

**INTRODUCTION TO
INTERNATIONAL
BUSINESS**

GBE-Intro.9-2-09 1

Markets Have Become Increasingly Global. There Are Many Causes:

- **Political developments**
- **Multinational cooperation**
- **Technology and infrastructure**
- **Greater managerial awareness**

2

Political Developments

- **Political changes**
 - **Fall of communism**
 - **Decline of military governments**

3

Changes in Governmental Attitudes

- *Open markets and the triumph of the free-enterprise system*
 - *Privatization*
 - *De-regulation of financial and other markets*
 - *Increase of governmental support for the international efforts of their companies*

4

Multinational Cooperation

- **Reduction of governmental barriers**
 - *General Agreement on Tariffs & Trade (GATT)*
 - *World Trade Organization (WTO)*

5

Regional Economic Integration

- *Free-trade area*
- *Common market*
 - *Common currency*

6

Technology & Infrastructure

- **Communications**
- **Transportation**

7

Greater Managerial Awareness

- **News**
- **Education**
- **Travel**
- **Competition**

8

Managers, & Their Companies, Must Adapt to the International Realities.

- **Suppliers**
- **Customers**
- **Competitors**

9

**Students, whatever their major,
need to be familiar with the
international dimensions of their
field.**

10

**What Is *International
Business* (IB)?**

**Any economic transaction
crossing a national border**

11

Regardless of:

- **The type of activity**
- **The nature of the enterprise**
- **Relationship between the parties**
- **The currency**
- **The means of compensation**

12

Even regardless of the *legality* of the transaction!!!

13

Types of International Business

- **International trade**
 - Goods
 - Services
 - Personal services
 - Impersonal

14

- **International flows of money and capital**
 - [What is the difference between money & capital?]*
 - **Foreign portfolio investment (FPI)**
 - **Foreign direct investment (FDI)**
 - [How do FPI & FDI differ?]*

15

IB Is Much Broader Than Domestic Business.

- Historical environment
- Socio-cultural environment
- Political-legal environment
- Economic environment
- Physical environment

16

What Are Some Important:

Socio-Cultural issues?

Political issues?

Legal issues?

Economic issues?

Physical-environment issues

17

Compared to Domestic Business, International Business Is Generally:

- More complex
- Riskier
- More expensive

18

- However, international business often offers the promise of good profits.
- And there are many tools and institutions that can:
 - *Assist the company,*
 - *Reduce its international risks, and*
 - *Reduce its extra costs.*

19

Degrees of Internationalization

The extent to which companies are involved in international business

20

1st Degree Internationalization

- The company does nothing that is directly international.
- Any international business is done through *agents* or other middlemen.

21

2d Degree Internationalization

- The company is *directly* involved in international business.
- However, all international activities are done from *domestic facilities*.
 - It has *no foreign operations*.

22

3d Degree Internationalization

- The company has *foreign facilities*.
- However, its *orientation remains domestic*.
- Its *international activities remain secondary* to the domestic.

23

4th Degree Internationalization

- The company's *domestic activities are no more important* than its international.
- This is the *multinational firm*.
 - = *multinational corporation*
 - = *transnational corporation*

24

5th Degree Internationalization

- The company's *domestic activities are less important* than are its international.
- This is the *global company*.

25
