

INTERNATIONAL BUSINESS

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FACTORS CAUSING GLOBALISATION OF BUSINESS

- ◉ Increase and expansion of Technology
- ◉ Liberalisation of cross-border trade and resource movements
- ◉ Development of services that support international business
- ◉ Growing consumer pressures
- ◉ Increased global competition
- ◉ Changing political situations
- ◉ Expanded cross-national Cooperation

ADVANTAGES OF GLOBALISATION

- ◉ Boost in the economy
- ◉ Increased rate of employment
- ◉ Availability of advanced technology
- ◉ Availability of goods & services in low cost
- ◉ Removal of restrictions from capital flow
- ◉ Boost in industrialisation

CHALLENGES ASSOCIATED WITH GLOBALISATION

- ◉ Reduced jobs & Incomes
- ◉ Improper labour practices and environment policies
- ◉ Cut-throat competition
- ◉ Inequality
- ◉ Inflation
- ◉ Loss of culture

INTERNATIONAL BUSINESS ENVIRONMENT



INTRODUCTION

International business environment is the environment in different sovereign countries, with factors exogenous to the home environment of the organization, influencing decision making on resource use and capabilities. This includes the social, political, economic, regulatory, tax, cultural, legal and technological environment.

- International business environment is composed of various legal and political systems, economic policies, accounting standards, environmental standards, labour policies, language and cultural differences, export and import regulations, tariffs, foreign exchange policies, trade agreements, etc.
- All these elements may go with significant variations from one country to another.

FACTORS AFFECTING INTERNATIONAL BUSINESS ENVIRONMENT

- ◉ *Political*
- ◉ *Economic*
- ◉ *Cultural*
- ◉ *Social*
- ◉ *Technological*
- ◉ *Legal*
- ◉ *physical*

I. POLITICAL ENVIRONMENT

- Political system: System of Government and Policies.

Two major foundations of political system or Government;

1. Government System as the Basis-

A. Parliamentary Government

B. Absolutist System

- Types of Party Systems;
- 1. Two Party System
- 2. Multi Party System
- 3. Single Party System
- 4. Dominant One Party System

- 2. Economic System as the Basis-
- A. Communist Theory
- B. Socialist Theory
- C. Capitalist Theory

➤ Influence of Political Environment on International Business:

1. Political Ideology of the Government
2. Political Stability in the country
3. Government relations with other countries
4. Defence & Military Policy
5. Thinking of opposition parties towards business
6. Policies towards International Marketing
7. Government Controls & Restrictions

II. ECONOMIC ENVIRONMENT

➤ 1. Determinants of Economic Development:

A. Economic Factors in Economic Development-

- i. Capital Formation
- ii. Natural Resources
- iii. Marketable Surplus of Agriculture
- iv. Conditions in Foreign Trade
- v. Economic System

- ◎ B. Non-Economic Factors in Economic Development-

- i. Human Resources
- ii. Technical know-how and General Education
- iii. Political Freedom
- iv. Social Organization
- v. Corruption
- vi. Desire to develop

- ◎ **2. Influence of Economic Environment on International Business:**

- ◎ A. Changing Income

- ◎ B. Changing consumer spending patterns

- ◎ C. Changing Economic Conditions

III. CULTURAL ENVIRONMENT

- ◎ **1. Elements of Cultural Environment:**
- ◎ A. Language
- ◎ B. Religion
- ◎ C. Attitude & Values
- ◎ D. Social Organization
- ◎ E. Education System
- ◎ F. Technology
- ◎ G. Political Systems
- ◎ H. Legal Systems

- ◎ **2. Influence of Cultural Environment on International Business:**

- ◎ A. Culture determines goods & services

- ◎ B. Culture determines attitude to work

- ◎ C. Culture & Global Business

- ◎ D. Culture & Competitive Advantage

- ◎ E. Culture & Strategy

IV. SOCIAL ENVIRONMENT

- ◉ Taste of the Natives
- ◉ Language
- ◉ Values & Beliefs
- ◉ Demography
- ◉ Literary Rate
- ◉ Female Workforce
- ◉ Dual Income Families
- ◉ Impulse Buying

V. TECHNOLOGICAL ENVIRONMENT

- ⦿ Rising customers expectations
- ⦿ Complicated Systems
- ⦿ Social change
- ⦿ Increase in productivity
- ⦿ More investment on R & D
- ⦿ Jobs become more Intellectual & Knowledge based
- ⦿ Resistance to change

VI. LEGAL ENVIRONMENT

- ◉ Deregulation
- ◉ Globalization
- ◉ Concern for natural environment
- ◉ Intellectual property
- ◉ Product liability & safety
- ◉ Competition among businesses
- ◉ Bribes & corrupt practices
- ◉ Advertising and sales promotions
- ◉ Contracts

VII. PHYSICAL ENVIRONMENT

- Climate
- Natural resources
 - i. Energy (Renewable & Non-Renewable)
 - ii. Non-Fuel Minerals
- Topography
 - i. Mountains & Plains
 - ii. Deserts & Tropical Forests
 - iii. Water bodies



***THANK YOU
CLASS....***