



V-LRN

VIRTUAL LEARNING NETWORK

International Business Environment



Block - 1

Unit - 1

Introduction to International Business
Environment

Virtual Learning Network



Topics to be covered

- Introduction
- Concept and Relevance of International Business Environment
- Analysis of the Components of Foreign Environment
- Geographic Environment
- Economic and Financial Environment
- Socio-Cultural Environment
- Political Environment
- Legal Environment
- Ecological Environment
- Summary

Introduction

- While doing business within one's country, one is familiar with most of the environmental factors and is readily able to cope with environment
- But to study the task of managing international business is not that easy because of operating in environments which are unfamiliar and different from the domestic environment, one needs to be extra careful to these environmental differences
- These variations may need adaptation for business success



Concept and Relevance of International Business Environment

- **International business** is a term used to collectively describe topics relating to the operations of firms with interests in multiple countries. Such firms are sometimes called multinational corporations (MNC's).
- International business by its nature is a primary determinant of international trade. One of the results on the increasing success of international business ventures is globalization.

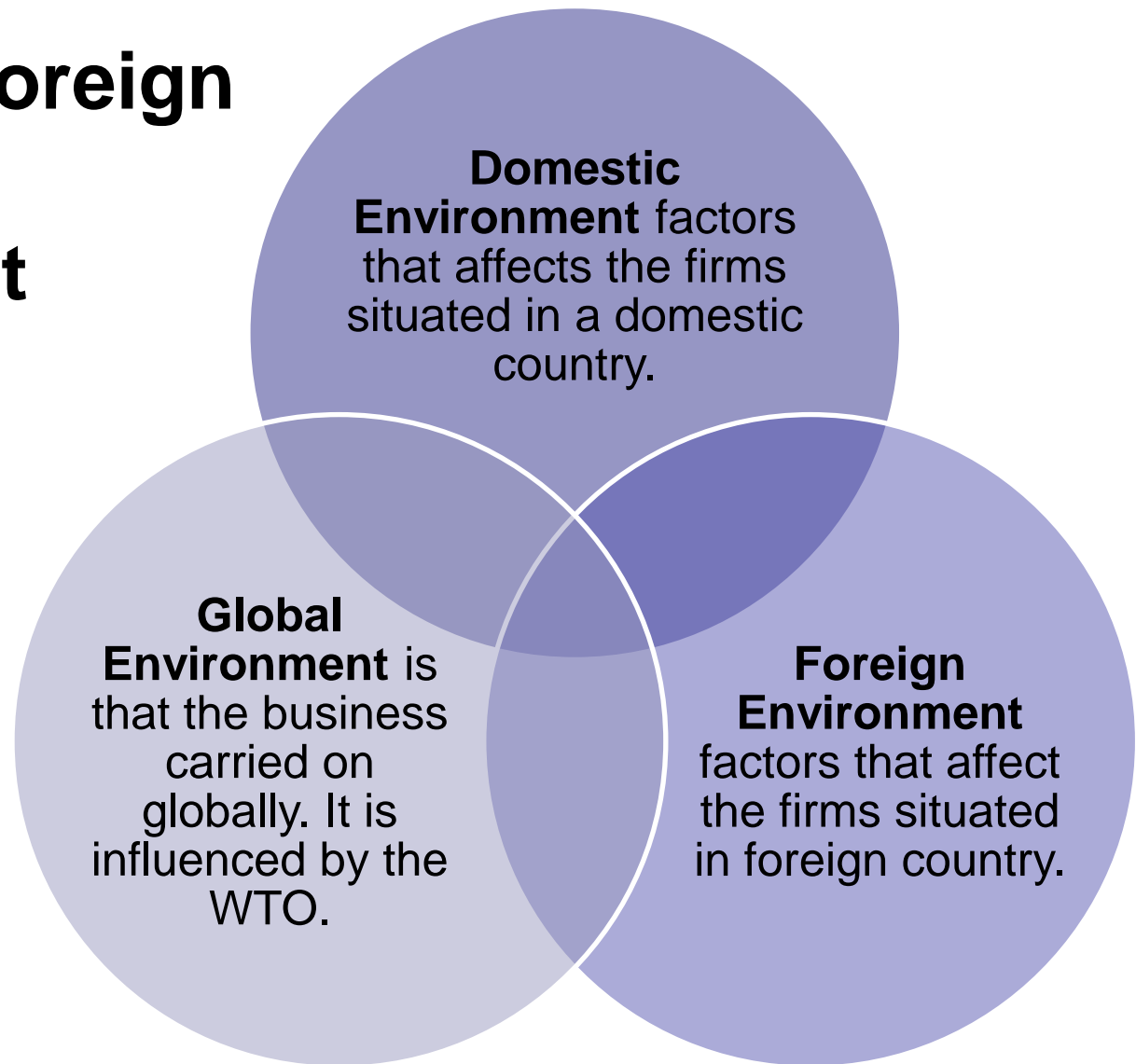


Concept and Relevance of International Business Environment (Contd..)

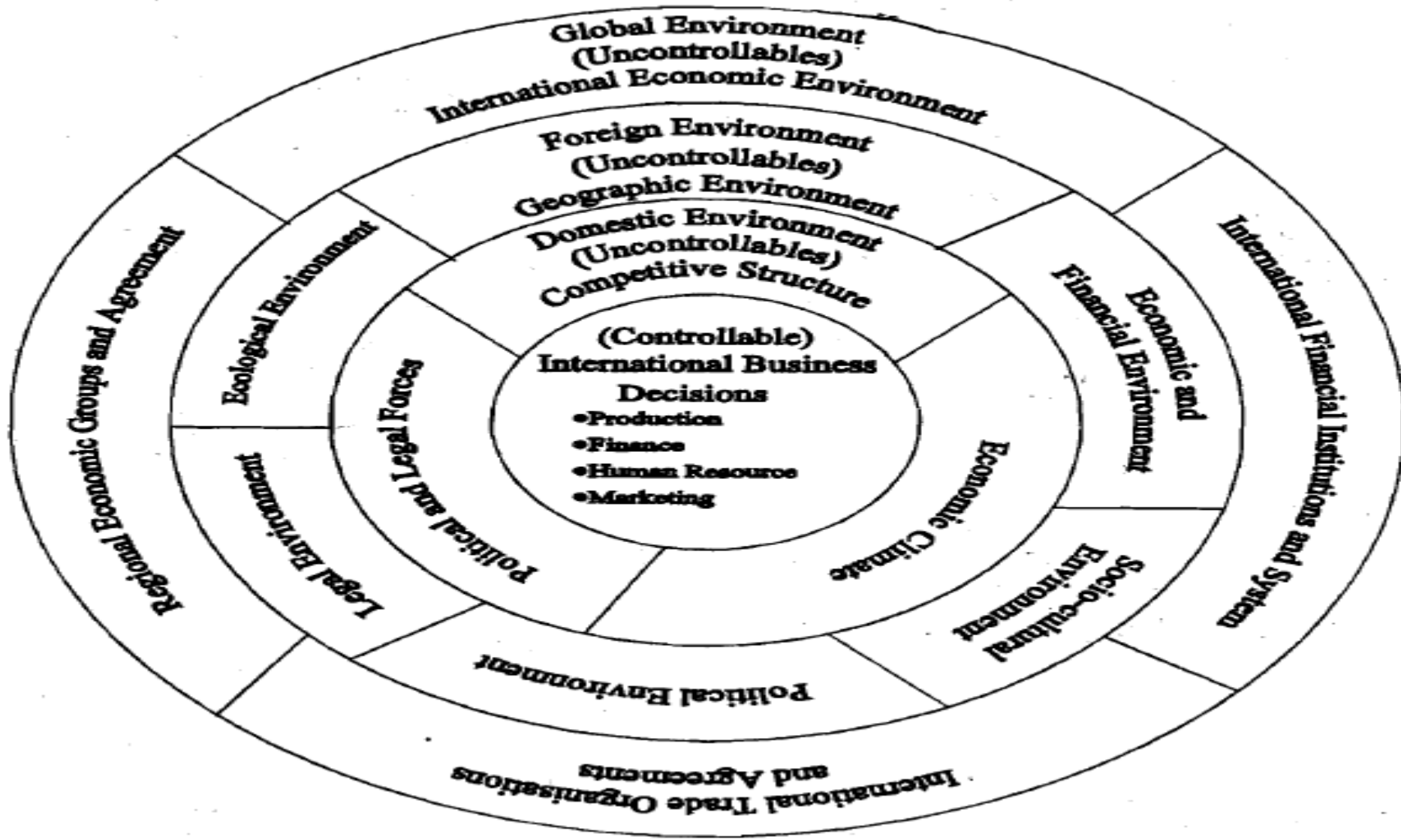
- **Micro and Macro Environments**
 - **Micro Environment** defined as the actors in the firm's immediate environment which directly influence the firm's decisions and operations.
 - **Macro Environment** consists of broader forces which affect the firm as well as other actors in the firm's micro environment.

Concept and Relevance of International Business Environment (Contd..)

- **Domestic, Foreign and Global Environment**



Concept and Relevance of International Business Environment (Contd..)



Concept and Relevance of International Business Environment (Contd..)



Relevance of International Business Environment

- Firms consider before entering into foreign market that which markets to select, and how to enter into those markets.
- Firms select those countries as their target markets which have sufficient market potential

So that it is important to understand the relevance of international business. Environmental analysis is important not only for the firms entering into the foreign markets for the first time, but it is also important for the firms already in international business.



Analysis of Components of Foreign Environment

- Foreign environment was described in the preceding section as consisting of geographical, economic, financial, socio-cultural, political, legal and ecological forces.
- A firm needs to examine components of the environment for each one of the foreign countries. Though we shall be discussing each of the components separately, in reality there exists a lot of overlapping as well as interactions among various components.



Geographic Environment

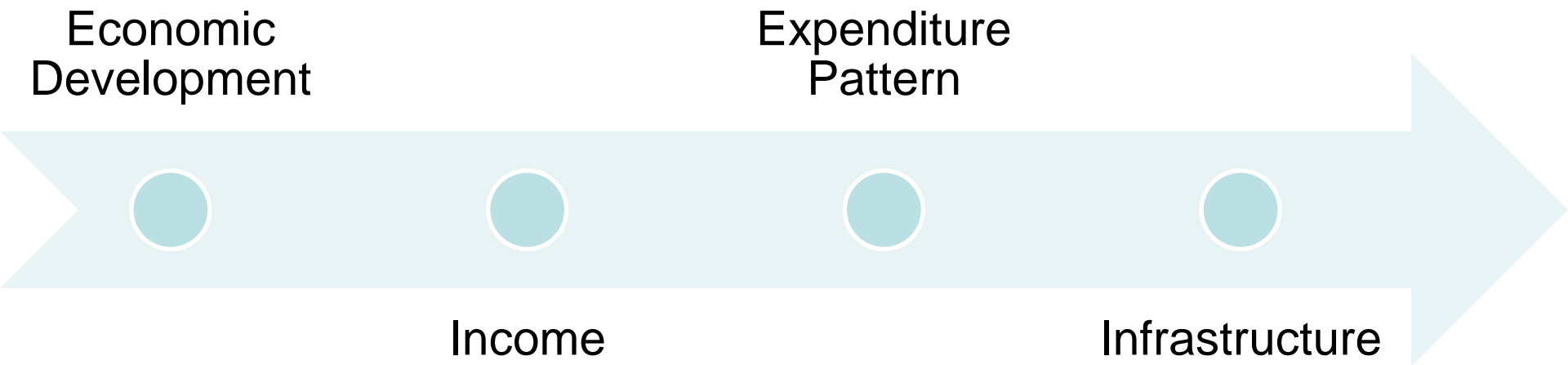
- It refers to a country's climate, topography, natural resources and people.
- Everyone engaged in International Business must have some knowledge of geographic features of the foreign country as these influence the nature and characteristics of a society.



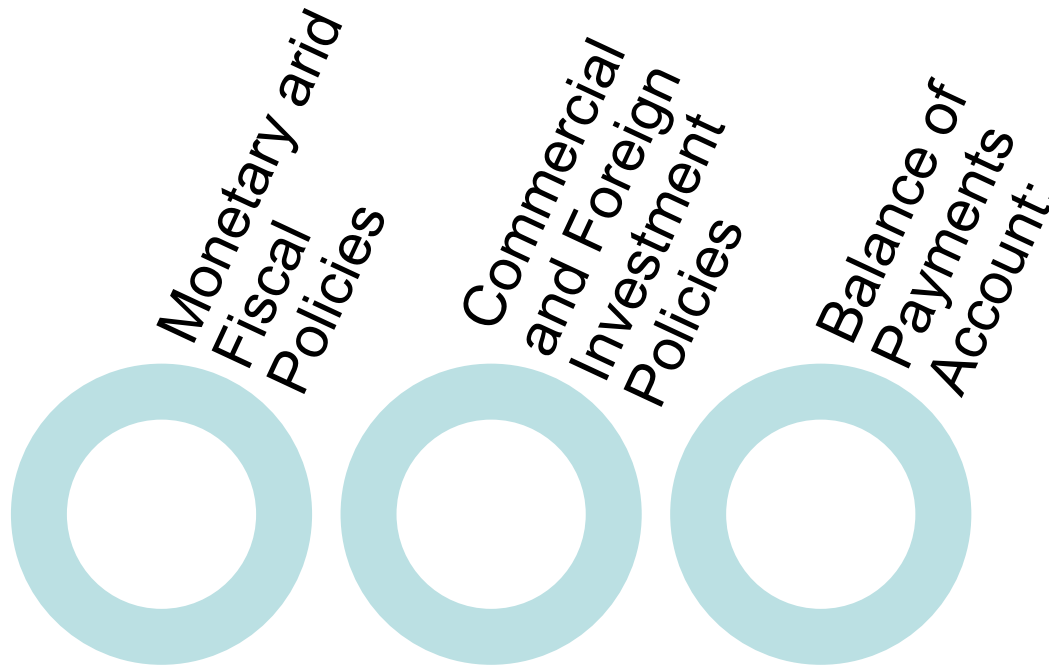
Economic & Financial Environment

- It pertains to country's economic and financial features such as level of economic development, income, pattern of expenditure, infrastructure, inflation, commercial and foreign investment policies, monetary and fiscal systems, accounting systems and balance of payments account.

- **Economic Environment**
 - Major economic indicator



- **Financial Environment**
 - Important financial indicators





Socio-cultural Environment

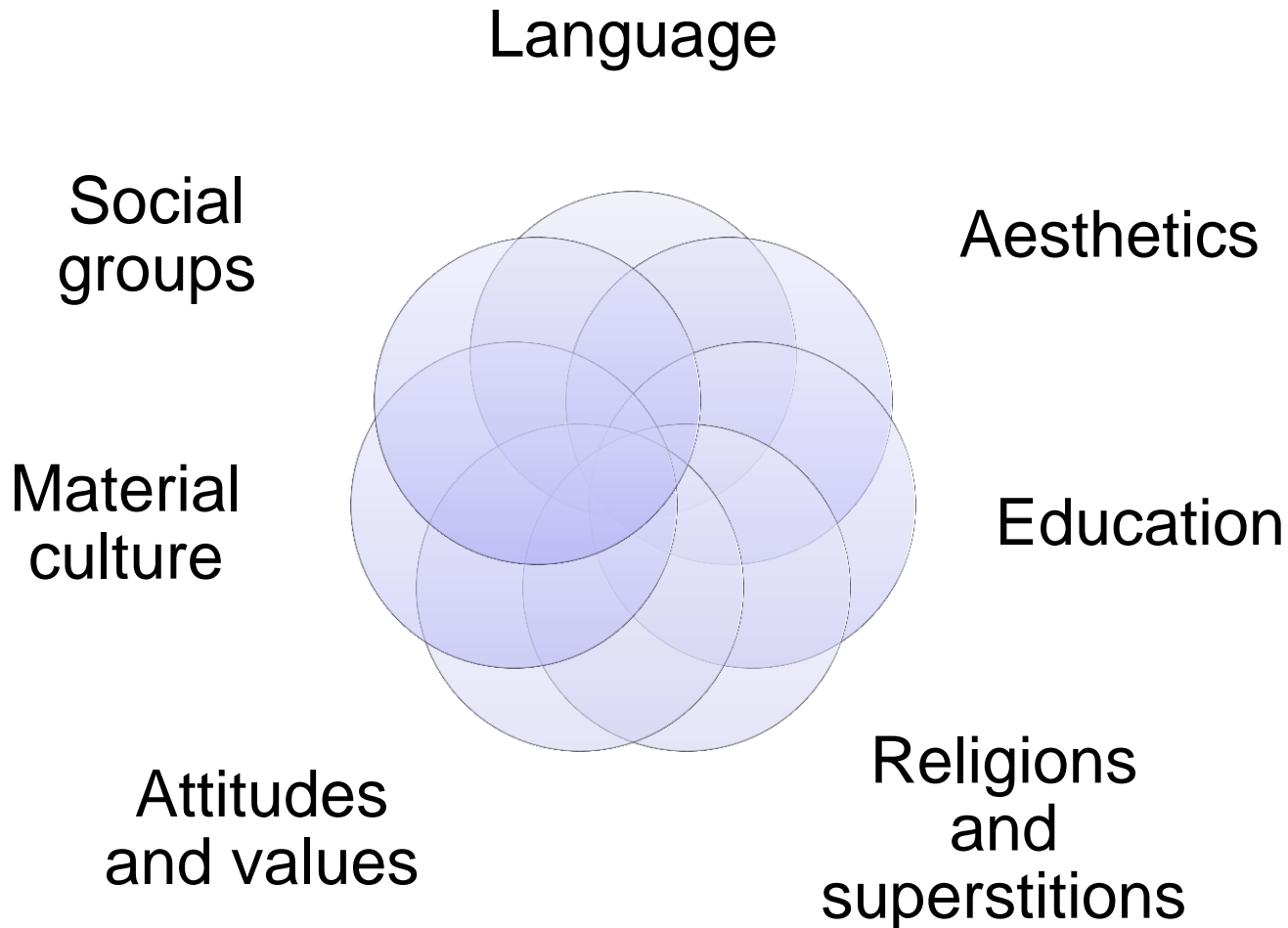
- Business is as much a socio-cultural phenomenon as it is an economic activity.
- Socio-cultural forces have considerable impact on products people consume; designs, colors and symbols they like; dresses they wear and emphasis they place on religion, work, entertainment, family and other social relations.
- Socio-cultural environment influences all aspects of human behavior and pervasive in all facets of business operations.

Socio-cultural Environment

- Culture can be defined as a "sum total of man's knowledge, beliefs, art, morals, laws, customs and any other capabilities and habits acquired by man as a member of society."

Socio-cultural Environment

- Important elements of culture

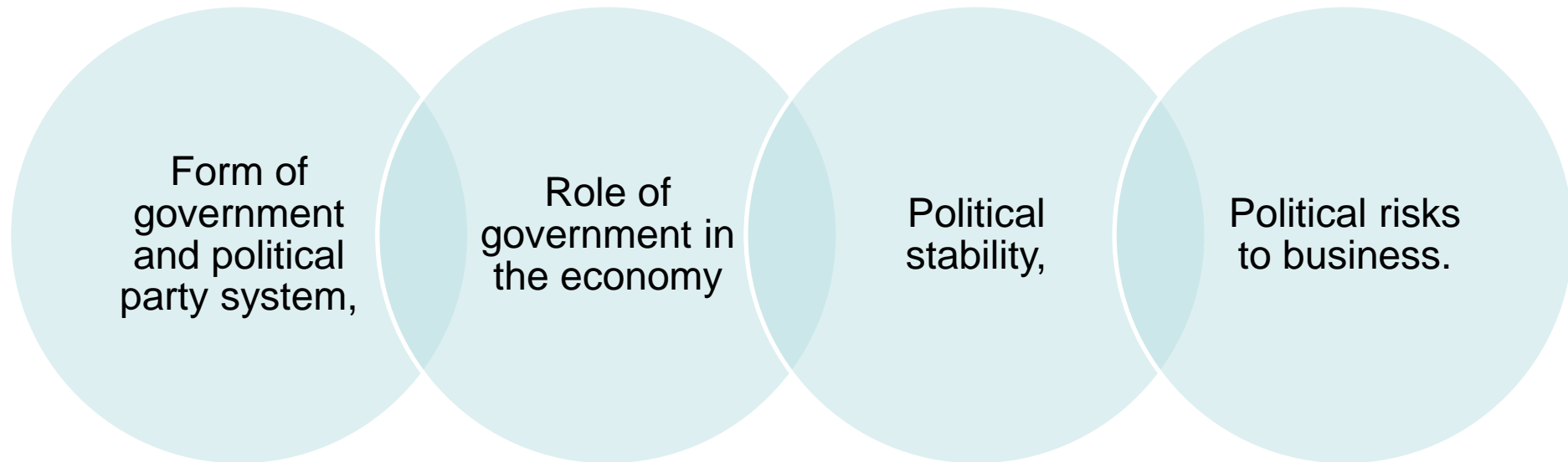


Political Environment

- The government reserves the right of allowing a foreign firm to operate in the country as well as laying down the manner in which a foreign firm can conduct business.

Political Environment

- In political environment, Company needs to analyze factors



Legal Environment

- Every business firm operates within the jurisdiction of legal system.
- Besides directly influencing firm's business operations, laws affect the environment within which a firm operates in the foreign country.
- The legal systems that exist in different countries of the world are antecedents of one of the two legal philosophies: common law and code law.



Ecological Environment

- It refers to pattern and balance of relationships between plants, animals, people and their environment.
- Green technologies, Green products and Green companies are highly valued in today's global market place.

Summary

- A major difference between domestic and international business is the environment within which business is conducted.
- While doing business within one's own country, one is familiar with the prevailing environment and is readily able to adjust to it. But problem with doing business in foreign countries is that environments in foreign countries are different and also unfamiliar to a business firm.
- Therefore, needs to be extra careful in identifying various environmental forces.

Thank
You