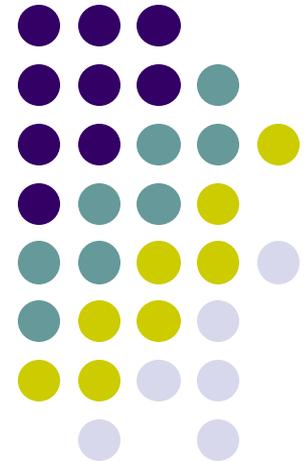


# INTERNATIONAL BUSINESS ENVIRONMENT

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Dr. M. S. Rama Devi

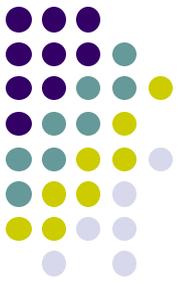


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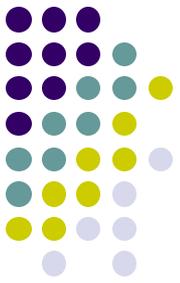
- INTRODUCTION
- CLASSIFICATION OF INTERNATIONAL BUSINESS ENVIRONMENT
  - MICRO AND MACRO ENVIRONMENT
  - DOMESTIC FOREIGN AND GLOBAL ENVIRONMENT
- COMPONENTS OF INTERNATIONAL BUSINESS ENVIRONMENT
- CONCLUSION

# INTRODUCTION



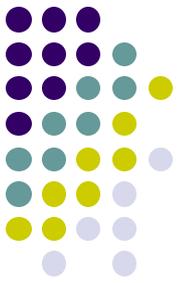
- The international environment is going through a historic transformation. We are moving away from a world in which national economies were relatively isolated from each other by different barriers, towards a world in which national economies, are merging into an interdependent global economic system. The emerging global economy creates opportunities as well as presents challenges and threats to the business

# CLASSIFICATION OF INTERNATIONAL BUSINESS ENVIRONMENT



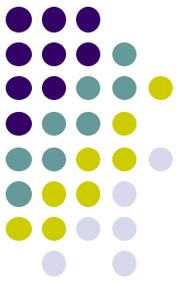
- MICRO AND MACRO ENVIRONMENT
  
- DOMESTIC FOREIGN AND GLOBAL ENVIRONMENT

# MICRO AND MACRO ENVIRONMENT



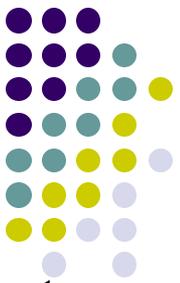
- Micro environment can be defined as the forces in the firm's immediate environment which directly influence the firm's decisions and operations. These include suppliers, various market intermediaries and service organisations such as middlemen, transporters, advertising and marketing research agencies, competitors customers and general public.

# Contd...



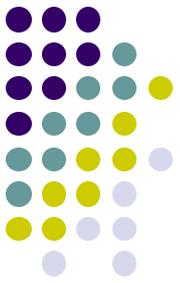
- Macro environment consists of broader forces which affect the firm as well as the other forces in the firm's micro environment. These include factors such as political, legal, economic, social etc. Firms need to continuously monitor changes in these environmental forces and devise strategies to cope with them.

# DOMESTIC FOREIGN AND GLOBAL ENVIRONMENT



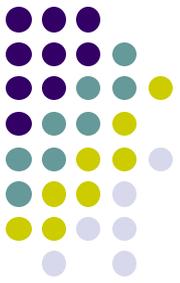
- This classification is based on the location at which environmental forces exist and operate.
- Domestic environment consists of factors such as competitive structure, economic climate, political and legal factors which are essentially uncontrollable by a firm. These factors operate at the national level and the firms are generally familiar with them.

# Contd...



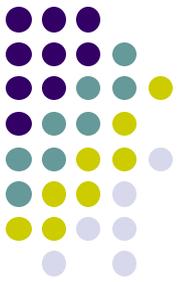
- Foreign environment consists of factors like social, political, economic, legal and cultural prevailing in a foreign country. The firm can neglect them only at the cost of losing business in the foreign markets
- Global environment transcends national boundaries and is not confined in its impact to just one country. Global environment exerts influence over domestic as well as foreign countries. It comprises of forces like world economic conditions, international financial systems, international agreements and treaties and regional economic groupings.

# COMPONENTS OF INTERNATIONAL BUSINESS ENVIRONMENT

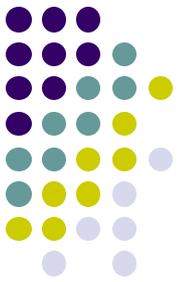


- POLITICAL ENVIRONMENT
- LEGAL ENVIRONMENT
- ECONOMIC ENVIRONMENT
- SOCIO-CULTURAL ENVIRONMENT
- TECHNOLOGICAL ENVIRONMENT
- NATURAL ENVIRONMENT
- DEMOGRAPHIC ENVIRONMENT

# POLITICAL ENVIRONMENT

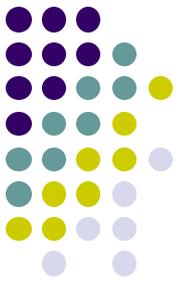


- At the basis of international law and international relations: **sovereignty** (self determination and independence from external interference, authority over all nationals)
- International trade limits sovereignty.
- Governments can invoke sovereignty and jeopardize firm's operations



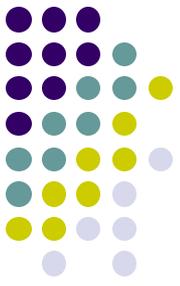
# Political Risk

- Risks Related to Government Trade policies:
  - Tariffs,
  - exchange-rate controls,
  - quotas,
  - export/import license requirements,
  - other trade barriers (embargos, sanctions)



# Political Risk (contd.)

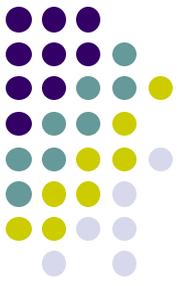
- Risks Related to Government Economic Policy:
  - Controlling foreign investment through taxes
  - transfer of assets from company to local ownership:
    - Confiscation (without compensation)
    - Expropriation (some reimbursement)
    - Creeping expropriation (paperwork, judicial systems, regulations)
    - Nationalization (local government takes over)
    - Domestication (transfer to local enterprises)
- Risks Related to Labor and Action Groups
- Risks Related to Terrorism



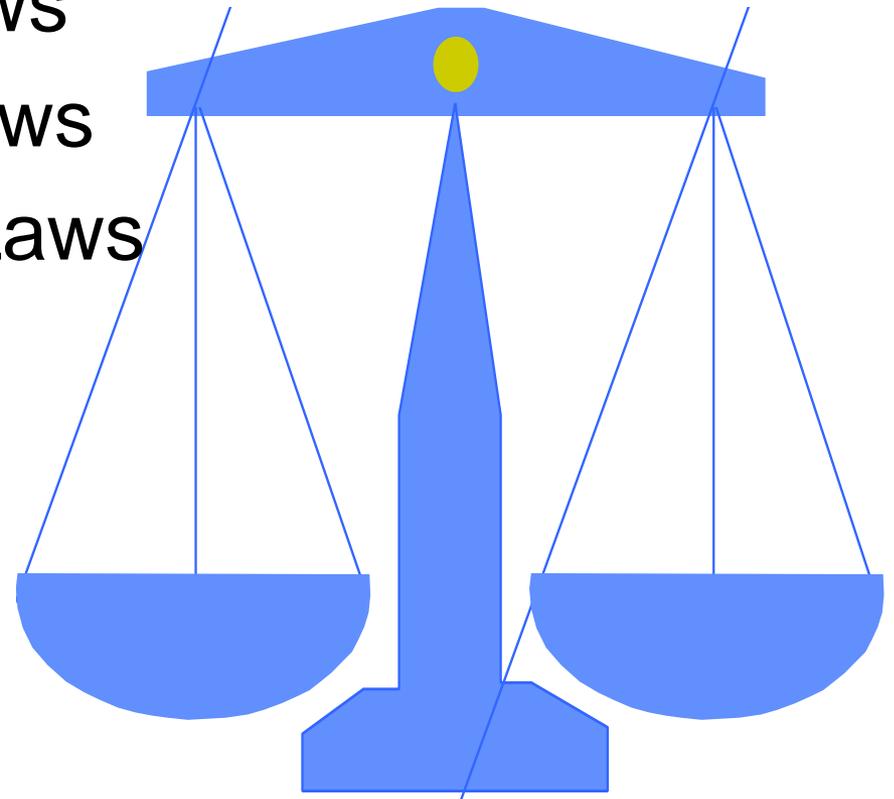
# Minimizing Political Risk

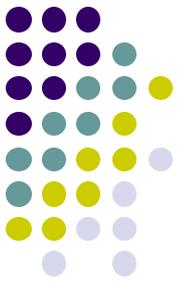
- Understand both ruling and opposition parties.
- Remain politically neutral.
- Be exemplary corporate citizens.
- Sell a quality product or service that is essential for local development.
- Partner with local companies and create local expertise.
- Use local suppliers.
- Obtain insurance coverage against expropriation, nationalization, confiscation, and terrorism.

# International Legal Environment



- International Laws
- Host Country Laws
- Home Country Laws
- **Legal Systems:**
  - Common law
  - Code (Civil) law
  - Islamic law

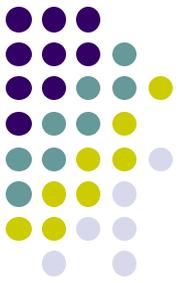




# Intellectual Property Rights

- Violation of intellectual property rights is a **significant threat** to the competitiveness of international corporations.
- Losses attributed to the violation of intellectual property rights are estimated to be **\$60 billion** a year. (e.g. Software \$11 billion, entertainment \$8, pharmaceuticals \$1 billion)
- There is a saying in Shanghai: “We can copy anything except your mother” (even fake blood plasma)

# Intellectual Property Protection



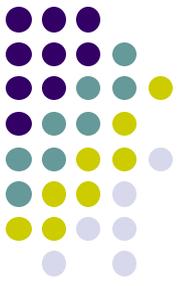
- **Patent**

- Protection of the rights of the inventor or of the firm to use and sell the invention for a specified period of time.

- **Copyright**

- Rights of owner of original work of art (literature, music, film, design) to reproduce, sell, perform, or film the work.

# Intellectual Property Protection



- **Trademark**

- Brand name, mark, symbol, motto, or slogan that identifies a brand and distinguishes it from competitors' brands. (E.g. Rolex, Gucci, Fendi/  
Design copying without the trademark is legal)

- **Trade Secret**

- Know-how, formulas, and special blends that are not registered and are thus not protected by law.

# Counterfeiting

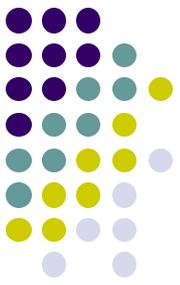


# Factors Influencing Intellectual Property Violations

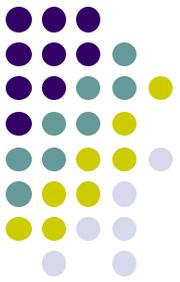


- Lack of appropriate legislation
- Lax enforcement
- Unavailability of authentic products
- High prices for authentic products that limit their accessibility to local consumers
- Cultural Factors:
  - Values that perceive imitation as a form of flattery
  - Feelings of interpersonal distrust and not getting fair deal
  - Emphasis on material wealth
  - Belief that technology is common domain

# Protecting Intellectual Property



- **TRIPS** Agreement (Trade-Related Aspects of Intellectual Property Rights,): member countries of the World Trade Organization, must sign the [TRIPS agreement](#): minimum standards for the legal protection of property rights
- Bilateral and multilateral conventions
- Enlisting home and host-country government support



# Home Country Legislation

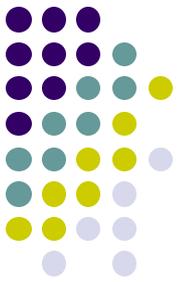
- **Antitrust Legislation**

- Prevent anticompetitive activities such as the creation of monopolies and cartels.

- **Anti-Corruption Legislation**

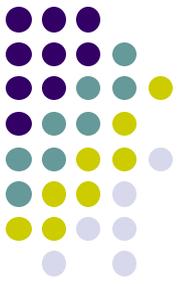
- Prevent multinational corporations from using unethical means to obtain competitive advantage in a particular market
- Foreign Corrupt Practices Act makes it illegal to bribe politicians.

# ECONOMIC ENVIRONMENT

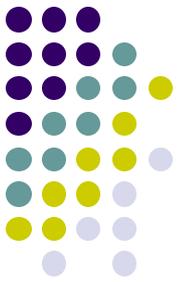


- Per capita income and size of population
- Stages of economic development
- Consumption pattern
- Economic system
- Product demand analysis
- Competition analysis

# SOCIO-CULTURAL ENVIRONMENT

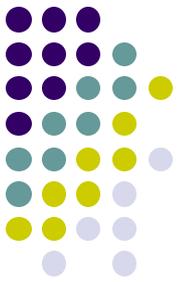


- International business means operating in a cross cultural environment. This makes the business more complex because the business firm must appreciate how different the foreign culture is from their own and how this difference is to be reflected in their business strategies.



# Culture

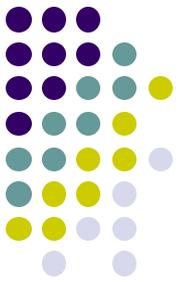
- Culture is defined as a continuously changing totality of learned and shared meanings, rituals, norms, and traditions among the members of an organization or society.
- Culture is also defined as a society's personality.
- Culture
  - Has a general influence on consumption
  - Has an influence on the stakeholders
  - Determines the manner in which individuals respond to Marketing strategies



# Elements of Culture

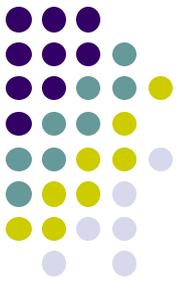
- Language
- Religion
- Cultural Values
- Cultural Norms

# TECHNOLOGICAL ENVIRONMENT



- New product development
- New organisational styles
- New management techniques
- New marketing techniques
- New production techniques
- Networks, warehouse management, electronic data interchange (EDI)
- Web/Internet

# Technological Environment as an influencing factor for IM

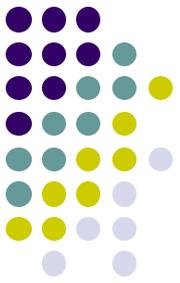


- Threats Web/Internet

The payment mechanism is sometimes difficult

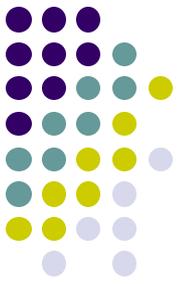
- Different currencies
- Different method of payments (credit cards, debit cards)
- Accepting credit cards from unknown buyers

# NATURAL ENVIRONMENT

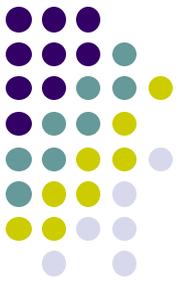


- Geology and natural resources (access to resources, e.g. oil)
- Topographies and access to Markets
- Hydrology
- Climate
- Population/ Human Capital
- Environmental Quality (regulations on the natural environment, e.g. hormones, pesticides, CO2-Levels)

# DEMOGRAPHIC ENVIRONMENT



- Size, growth rate, age composition, sex composition etc. of the population
- Family size
- Economic stratification of population
- Education level
- Caste, religion etc..



# CONCLUSION

- Looking ahead, it appears that in the changing economic scenario international business is a way of life. The global corporations have become the central forces of the world economy and in linking foreign direct investment, trade, technology etc.. They are a driving force of world's growth. The firms will succeed or fail would depend on their ability to deal with the dynamic international environment.

**THANK**

**YOU**

