT, and OECD.
- **Significance:** Activities aimed at reducing barriers to international trade.

1960s

- **Event:** Creation of the European Economic Community (EEC).
- **Significance:** Sparks a surge of investment in intra-European business.

1970s

- **Event:** Formation of regional trade agreements like the EU and NAFTA.
- **Significance:** Accelerates the internationalization of business.

Evolution of International Business

1980s

Event: Laxer capital controls and global telecommunications rise.
Significance: Facilitates faster and farther expansion of international businesses.

1990s

Event: Growth of the internet and e-commerce.
Significance: Facilitates global collaboration and technological advancements.

2000s

Event: Improved cross-border risk management.
Significance: Enables more efficient adoption of global business strategies.

2010s

Event: Governments loosen restrictions on foreign investment.
Significance: Increased international business transactions; companies become more global with improved technology.

2020s

Event: Continued global expansion, cross-border mergers, and acquisitions.
Significance: Companies focus on collaborations, partnerships, and technological advancements for efficient access to new markets.

Drivers of International Business

- Market expansion
- Resource acquisition
- Economies of scale
- Diversification
- Competitive advantage

Market Expansion

Market expansion refers to a business strategy where a company seeks to increase its sales and customer base by entering new markets or expanding its presence in existing markets.

Significance:

- **Growth Opportunities:** New markets provide opportunities for increased sales and business growth.
- **Risk Diversification:** Expanding into diverse markets helps mitigate risks associated with economic downturns or fluctuations in specific regions.
- **Access to New Customers:** Entering new markets allows businesses to tap into a broader customer base and diverse demographics.

Resource Acquisition

Resource acquisition involves obtaining the necessary inputs, such as raw materials, technology, skilled labor, or financial resources, to support and enhance a company's operations and growth.

Significance:

- **Operational Efficiency: Acquiring resources strategically contributes to operational efficiency and cost-effectiveness.**
- **Innovation and Growth: Access to new technologies and skilled personnel enables innovation and supports business expansion.**
- **Competitive Advantage: Efficient resource management provides a competitive edge in the market.**

Economies of Scale

Economies of scale occur when the cost per unit of production decreases as the scale of production increases. In other words, as a company produces more, the cost per unit decreases.

Significance:

- **Cost Efficiency:** Larger production volumes often lead to cost savings in areas such as manufacturing, distribution, and marketing.
- **Price Competitiveness:** Achieving economies of scale allows a company to offer competitive prices, potentially gaining a larger market share.
- **Profit Margins:** Cost reductions contribute to improved profit margins and overall financial performance.

Diversification

Diversification is a strategy in which a company expands its product or service offerings or enters new business lines to reduce risk and achieve a more balanced portfolio.

Significance:

- **Risk Mitigation:** Diversification reduces dependence on a single product or market, lowering overall business risk.
- **Revenue Stability:** A diverse product or service portfolio provides stability in revenue streams.
- **Adaptation to Market Changes:** A diversified company is better equipped to adapt to changes in consumer preferences or market conditions.

Competitive Advantage

Competitive advantage refers to the unique attributes or strategies that enable a business to outperform its rivals, attract customers, and achieve long-term success.

Significance:

- **Market Positioning:** Differentiating products or services creates a unique market position.
- **Brand Loyalty:** Establishing a competitive advantage can contribute to building strong brand loyalty.
- **Profitability:** Companies with a sustained competitive advantage often achieve higher profitability and market share.

National and organizational competitive advantage over the world

Internal Resources and Capabilities:

Definition: Refers to a company's unique resources, skills, and capabilities that give it a competitive edge.
Impact: Companies with distinctive and valuable resources, such as cutting-edge technology, skilled workforce, or efficient processes, can outperform competitors globally.

Innovation and Adaptability:

Definition: Involves a company's ability to innovate and adapt to changing market conditions.
Impact: Innovative companies that can swiftly adapt to evolving consumer needs and technological advancements gain a competitive advantage in the global marketplace.

Market Positioning and Branding:

Definition: Involves how a company positions its products/services in the market and builds a strong brand.
Impact: Well-established brands and effective market positioning contribute to customer loyalty and preference, enhancing a company's competitiveness globally.

Supply Chain Management:

Definition: Involves the efficient management of the entire supply chain, from raw materials to the end product.
Impact: Companies with streamlined and efficient supply chains can lower costs, improve quality, and respond quickly to global market demands.

Global Strategic Alliances:

Definition: Involves forming partnerships or alliances with other organizations globally.
Impact: Strategic alliances can provide access to new markets, technologies, and resources, enhancing a company's competitiveness on a global scale.

Modes of Entry into International Business

The main modes of entry are:

1. Export
2. Licensing
3. Franchising
4. Join Ventures
5. Wholly-owned subsidiaries

Exporting

Selling goods or services produced in the home country to customers in other countries.

- **Pros:** Low-risk and low-cost entry method.
- **Cons:** Limited by transportation costs, tariffs, and trade barriers.

Licensing

Granting a foreign company the right to use intellectual property (patents, trademarks, copyrights) in exchange for royalties.

- **Pros:** Low-cost and low-risk entry.
- **Cons:** Limited control over brand and technology.

Franchising

Similar to licensing but involves a comprehensive agreement, including marketing, training, and operational support.

- **Pros:** Attractive for companies with strong brands and proven business models.
- **Cons:** Requires significant investments in training and support.

Joint Ventures

Forming a new company with a foreign partner to jointly own and manage operations in a foreign market.

- **Pros:** Provides access to local knowledge and resources.
- **Cons:** Involves complex negotiations and potential conflicts with partners.

Wholly-Owned Subsidiaries

Establishing a new legal entity in a foreign market fully owned and controlled by the parent company.

- **Pros:** Maximum control over operations and branding.
- **Cons:** Expensive, involves significant legal and regulatory compliance requirements.

Active Players in Multinational Business: Indian Companies

Tata Group

Overview: A conglomerate with diverse operations, including steel, automobiles, information technology, and telecommunications.

Key Brands: Tata Motors, Tata Consultancy Services (TCS), Tata Steel.

Reliance Industries

Overview: A diversified conglomerate involved in petrochemicals, refining, oil and gas exploration, and telecommunications.

Leadership: Led by Mukesh Ambani, one of the largest companies in India by market capitalization.

Infosys

Overview: Multinational IT company providing consulting, software development, and outsourcing services globally.

Headquarters: Based in Bangalore, operations in more than 50 countries.

Active Players in Multinational Business: Indian Companies

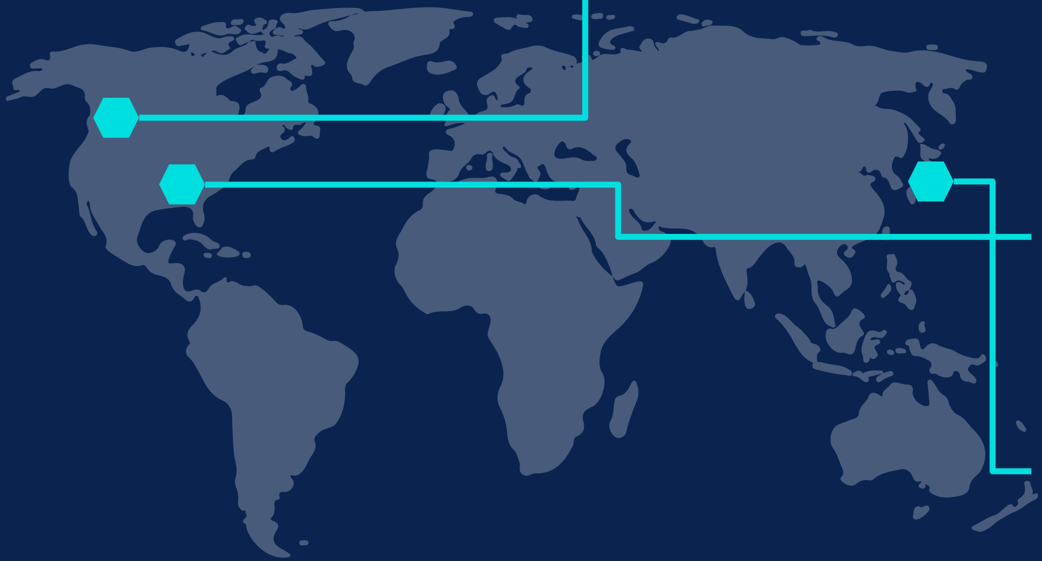
Wipro

Overview: Multinational IT company offering services in software development, consulting, and infrastructure management.
Headquarters: Based in Bangalore, with operations in the United States and the United Kingdom.

Mahindra & Mahindra

Overview: Multinational automobile manufacturer producing SUVs, pickup trucks, and commercial vehicles.
Headquarters: Mumbai, with operations in the United States and South Africa.

Active Players in Multinational Business: International Companies



Apple Inc.

Overview: Multinational technology company designing consumer electronics, software, and digital services.
Popular Products: iPhone, iPad, Mac computers.

Amazon.com Inc

Overview: Multinational e-commerce and cloud computing company, the world's largest online retailer.
Diverse Businesses: Includes streaming media, artificial intelligence, and logistics services.

Samsung Group

Overview: South Korean multinational conglomerate producing consumer electronics, smartphones, home appliances, and more.
Diverse Interests: Biopharmaceuticals, theme parks, financial services.

Active Players in Multinational Business: International Companies

Toyota Motor Corporation

- **Overview**: Japanese multinational automotive manufacturer producing a range of vehicles, known for quality and reliability.
- **Product Range**: Cars, trucks, hybrids.

Nestle SA

- **Overview**: Swiss multinational food and beverage company with a global presence.
- **Product Range**: Coffee, chocolate, bottled water, among others.

Thanks!