INTERNATIONAL BUSINESS ENVIRONMENT

COURSECODE → IBO-01

Attempt all question

Que-1 a) Define international business environment. Diffirentiate between micro and macro environment with examples.

ANS:- The international business environment refers to the external factors and forces that influence a company's operations, strategies, and decision - making processes when conducting business across national borders. It encompasses various political, economic, social, technological, legal and cultural factors that impact the a firm's ability to succeed in the global marketplace. understanding the inter national trade and investment, as it helps them adapt to diverse conditions and tailor their strategies accordingly

* Macro Environment Vs. Macro Environment

The international business environment can be broadly categorized into micro and macro environments, each with its own distinct set of factors and implications.

☐ Micro Environment :-

The micro environment consists of factors that directly affect a company's day to day operations and immediate relationship with various stakeholders. These factors are often specific to the company's industry and competitive landscape. Key components of the micro environment include customers, suppliers, competitors, intermediaries, and share holders.

* Examples :-

+ Customers :-

The preferences and behaviours of customers play a significant role in shaping a company's international strategies. For instance, a fast-food chain like McDonald's adapts its menu to cater to local tastes and cultural preferences in different countries.

- Suppliers :-

The reliability and cost-effectiveness of suppliers can impact a company's production and supply chain efficiency. An electronics manufacturer sourcing components from various countries needs to consider factors such as quality, lead times, and logistics.

- Competitors :-

The competitive landscape varies across countries, influencing pricing strategies, product differentiation, and market positioning. Apple and Samsung compete globally for market share in the

DELTA Pg No.
Date / /

smartphone industry, leading to constant innovation and marketing efforts.

* Intermediaries :-

Distributors, agents and other intermediaries facilitate market entry and expansion. Luxury brands like chanel may partner with exclusive boutiques in different countries to maintain their premium image.

* Shareholders :-

Shareholders expectations and demands can influence a company's international expansion decisions. Investors might prioritize profitability or sustainable practices, impacting the company's choices in foreign markets.

(*) Macro Environments :-

The macro environment encompasses broader factors that impact multiple industries and have far-reaching effects on the global business landscape. These factors are often beyond a company's control but can shape its overall operating environment.

- Examples :-

→ Political factors :-
Political stability, trade regulations, and government policies can significantly impact international business. For instance, trade tensions between the United States and China have led companies to reassess their supply chain strategies.

→ Economic factors :-
Economic indicators, such as exchange rates, inflation, and GDP growth, affect a company's profitability and pricing decisions. Fluctuations in exchange rates can impact export-import dynamics.

→ Social and Cultural factors :-

Social norms, cultural preferences, and demographics influence product demand and marketing strategies. Companies like Coca-Cola tailor their advertising campaigns to resonate with local cultural values.

→ Technological factors :-

Technological advancements drive innovation and influence how business is conducted globally. The rise of e-commerce has transformed international retail, enabling companies like Amazon to reach customers worldwide.

→ Environmental factors :-

Environmental concerns and sustainability considerations shape consumer attitudes and regulatory frameworks. Companies in industries such as fashion and automotive must address environmental issues in their operations.

→ Legal factors :-

Laws and regulations, including intellectual property rights, trade agreements, and labor laws, vary across countries and impact business operations. Companies must navigate these legal complexities to avoid legal disputes and compliance issues

In summary, the international business environment comprises both micro and macro factors that affect a company's operations and strategies on a global scale. The micro environment focuses on immediate interactions with stake holders within the industry, while the macro environment considers broader external forces that influence the entire global business landscape. A comprehensive understanding of these environments is essential for companies to make informed decisions and thrive in the complex and dynamic inter national market place

DELTA Pg No.
Date / /

(b) What is political risk? Discuss the major types of political risk with examples.

ANS ⟹ Political Risk :-

- Political risk refers to the potential for political actions, events, or instability in a foreign country to negatively impact the business operations and investments of multinational corporations.

□ Major Types of political Risk :-

* Regulatary and legal risk :-

- Regulatary and legal risks stem from changes in laws, regulations, and policies that affect business operations. These changes can impact industries, market, and trade practices. An example is when the European union introduced stricter emissions standards for automobiles, leading car manufacturers to adapt their production processes to meet the new regulations.

* Expropriation and Nationalization:-

Expropriation occurs when a government seizes or takes control of a company's assets, often without fair compensation. Such actions can lead to significant financial losses for foreign investors. For example, in the early 20th century, Mexico nationalized its oil industry, affecting foreign oil companies operations in the country.

* Political Violence and Civil Unrest:-

Political violence, including riots, protests, and civil unrest, can disrupt operations, supply chains, and employee safety. The Arab Spring Uprising in several Middle Eastern Countries in 2011 led to widespread disruptions, affecting industries from tourism to telecommunications.

DELTA Pg No.
Date / /

* Currency and Repatriation Risk :-

Currency and Repatriation risks arise when governments impose restrictions on the movement of capital as currency conversion. This can hinder the ability of foreign companies to repatriate profits or access their invested funds.

* Breach of Contracts and Rule of Law :-

Changes in the legal environment can impact contract enforcement and the rule of law. If contracts are not honored due to political influences, businesses can suffer financial losses and damaged reputations. In Russia, there have been instances where foreign companies faced difficulties in enforcing contracts due to inconsistent legal interpretations and practices.

* Political Instability and Unpredictability :-

DELTA Pg No.
Date / /

Rapid changes in government leadership, policies, and political stability can create uncertainty for business frequent changes in government can lead to inconsistent policies and regulatory environments.

* Corruption and Bribery :-

High level of corruption and bribery in a country can create operational challenges for companies and hinder fair competition. Companies may be required to engage in unethical practices to navigate the local business environment

Understanding and managing risks through risk assessment, contingency planning, and strategic decision-making are essential for businesses to navigate the complexities of the global political landscape.

Qu-2 (a) Explain Various theories explaining

DELTA Pg No.
Date / /

emergence of TNCs in the world economy.

ANS:- The emergence of Transnational Corporations (TNCs) in the world economy can be attributed to a variety of economic and technological factors.

* Internalization Theory:-
The internalization theory, often associated with economist Stephen Hymer, suggests that TNCs arise as a response to market imperfections and transactions costs in the global business environment. By integrating various stages of production and distributions, TNCs aim to optimize efficiency and reduce uncertainty.

* Strategic Behavior Theory:-
Strategic behavior suggests that TNCs engage in international expansion to gain a competitive advantage over rivals and

secure their market position.

TNCs play a significant role in shaping the global business environment by leveraging their resources, technology, and networks to optimize production, adopt to market changes, and gain a competitive edge.

(b) Highlight the main advantages and disadvantages of TNCs operations for the host country and the investing country.

ANS:- Advantages of TNCs operations for HOST Countries :-

•) Economic Growth and Development :- TNCs can contribute significantly to the economic growth of host countries by investing in new industries, creating jobs, and stimulating local demand. This presence can lead to increased GDP, higher income levels, and improved living standards.

* Cultural and management challenges :- Managing operations in diverse cultural settings requires adaptability and cultural sensitivity, which can be challenging for TNCs.

Balancing these advantages and disadvantages requires careful consideration of the social, economic and environmental implications of TNCs operations on both sides.

Qu. 3 Comment on the following :-

(a) Tariff barriers are not the only instrument to restrict trade and give protection to the domestic import competing industry.

ANS :- Tariff barriers are indeed a common tool used by governments to restrict trade and domestic goods.

Some of these instruments include:-

Non-Tariff Barriers (NTBs):-

• NTBs encompass a wide range of trade-restrictive measures that do not involve the direct imposition of tariffs.

Legality of object:-

The object of the contract must be lawful. Contracts that involve illegal activities are not enforceable.

• Therefore, while all contracts are agreements, not all agreements rise to the level of contracts under the law.

(c) Indian foreign trade policy does not facilitate the import of technology.

ANS:- The Indian foreign trade policy does

does indeed facilitate the import of technology, albeit with certain regulations and considerations in place.

Technology Collaboration :-

Indian foreign trade policy allows for technology collaboration and joint ventures between Indian and foreign companies.

Compulsory Licensing and local manufacturing :-

In some cases, the government may impose compulsory licensing or require foreign companies to engage in contributes to domestic production.

The balance between technology import and domestic innovation is a crucial aspect of India's approach to technological development.

d) In the neoclassical model free trade not only equalises the relative commodity price in the two countries but also equalises the relative wage rate.

Ans :- The statement that "In the neoclassical model, free trade not only equalizes the relative commodity price in the two countries but also equalizes the relative wage rate"

Equalization of Relative Commodity Prices :-

The neoclassical trade theory, often associated with the theory of comparative advantage of the same Good in another country due to market forces.

Skills and Education :-

Differences in human Capital, education levels, and skill distribution can lead to variation in wage rates, even in the context of free trade.

In summary, the neoclassical model, emphasizes the equalization of relative commodity, labour market, technology, and industrial factors.

Qu-4 Distinguish between:

(a) Custom union and Common market.

- Customs Union:-

A custom union is a form of economic with shared rules and regulations for goods crossing their borders.

Key characteristics of a customs union:-

☒ Internal Traiff Elimination:-
Member Countries eliminate tariffs and quotas on goods traded among themselves, promoting the free flow of goods within the customers unions of union.

* Examples of Common Markets :-

• European Economic Area (EEA) consists of the European Union (EU) member states and several non-EU.

• Both customs unions and common markets represent stages of economic integration that enhance trade and economic cooperation among the participating nations.

(D) GATT and WTO

General Agreement on Tariffs and Trade (GATT) :-

• The General Agreement on Tariffs and Trade (GATT) was an international treaty established in 1947 to promote and trade its signatory countries.

Tariff reduction :-

GATT aimed to reduce tariffs and other trade barriers through a series of negotiations known as "rounds".

Special and Differential Treatment :-

The WTO recognizes the need for developing countries to have flexibility and provides them with special and differential treatment obligations and offering technical assistance.

(c) Export sales Contract and Domestic sales contract.

ANS:- Export Sales Contract :-

An export sales contract is a legally binding agreement between a seller and a buyer of goods or services.

Key Elements of an Export Sales Contract :-

Parties involved :-

The contract should

a series of negotiations known as "rounds".

Special and Differential treatment :-

The WTO recognizes the need for developing countries to have flexibility and provides them with special and differential treatment obligations and offering technical assistance.

(c) Export sales Contract and Domestic sales contract -

ANS:- Export Sales Contract :-

An export sales contract is a legally binding agreement between a seller and a buyer of goods or services.

Key Elements of an Export Sales Contract :-

Parties involved :-

The contract should

DELTA Pg No.
Date / /

celerly and legal identities

* Risk and Title transfer :-
Similar to an export sales contract, seller to the buyer and when title to the goods transfers.

(ii) Express Contract and Implied Contract

- Express Contract :-
Express contracts are and legal agrements.

Key characterstics of an Express Contract!

- Examples of Implied Contracts :-

- A person hires a plumber of a fix a leaking pipe. will provide the services | and the client will compensate them.

Qu-5 Write short notes on the following:-

DELTA Pg No.
Date / /

a) Porter's view of Globalization

ANS:- Michael Porter, a renowned economist and professor at Harward Business School, offers a distinctive view and economic development.

Globalization from porter's perspective

ANS:- From porter's viewpoint globalization is not solely about reducing barriers to trade and promoting the flow of goods across borders. This approach focusses on improving the business to environment, fostering innovation, and creating a favourable ecosystem for industries to thrive.

(b) Hosmer's model for ethical analysis.

ANS:- Hosmer's model for Ethical Analysis developed by James T. Hosmer, provides a systematic framework a particular situation.

DELTA Pg No.
Date / /

(c) Role of services in economic development.

Ans:- Here are are some key points of the role of services in economic development.

Inclusive Growth :-
Services can contribute to inclusive growth by providing opportunities for women, and retail often create jobs accessible to a wide range of individuals.

(d) Sales of goods Act, 1930

Ans:- The sale of Goods of Act, goods and related transactions.

Key provisions of the Sale of Goods Act, 1930:-

Definition of sale of Goods :-
The act

defines a "contract of sale" of goods to the buyer for a price.

Consumer protection :-

The act, through various provisions, offers protection to consumers against unfair trade practices and defective goods.

* * * *