



chapter one



Overview of International Business





International Business

1 Cross-Border Transactions and Global Supply Chains

The buying and selling of goods and services across countries, along with optimizing supply chains through sourcing, manufacturing, and distribution in multiple countries to improve efficiency and reduce costs.

2 Market Entry Strategies and Cultural Considerations

Businesses use various strategies like exporting, establishing subsidiaries, partnerships, or licensing to enter foreign markets, while navigating cultural differences, legal frameworks, and political systems.

3 Risk Management and Corporate Social Responsibility (CSR)

Managing risks related to political instability, economic fluctuations, and cultural differences, while ensuring ethical, social, and environmental responsibilities are addressed in global operations.

Example: Petronas (Petroliam Nasional Berhad), Malaysia Airlines Berhad (MAB), Genting Group

Domestic Business

A Market Focus and Cultural Context

Domestic businesses focus on serving customers within their own country by catering to local preferences and consumer behaviors. Understanding cultural norms helps them tailor their products and services to meet the specific needs of the market.

B Regulatory Environment and Government Relations

Businesses must comply with local laws, regulations, and taxation policies specific to their country. They also engage with government authorities to secure necessary licenses and permits to operate smoothly.

C Supply Chain and Competitive Landscape

Domestic businesses manage their supply chains within the country, relying on local suppliers and distribution networks. They compete with other local businesses based on factors like pricing, quality, and customer service.

Example

Mydin Mohamed Holdings Berhad

Padini Holdings Berhad

Comparison Between International Business and Domestic Business

Criteria	International Business	Domestic Business
Scope and Market Reach	Involves operations that span multiple countries, allowing access to a global market. Businesses engage in cross-border trade, investment, and other forms of international activities.	Operates within the borders of a single country, serving primarily local or regional markets without engaging in international trade or investment.
Market Complexity and Diversity	Deals with diverse cultural, economic, legal, and political environments across different countries. Requires understanding and navigating various languages, customs, regulations, and consumer behaviours.	Faces simpler market dynamics within a single country, with consistent regulatory frameworks, consumer preferences, and business practices.

Criteria	International Business	Domestic Business
Risk and Uncertainty	Exposed to higher risks such as currency fluctuations, political instability, trade barriers, and cultural differences. Requires robust risk management strategies to mitigate these complexities.	Faces risks specific to the domestic market, such as changes in economic conditions, regulatory changes, and local competitive pressures. Risks are generally more predictable and manageable within a single country context.
Operational Challenges	Involves managing global supply chains, coordinating operations across different time zones and geographies, and complying with diverse international laws and standards.	Focuses on optimizing local supply chains, logistics, and distribution networks within the confines of national borders, with less complexity in terms of regulatory compliance and operational coordination.

Criteria	International Business	Domestic Business
Market Entry and Expansion Strategies	Utilizes strategies like exporting, foreign direct investment (FDI), joint ventures, licensing, franchising, and strategic alliances to enter and expand in foreign markets.	Expands through strategies such as opening new locations within the same country, expanding product lines, targeting new customer segments, or merging with/acquiring local competitors.
Market Entry and Expansion Strategies	Utilizes strategies like exporting, foreign direct investment (FDI), joint ventures, licensing, franchising, and strategic alliances to enter and expand in foreign markets.	Expands through strategies such as opening new locations within the same country, expanding product lines, targeting new customer segments, or merging with/acquiring local competitors.

(FDI) refers to a long-term investment by a foreign entity in a business or assets in another country, typically through the acquisition of ownership or control.

EXAMPLE: Toyota invests in setting up a manufacturing plant in Malaysia to produce vehicles, creating local jobs and contributing to the economy.

Criteria	International Business	Domestic Business
Resource Allocation and Management	Requires allocating resources effectively across different countries, managing diverse workforce talents, and adapting business strategies to varying market conditions and consumer preferences globally.	Focuses on efficient resource allocation within a single country, managing local talent, and optimizing operational efficiency based on domestic market dynamics.
Legal and Regulatory Compliance	Must comply with multiple sets of international laws, trade agreements, tariffs, import/export regulations, intellectual property rights, and diverse legal frameworks across different countries.	Adheres to national laws, regulations, and industry standards specific to the domestic market, with less complexity compared to managing international legal requirements.
Competitive Landscape	Faces competition from both local and international competitors across various markets worldwide, requiring strategies to differentiate products/services and build competitive advantages on a global scale.	Competes primarily within the national market, focusing on local competitors and adapting strategies to cater to local consumer preferences and market conditions.

Motives Entering Foreign Markets

1 Increase Sales and Profits

A Growth and Profit Opportunities

Expanding into international markets allows businesses to tap into larger or faster-growing markets, leading to increased sales and revenue. Factors like higher profit margins, economies of scale, and access to valuable resources such as raw materials and skilled labor further enhance profitability.

B Risk Reduction and Competitive Advantage

International expansion helps businesses diversify their operations, reducing dependency on a single market and spreading risk. By entering multiple markets, companies can enhance their competitiveness and improve long-term stability.

2 Protect Markets, Sales, and Profits

A Market Protection and Risk Management

Expanding internationally helps businesses retain market share by preventing competitors from gaining a foothold. This expansion also allows for risk diversification, spreading potential risks across different countries to reduce the impact of economic, political, or regulatory changes in any one market.

B Maintaining Relationships and Protecting Assets

Strengthening customer relationships with international clients ensures continued sales and profits. Businesses also protect their intellectual property and form strategic alliances with local firms to defend against competitive threats and safeguard their market position.

External Environment in INTERNATIONAL BUSINESS

Encompasses various factors that significantly influence the strategies, operations, and outcomes of businesses operating across borders

ECONOMIC ENVIRONMENT

Economic Factors Impact Business

Economic growth, inflation, interest rates, and exchange rates affect how much people buy, how much it costs to produce things, and how businesses invest and trade internationally.

Global Trade Rules Affect Business Operations

Trade agreements, tariffs, and global policies (e.g. WTO) influence how easy and expensive it is for businesses to trade across borders.

POLITICAL AND LEGAL ENVIRONMENT

Political Stability and Government Rules

Stable governments and consistent policies help businesses grow, while instability and changing rules create risks.

Legal Systems and Political Risks

Different legal systems affect business contracts and protection, and political risks like unrest can impact operations.

SOCIOCULTURAL ENVIRONMENT

Cultural and Demographic Factors

Understanding cultural differences and demographic trends (e.g. age, income, and urbanization) helps businesses cater to specific market needs.

Social Attitudes and Consumer Behaviour

Social factors, such as attitudes towards work, family, and sustainability, influence how consumers adopt products and services.

COMPETITION ENVIRONMENT

Market Structure and Competition

Understanding competitors, market concentration, and entry barriers helps businesses decide on pricing and market entry strategies.

Global Competitors and Industry Trends

Competing with both local firms and MNCs requires differentiation, while trends like technology and changing consumer preferences shape competitive strategies.

TECHNOLOGICAL ENVIRONMENT

Technological Innovation and Digital Transformation

New technologies like AI and automation improve efficiency and customer experience, while digital platforms and e-commerce reshape consumer behavior.

Research and Development

Investing in R&D helps businesses develop new products and stay competitive in a fast-changing technological landscape.

Internal Environment in International Business

Refer to the factors and resources within an organization that directly impact its operations, strategies, and performance in global markets.

CAPITAL

INVESTMENT CAPACITY AND FINANCIAL STRATEGY

Capital determines a business's ability to expand internationally and fund projects, while financial strategy involves managing and allocating resources effectively.

RISK MANAGEMENT

Managing financial risks like currency changes, financing costs, and liquidity is crucial for smooth international operations.

RAW MATERIALS

SUPPLY CHAIN AND SOURCING STRATEGY

Managing a reliable supply of raw materials globally and deciding where to source based on cost, quality, and risks are key for production.

INVENTORY MANAGEMENT

Optimizing inventory levels ensures businesses meet international demand while avoiding disruptions in the supply chain.

PEOPLE

TALENT ACQUISITION AND TRAINING

Recruiting skilled individuals with international experience and providing training to develop global competencies and cultural understanding.

EXPATRIATE MANAGEMENT

Effectively managing international employees and global assignments to ensure their productivity, well-being, and smooth integration into global operations.

PERSONNEL

ORGANIZATIONAL STRUCTURE AND HR POLICIES

Designing a structure that supports global operations and creating HR policies for compensation, performance, and employee development across different countries.

COMPLIANCE AND REGULATIONS

Ensuring adherence to labor laws, immigration regulations, and employment practices in all countries where the business operates.

FINANCE

FINANCIAL PLANNING AND BUDGETING

Developing strategies aligned with international goals and effectively allocating resources across global operations.

FINANCIAL REPORTING AND CONTROL

Ensuring accurate financial reporting and compliance with international standards while managing budgets and monitoring expenditures.

PRODUCTION

GLOBAL MANUFACTURING AND QUALITY CONTROL

Deciding on production locations, outsourcing, and ensuring consistent product quality while meeting international standards.

TECHNOLOGY AND INNOVATION IN PRODUCTION

Using technology and innovation to improve efficiency, differentiate products, and stay competitive in global markets.

MARKETING

MARKET RESEARCH AND BRAND STRATEGY

Conducting research to understand local preferences and developing a global brand identity that appeals to different cultures.

MARKETING MIX ADAPTATION

Tailoring products, pricing, distribution, and promotional strategies to fit the specific needs and preferences of international markets.

GLOBALIZATION

INCREASED MARKET ACCESS AND EFFICIENCY

Globalization reduces trade barriers, promotes foreign direct investment, and establishes global supply chains, enhancing market access and operational efficiency.

CULTURAL AND ECONOMIC IMPACTS

Globalization fosters cultural exchange and technological integration while also increasing competition and potentially exacerbating income inequality.

DRIVERS OF GLOBALIZATION

1 Interconnected Economies and Markets

Globalization refers to the growing interdependence of businesses and economies worldwide, driven by the movement of goods, services, and information across borders.

2 Technological Advancements

Improvements in transportation, communication, and digital platforms have made it easier, faster, and cheaper to conduct international business and connect with global markets.

3 Access to Resources and Cost Efficiency

Globalization allows businesses to access cheaper resources, labor, and expertise worldwide, helping them reduce costs and improve efficiency through outsourcing and offshoring.

4 Cultural and Competitive Globalization

Cultural integration and increasing global competition drive businesses to innovate, adapt to local preferences, and enhance their global presence while navigating diverse cultural and market demands.

5 Trade Liberalization

The reduction of trade barriers through international agreements has facilitated the free flow of goods, services, and investments across borders, enabling businesses to explore new markets.

Implications Of Globalization Towards Sustainable Development Growth

1 Access to Resources and Market Expansion

Globalization enables businesses to access new markets and resources, supporting economic growth and providing opportunities for countries to attract investment and drive development.

2 Technological Transfer and Sustainability Practices

The exchange of technologies across borders can help countries adopt more efficient and sustainable practices, enabling faster development and the integration of green technologies.

3 Need for Global Policy Integration

To ensure sustainability, global policies need to be coordinated, addressing environmental standards, labor rights, and fair-trade practices that support long-term development goals.

4 Corporate Responsibility and Ethical Practices

Businesses are increasingly expected to promote sustainable development by adopting ethical practices, such as reducing environmental impact, ensuring fair labor practices, and contributing to local communities.

5 Education and Global Awareness

Globalization offers opportunities to raise awareness about sustainability and provide education and capacity-building initiatives that empower individuals and communities to engage in sustainable development efforts.

CONCEPT OF INTERNATIONAL MARKETING AND ITS STRATEGIES

1

Market Segmentation

Identifying and targeting specific consumer groups across different regions or countries, tailoring strategies to meet their specific needs and preferences.

2

Product Adaptation and Standardization

Adapting products to local tastes and regulatory requirements or standardizing products globally to achieve economies of scale and consistent branding.

3

Promotion Strategies

Creating culturally relevant advertising messages and promotional tactics to engage local audiences effectively, ensuring communication resonates with diverse cultures.

4

Pricing Strategies

Adjusting prices based on local market conditions, competition, and consumer purchasing power, or using a standardized global pricing strategy for consistency.

5

Distribution Channels and Cultural Sensitivity

Selecting appropriate distribution methods for efficient market access and addressing cultural differences, ensuring the marketing approach is respectful and aligned with local customs.

Concept Of Global SUPPLY CHAIN MANAGEMENT

SOURCING AND PURCHASING 1

Selecting global suppliers based on cost, quality, reliability, and ethical standards, while negotiating favorable contracts and managing risks related to supplier reliability and regional factors.

2 PRODUCTION AND MANUFACTURING

Determining the best locations for production, maintaining high-quality standards, and optimizing processes to improve efficiency, reduce costs, and minimize waste.

3 INFORMATION TECHNOLOGY AND COMMUNICATION

Utilizing advanced technologies (e.g., ERP systems, SCM software, RFID) to monitor supply chain activities in real-time, ensuring better coordination, visibility, and collaboration among supply chain partners.

4 LOGISTICS AND DISTRIBUTION

Managing transportation, warehousing, and inventory to ensure efficient movement of goods, while complying with international trade regulations and minimizing delays.

5 RISK MANAGEMENT, STABILITY, AND SUSTAINABILITY

Identifying potential risks and building resilience through contingency planning, as well as promoting sustainable practices and ethical sourcing to uphold corporate social responsibility (CSR).

CONCEPT AND THE DIFFERENCES OF THE INTERNATIONAL FINANCIAL SYSTEM IN TERMS OF LANGUAGE AND CURRENCY

The International Financial System (IFS) is a global framework that includes institutions, regulations, markets, and practices to facilitate international financial transactions, covering areas like banking, foreign exchange, capital flows, monetary policies, and regulatory frameworks.

1 Language in the International Financial System

A Multilingual Environment

The International Financial System (IFS) operates with multiple languages, but English is the dominant language used in global finance. Other languages are important in specific regions where financial activities are concentrated.

B Financial Terminology

Each language has unique financial terms, which can cause misunderstandings in international transactions. Financial professionals must be skilled in multiple languages to ensure effective communication and clarity.

C Regulatory and Compliance Requirements

Different countries have varied regulations and compliance rules, often in different languages. International financial institutions must manage these diverse legal requirements to ensure transparency and compliance.

2 Currency in the International Financial System

A Currency Exchange and Conversion

The IFS involves transactions in various currencies, with foreign exchange markets enabling businesses and investors to manage currency risk. These markets support cross-border transactions by facilitating currency exchange.

B Exchange Rates

Exchange rates fluctuate due to factors like supply and demand, economic indicators, and geopolitical events. These fluctuations affect exports, international investments, and the valuation of foreign assets and liabilities.

C Currency Risks and Risk Management

International transactions introduce currency risks, which businesses and investors manage through risk management strategies. Tools like forward contracts, options, and currency swaps help reduce potential losses from exchange rate movements.

Concept Of International Human Resource Management (IHRM) in International Business

1

GLOBAL WORKFORCE PLANNING AND ALLOCATION

IHRM focuses on recruiting, selecting, and assigning employees across international locations, managing expatriate assignments, and addressing staffing needs in global markets.

2

CROSS-CULTURAL MANAGEMENT

IHRM involves managing cultural diversity by fostering a work environment that respects different cultures, communication styles, and workplace norms across countries.

3

COMPENSATION AND BENEFITS MANAGEMENT

IHRM designs competitive compensation and benefits packages that align with local market practices, economic conditions, and regulatory requirements in various countries.

4

GLOBAL TALENT DEVELOPMENT AND TRAINING

IHRM emphasizes developing global talent through training, development programs, and succession planning to build cross-cultural competencies and leadership skills for international roles.

IHRM ensures compliance with local labour laws, employment regulations, and workplace standards, while effectively managing employee relations to maintain a positive work environment and morale.

Implication Of International Business to Marketing

Market Research and Analysis

International business requires marketers to understand diverse consumer behaviors influenced by cultural, economic, and social factors, driving the need for tailored marketing strategies. Competitive analysis also plays a crucial role in identifying strengths, weaknesses, and differentiation opportunities across global markets.

Product and Service Adaptation

Marketers must decide whether to localize products and services to meet local preferences, technical standards, and regulations or standardize them for economies of scale and brand consistency across markets.

Pricing Strategies

International business challenges marketers to manage pricing in response to currency fluctuations and adjust prices based on local market conditions, consumer purchasing power, and competitive landscapes.

Promotional Strategies

Effective international marketing involves adapting promotional campaigns to fit cultural differences, language preferences, and local media consumption habits while choosing appropriate media channels to reach target audiences.

Distribution Channels and Brand Management

Marketers must select the most efficient distribution channels for timely product delivery and balance global brand consistency with local market adaptations to build brand equity and address cultural sensitivities.

Implication Of International Business to Supply Chain Management

1 Global Sourcing and Procurement

International business expands sourcing opportunities by allowing companies to access diverse suppliers and competitive pricing, requiring strong supplier relationship management. Companies must manage risks related to supplier reliability and geopolitical factors.

2 Complex Logistics and Transportation

Operating internationally introduces challenges such as cross-border logistics, customs procedures, and longer lead times. Efficient inventory management and demand planning are crucial for balancing stock levels across global locations.



3

Risk Management and Stability

Geopolitical risks, supply chain disruptions, and external factors like natural disasters or pandemics require companies to develop robust risk management strategies and contingency plans. Building supply chain resilience through diversification and agile strategies is essential.

4

Quality Control and Compliance

Companies must ensure consistent product quality and adherence to international standards, while also complying with ethical, labour, and environmental regulations. Non-compliance can lead to significant legal and reputational risks.

5

Technology and Digitalization

Leveraging technology, such as SCM software, IoT, and AI, enhances supply chain visibility, transparency, and efficiency. Digital transformation enables better collaboration, decision-making, and demand forecasting in global supply chains.

Implication Of International Business to Financial System

1 Capital Flows and Investment

International business drives cross-border capital flows, fostering economic growth and innovation through investments like FDI and equity investments. However, it also exposes economies to risks such as volatile capital movements and financial crises.

2 Foreign Exchange Markets

International trade and investment create demand for foreign exchange markets, impacting exchange rates and influencing the competitiveness of exports and imports. These fluctuations affect business profitability, risk management strategies, and economic stability.

3 Global Financial Markets

International business enhances the integration of global financial markets, offering investment diversification and access to capital. However, it also increases the risk of financial instability and the spread of economic disruptions across borders.

4 Financial Institutions and Services

The expansion of multinational banks and financial institutions supports international transactions and risk management solutions. These institutions facilitate capital allocation and provide services like trade finance, currency exchange, and risk management instruments.

5 Regulatory and Policy Challenges

International business creates challenges due to differing regulatory standards and tax policies across countries. Harmonization and cooperation among regulatory authorities are essential to ensure financial stability and reduce systemic risks.

Implication Of International Business to HUMAN RESOURCE MANAGEMENT

1 GLOBAL TALENT SOURCING AND RECRUITMENT

International business broadens the talent pool, enabling access to skilled professionals from various countries, enhancing diversity and expertise. HRM must prioritize cultural fit, language proficiency, and cross-cultural communication to ensure effective teamwork and collaboration.

2 CROSS-CULTURAL MANAGEMENT

Managing a culturally diverse workforce is essential, requiring HRM to implement cultural sensitivity training and inclusive work practices. HRM plays a key role in resolving cultural conflicts and fostering mutual understanding to promote a harmonious workplace culture.

3 COMPENSATION AND BENEFITS

HRM must address global compensation disparities and navigate varying cost-of-living conditions across countries while ensuring compliance with local labor laws. This requires balancing equity, legal adherence, and fairness in compensation packages.

4 GLOBAL MOBILITY AND EXPATRIATE MANAGEMENT

HRM oversees international assignments, including relocation, cultural adaptation, and repatriation, while also developing global leadership competencies. International employees and local managers are supported through training and mentorship to navigate international markets effectively.

5 PERFORMANCE MANAGEMENT AND APPRAISAL

HRM establishes global performance management systems that align with local business objectives while considering cultural differences. Continuous feedback, development opportunities, and performance reviews are implemented to support career growth across diverse cultural contexts.



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