

International Business Management



Venika Sharma

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AADI BOOKS
Delhi-110 007

© Publisher

Title : International Business Management

Author : Venika Sharma

Edition : 2023

ISBN : 978-93-92918-10-0

Price : ₹ 3300.00

Published by :

AADI BOOKS

39/18, Shakti Nagar,

Delhi-110 007

Printed by :

In-house (Self)

Delhi-110 007

Contents

<i>Preface</i>	(iii)
1. Introduction to International Business Environment	1
Economic Environment; Definitions of Business Environment; Concept of Business Environment; Factors Affecting Business Environment; Relevance of Business Environment Concept; Economic Environmental Scanning; Political and Regulatory Environment; The Political Environment Concept in Marketing; Political Environment of International Business; Demographic Environment; The Demographic and Technological Environment in Marketing; Macro Environment in Marketing; The Demographic Environment of Business; Social, Cultural and Technological Environment; The Social and Cultural Environment in Marketing; Socio-Technical Approach Influence Sustainability	
2. International Economic Environment and Management	45
Regional Integration and Trade Blocks; Trading Blocks Concept in International Economics; Regional Economic Integration; European Union; Transformation of the European Union from a Political and Economic Union to a Monetary Union; European Economic and Monetary Union (EMU); Regional Groupings; Integration of Developing Countries; Common Characteristics; The Role of the International Organisms in the Globalization Process; SAARC; Secretariat; SAARC Disaster Management Centre; Political Issues; South Asian Free Trade Area; SAARC Visa Exemption Scheme; SAPTA; SAFTA; Instruments; Trade Liberalisation Programme; Sensitive List; Misuse of the SAFTA; International Commodity Agreements; International Commodity Exchanges; Commodity Price Stabilization in International Business; International Coffee Agreement; International Tropical Timber Agreement; Quota Agreements; Trade Protectionism in International Business; Working of International Monetary Fund (IMF); Cartels; Inflation: Meaning, causes, and Effects; Bi-lateral and Multi Lateral Contracts; The Potential Impact of Multilateral Framework on	

Investments (MFIs); Economic Institutions; Different Types of Economic System; Types of Economic Systems; International Monetary Funds (IMF); International Financial Institutions: International Monetary Fund (IMF); World Bank; The World Bank or the International Bank for Reconstruction and Development (IBRD); Asian Development Bank; UNCTAD; UNIDO; International Trade Centre; International Trade and Investment; WTO; GATT; GATS; TRIPS

- 3. International Trade and Investment Theory** 167
- Historical Developments of Modern Trade Theory; Country Similarity Theory of International Trade; International Trade Theories – Absolute, Comparative and Competitive Advantage; Investment Theories; Concept of Investment; Definition and Features of Investment; Perceptions of Investment; Theories of International Investments; Theory of Capital Movements; Importance of Capital Controls in Economic Policy; Determinants of Capital Structure; Market Imperfections; Causes of Market Failure; Market Failure Recovery; Price Discrimination; Internationalisation; Methods of Internationalization; Internationalization Strategy Selection; Appropriability; Concept of Core Competence; Analysis of Resource Based View of Strategy; Location Specific Advantage; Site Selection; Location-based Service; Location Industry; Locating Methods
- 4. International Trade and Payments Management** 212
- Trade in Merchandise; Concepts of Merchandising and Merchandise Planning in Retail; Growth Potential of Retail Trading Areas; Trade in Services; Gains from International Trade and Investment; Global Sourcing; Global Supply Chain Drivers; Global versus Domestic Supply Chains; Demand Management; Degree of Dependence; Trade Theory of Independence, Interdependence and Dependence; Balance of Payments; Purpose of Balance of Payments; Balance of Payments Accounts; Balance of Payments Always Balances; The Current Account Component in Balance of Payments (BoP); Use of Current Account; Trade and BOP of India; Mercantilism; Exchange Rate Regime; Components; Imbalances; Balancing Mechanisms; Post-Washington Consensus Developments; Economic Policy and the Balance of Payment
- 5. International Investments and MNCs** 249
- Types and Significance of Foreign Investments; Foreign Direct Investment: Indian Scenario; Foreign Direct Investment and the Business Environment; Factors Affecting International Investment; Reasons for the Increased Foreign Direct Investments; Cross Border Mergers and Acquisitions; Factors to Consider in a Cross-border Merger or

(vii)

Acquisition; Different Types of Mergers; Foreign Investment in India; Foreign Direct Investment in Indian Banking Sector; EURO/ADR Issues; International Equity Investments – Euro Equities; Global Depositary Receipts (GDR's); Indian Companies Going Global; Successful Indian Start-ups; 'BIG' Investments in Indian Start-ups; Case Study on MNC's Marketing Strategies: In India, it's a Brand New Way; Importance and Dominance of MNCs; Stages in the Development of a Multinational Corporation; Globalization and Growth of Multinational Corporations; Code of Conduct; Organizations have a Code of Ethics; Meaning of Business Ethics; Business Ethics and Organizations; Importance of Business Ethics; Transfer of Technology; Technology Transfer in International Business; Issues of International Technology Transfers; Global Competitiveness; The Country and Company Competitiveness; Global Company Competitiveness Analysis; Indicators of Competitiveness; Theories of Competitive Advantage; Competitive Strategies for Business

Bibliography

317

Index

319

1

Introduction to International Business Environment

ECONOMIC ENVIRONMENT

All living creatures including human beings live within an environment. Apart from the natural environment, environment of humans include family, friends peers and neighbours. It also includes man-made structures such as buildings, furniture, roads and other physical infrastructure. The individuals do not live in a vacuum. They continuously interact with their environment to live their lives. Just like human beings, business also does not function in an isolated vacuum. Businesses function within a whole gambit of relevant environment and have to negotiate their way through it. The extent to which the business thrives depends on the manner in which it interacts with its environment. A business, which continually remains passive to the relevant changes in the environment, is destined to gradually fade-away in oblivion. To be successful business has not only recognize different elements of the environment but also respect, adapt to or have to manage and influence them. The business must continuously monitor and adapt to the environment if it is to survive and prosper. Disturbances in the environment may spell extreme threats or open up new opportunities for the firm. A successful business has to identify, appraise, and respond to the various opportunities and threats in its environment. As stated above, the success of every business depends on adapting itself to the environment within which it functions. For example, when there is a change in the government policies, the business has to make the necessary changes to adapt itself to the new policies. Similarly, a change in the technology may render the existing products obsolete, as we have seen that the introduction of computer has replaced the typewriters; the colour television has made the black and white television out of fashion. Again a change in the fashion or customers' taste may shift the demand in the market for a particular product, *e.g.*, the demand for jeans reduced the sale of other traditional wear. All these aspects are external factors that are beyond the