

# INTRODUCTION TO INTERNATIONAL BUSINESS

Business activities done across national borders are International Business. The International business is the purchasing and selling of the goods, commodities and services outside its national borders. Such trade modes might be owned by the state or privately owned organization.

In which, 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, education, transportation, communication and so on.



Nations that were away from each other, because of their geological separations and financial and social contrasts are now connecting with each other. World Trade Organization established by the administration of various nations is one of the major contributory factors to the expanded connections and the business relationship among the countries.

The national economies are dynamically getting borderless and fused into the world economy as it is clear that the world has today come to be known as a 'global village'. Numerous more organization is making passage into a worldwide business which presents them with opportunities for development and tremendous benefits.

India was trading with different nations for quite a while, yet it has quickened its progress of incorporating with the world economy and expanding its foreign trade and investment.

## DEFINITION

According to **International Business Journal**, “International Business is a commercial enterprise that performs economical activity beyond the bounds of its location, has branches in two or more foreign countries and makes use of economic, cultural, political, legal and other differences between countries.”

According to **Grosse and Kojawa**, “International business is defined as transactions devised and carried out across international borders to satisfy corporations and individuals”

## MEANING

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.

Apart from individual firms, governments and international agencies may also get involved in international business transactions. Companies and countries may exchange different types of physical and intellectual assets. These assets can be products, services, capital, technology, knowledge, or labor.

## SIGNIFICANCE OF INTERNATIONAL BUSINESS

Every company is trying to expand its business by entering foreign markets. International business helps in the following ways:-

1. **Helps as Growth Strategy**- Geographic expansion may be used as a business strategy. Even though companies may expand their business at home.
2. **Helps in Managing Product Life Cycle**- Every product has to pass through different stages of product life cycle when the product reaches the last stages of life cycle in present market, it may get proper response at other markets.

3. **Technology advantages**- some companies have outstanding technology advantages through which they enjoy more competencies. This technology helps the company in capturing other markets.
4. **New business opportunities**- business opportunities in overseas markets help in expansion of many companies. They might have reached a saturation point in domestic market.
5. **Proper use of resources**- sometimes industrial resources like labor, minerals etc. are available in a country but are not productively utilized.
6. **Availability of quality products**- when markets are open, better quality goods will be available everywhere. Foreign companies will market latest product at reasonable prices. Good product will be available in the markets.
7. **Earning foreign exchange**- International business helps in earning foreign exchange which may be used for strategic imports. India needs foreign exchange to import crude oil, deface equipment, raw material and machinery.
8. **Helps in mutual growth**- countries depend upon each other for meeting their requirements. India depends on gulf countries for its crude oil supplies.
9. **Investment in Infrastructure**- International business necessitates proper development of infrastructure. A company entering international business must invest in roads.
10. **To utilize Installed capacity**- If the installed capacity of the firm is much more than the level of demand of the product in the domestic market, it can enter the international market and utilize its un-utilized installed capacity. In this way it can export the surplus production.