# Master of business administration flashcard

Points of discussion with this topic may include cultural considerations, which itself may include differences in law and legal system, language barriers, living standards, climate and more. These have to be overcome for a NC to be successful In an overseas venture A form of company in international business is an BBC. An BBC (international business corporation) is a form of offshore company. Bibs include banks, insurance companies, and trading firms. Well known examples of Macs include fasted companies McDonald's and Yum Brands, vehicle manufacturers like General Motors and Toyota, consumer electronics companies Like LOG, Sony, Siemens A.

G. ND General Electric. Macs generally have a subsidiary or an Interest over a company In the country of venture. One of the results on the increasing success of International Business ventures is The international environment is very important today. Globalization, the process whereby businesses develop worldwide brands and products which they supply across the world, and in which they employ labor in many different countries, has transformed business relations.

The international environment is the interaction between (1) the domestic environmental forces and the foreign environmental forces and (2) the foreign environmental forces of one country and those of another country. According to Porter, the international environment is characterized by the following trends: * Reduction in the differences among countries. The economic differences among developed and newly developed countries sees to be narrowing in areas like income, factor costs, energy costs, marketing practices, and distribution channels. * More aggressive industrial policies.

Governments like Japan, South Korea, and West Germany are taking aggressive postures to stimulate industry in carefully selected sectors. This policy is giving firms in such countries the support to make bold moves into new markets. * National recognition and protecting distinctive assets. The proactive exploitation of such distinctive assets as natural resources (e. G. , oil, copper, tin, rubber) by governments is a reflection of changing philosophy toward industrial policy. This trend has potentially fundamental implications for world competition. * Freer flow of technology.

The increased flow of technology from country to country tends to promote more global competition. * Gradual emergence of new large-scale markets. China, Russia, and possibly India may ultimately emerge as huge markets in the future. Thus, gaining access to these markets may well become a crucial strategic variable in the future. * Competition from newly developing countries. Developing countries are increasingly well prepared to make major capital investments in large-scale facilities, aggressively to seek to buy or license the latest technology, aggressively to take enormous risk.

The net result of these changing currents has been to make the international arena a fiercely competitive marketplace in which the standards of competitive success have seen dramatically in the last few decades. There have been some cross-currents that have made the pattern of international competition very complex and different from earlier competitive strategies of the asses. These cross-currents rare: Eroding types of comparative advantage. New forms of protectionism. New types of government inducement Proliferating coalitions among firms from different countries.

Rowing ability to tailor to local conditions Because of the currents and cross-currents, many more firms have become international in their strategies and operations. The recent strategies revolve around several themes described by Porter: There is no one pattern of international competition nor one type of global strategy. The globalization of competition has become the rule rather than the exception by 1986. The nature of international competition has changed markedly in the last two decades. Implementing a global approach to strategy requires a difficult organizational reorientation for many firms.

The international environment consists off: competitors the economic system the social system the monetary system the political/legal system the environmental system. Competitors' actions affect the ability of the business to make profits, because competitors will continually seek to gain an advantage over each other, by differentiating their product and service, and by seeking to provide better value for money. The economic system is the organization of the economy to allocate scarce resources. The economy tends to go through periods of faster and slower growth.

Businesses prosper when the economy is booming and living standards are rising. The social system is the fabric of ideas, attitudes and behavior patterns that are involved in human relationships. In particular businesses are influenced by consumer attitudes and behaviors which depend on such factors as the age structure of the population, and the nature of work and leisure. Around earning, spending, saving and borrowing. Money has been likened to the oil that lubricates the wheels of commerce. Monetary activity involves businesses in a web of relationships involving financial institutions

(e. . Banks and building societies), creditors, debtors, customers and suppliers. A key monetary influence for business is the interest rate. Higher interest rates increase business costs and act as break on spending in the economy. The political/legal system creates the rules and frameworks within which business operates. Government policy supports and encourages some business activities e. G. Enterprise, while discouraging others e. G the creation of pollution. The environmental system is the natural system in which life takes place.

Increasingly businesses have become aware of the relationship between their economic activity I. E. Making goods and services for profits and the effects that this has on the environmental system. International business differs from its domestic counterparts in that it involves three environments – domestic, foreign and international environments instead of one. While environmental forces can be similar in domestic and foreign environments their impact and values often differ creating ambiguity and making the impact of decisions difficult to assess.

These environments create an additional layer of complexity requiring business leaders to have a solid understanding of business concepts and techniques used both in home and host countries in which they operate. Better understanding of the environmental forces in the host country in which a business operates will allow business leaders to decide if a concept or quinine (1) can be transferred to another country as is, (2) must be adapted to local conditions, or (3) cannot be used altogether.

Differences between international environment and domestic environments Today, business is acknowledged to be international and there is a general expectation that this will continue for the foreseeable future. International business may be defined simply as business transactions that take place across national borders. This broad definition includes the very small firm that exports (or imports) a small quantity to only one country, as well as the very large global firm with integrated operations and strategic alliances around the world.

Within this broad array, distinctions are often made among different types of international firms, and these distinctions are helpful in understanding a firm's strategy, organization, and functional decisions (for example, its financial, administrative, marketing, human resource, or operations decisions). One distinction that can be helpful is the distinction between multi-domestic operations, with independent subsidiaries which act essentially as domestic firms, interconnected. These may be thought of as the two ends of a continuum, with many capabilities in between.

Firms are unlikely to be at one end of the continuum, though, as they often combining aspects of multi-domestic operations with aspects of global operations. Domestic and international enterprises, in both the public and private sectors, share the business objectives of functioning successfully to continue operations. Private enterprises seek to function profitably as well. Why, then, is international business different from domestic? The answer lies in the differences across borders.

Nation- states generally have unique government systems, laws and regulations, currencies, axes and duties, and so on, as well as different cultures and practices. An individual traveling from his home country to a foreign country needs to have the proper documents, to carry foreign currency, to be able to communicate in the foreign country, to be dressed appropriately, and so on. Doing business in a foreign country involves similar issues and is thus more complex than doing business at home. LITERATURE REVIEW A business does not function in a vacuum.

It has to act and react to what happens outside the factory and office walls. These factors that happen outside the business are known as external factors or influences. These will affect the main internal functions of the business and possibly the objectives of the business and its strategies. Main Factors The main factor that affects most business is the degree of competition – how fiercely other businesses compete with the products that another business makes. The other factors that can affect the business are: Social – how consumers, households and communities behave and their beliefs.

For instance, changes in attitude towards health, or a greater number of pensioners in a population. Legal – the way in which legislation in society affects the business. E. G. Changes in employment laws on working hours. Economic – how the economy affects a business in terms of taxation, government spending, general demand, interest rates, exchange rates and European and global economic factors. Political – how changes in government policy might affect the business e. G. A decision to subsidies building new houses in an area could be good for a local brick works.

Technological – how the rapid pace of change in production processes and product innovation affect a business. Ethical – what is regarded as morally right or wrong for a business to do. For instance should it trade with countries which have a poor record on human rights. Changing External Environment Markets are changing all the time. It does depend on the type of product the business produces, however a business needs to react or lose customers. Some of the main reasons why markets change rapidly: Customers develop new needs and wants. New competitors enter a market.

New technologies mean that new products can be made. A world or countrywide event happens e. G. Gulf War or foot and mouth disease. Competition Though a business does not want competition from other businesses, inevitably most ill face a degree of competition. The amount and type of competition depends on the market the business operates in: Many small rival businesses – e. G. A shopping mall or city centre arcade – close rivalry. A few large rival firms – e. G. Washing powder or Coke and Pepsi. A rapidly changing market – e. G. Where the technology is being developed very quickly – the mobile phone market.

A business could react to an increase in competition (e. G. A launch of rival product) in the following ways: Cut prices (but can reduce profits) Improve quality (but increases costs) Spend more on promotion (e. G. O more advertising, increase brand loyalty; but costs money) Cut costs, e. G. Use cheaper materials, make some workers redundant Political Environments Each country varies regarding international trade and relocation of foreign plants on its native soil. Some countries openly court foreign companies and encourage them to invest in their country by offering reduced taxes or some other investment incentives.

Other countries impose strict regulations that can cause large companies to leave and open a plant in a country that provides more favorable operating conditions. When a company decides to conduct business in another country, it hold also consider the political stability of the host country's government. Unstable leadership can create significant problems in recouping profits if the government falls of the host country and/or changes its policy towards foreign trade and investment. Political instability is often caused by severe economic conditions that result in civil unrest.

Another key aspect of international trade is paying for a product in a foreign currency. This practice can create potential problems for a company, since any currency is subject to price fluctuation. A company could lose money if the alee of the foreign currency is reduced before it can be exchanged into the desired currency. Another issue regarding currency is that some nations do not have the necessary cash. Instead, they engage in counter trade, which involves the direct or indirect exchange of goods for other goods instead of for cash.

Counter trade follows the same principles as bartering, a practice that stretches back into prehistory. A car company might trade new cars to a foreign government in exchange for high-quality steel that would be more costly to buy on the open market. The company can then use the steel to produce new cars for sale. In a more extreme case, some countries do not want to engage in free trade with other nations, a choice known as selfsufficiency. There are many reasons for this choice, but the most important is the existence of strong political beliefs.

For example, the former Soviet Union and its communist allies traded only with each other because the Soviet Union feared that Western countries would attempt to control their governments through trade. Self- sufficiency allowed the Soviet Union and its allies to avoid that possibility. However, these self-imposed trade restrictions created a shortage of products that could not e produced among the group, making the overall quality of life within the Soviet bloc substantially lower than in the West since consumer demand could not be met.

When the Berlin Wall came down, trade with the West was resumed, and the Responsibility Social change is when the people in the community adjust their attitudes to way they live. Businesses will need to adjust their products to meet these changes, e. G. Taking sugar out of children's drinks, because parents feel their children are having too much sugar in their diets. The business also needs to be aware of their social responsibilities. These are the way they act towards the different parts of society that they come into contact with.

Legislation covers a number of the areas of responsibility that a business has with its customers, employees and other businesses. It is also important to consider the effects a business can have on the local community. These are known as the social benefits and social costs. A social benefit is where a business action leads to benefits above and beyond the direct benefits to the business and/or customer. For example, the building of an attractive new factory provides employment opportunities to the local community.

A social cost is where the action has the reverse effect – there are costs imposed on the rest of society, for instance pollution. These extra benefits and costs are distinguished from the private benefits and costs directly attributable to the business. These extra cost and benefits are known as externalities – external costs and benefits. Governments encourage social benefits through the use of subsidies and grants (e. G. Regional assistance for undeveloped areas). They also discourage social costs with fines, taxes and legislation. Political Environment shortage of products was reduced or eliminated. Economic Environment

An important factor influencing international trade is taxes. Of the different taxes that can be applied to imported goods, the most common is a tariff, which is generally defined as an excise tax imposed on imported goods. A country can have several reasons for imposing a tariff. For example, a revenue tariff may be applied to an imported product that is also produced domestically. The primary reason for this type of tariff is to generate revenue that can be used later by the government for a variety of purposes. This tariff is normally set at a low level and is usually not considered a threat to international trade.

When domestic manufacturers in a particular industry are at a disadvantage, vise–vise imports, the government can impose what is called a protective tariff. This type of tariff is designed to make foreign products more expensive than domestic products and, as a result, protect domestic companies. A protective tariff is normally very popular with the affected domestic companies and their workers because they benefit most directly from it. In retaliation, a country that is affected by a protective tariff will frequently enact a tariff of its own on a product from the original tariff enacting country.

In 1930, for example, the U. S. Congress passed the Smooth-Hawley Tariff Act, which provided the means for placing protective tariffs on imports. The United States imposed this protective tariff on a wide variety of products in an attempt to help protect domestic producers from foreign competition. This legislation was very popular in the United States, because the Great Depression had Just begun, and the tariff was seen as helping U. S. Workers. However, the tariff caused immediate retaliation by other countries, which immediately imposed protective tariffs of their own on U. S. Products.

As a result of hose protective tariffs, world trade was severely reduced for nearly all countries, causing the wealth of each affected nation to drop, and increasing unemployment in most countries. Realizing that the 1930 tariffs were a mistake, Congress took corrective action by passing the Reciprocal Trade Agreements Act of 1934, which empowered the president to reduce tariffs by 50 percent on goods from any other country that would agree to similar tariff reductions. The goal was to promote more international trade and help establish more cooperation among exporting countries.

Another form of a trade barrier that a country can employ to protect domestic hat a foreign country can export to the quota-enacting country. A government can also use a annotation barrier to help protect domestic companies. A annotation barrier usually refers to government requirements for licenses, permits, or significant amounts of paperwork in order to allow imports into its country. Cultural Environment Before a corporation begins exporting products to other countries, it must first examine the norms, taboos, and values of those countries.

This information can be critical to the successful introduction of a product into a particular country and will influence how it is sold and/or marketed. Such information can prevent cultural blunders, such as the one General Motors committed when trying to sell its Chevy Nova in Spanish-speaking countries. Nova, in Spanish, means “ doesn’t go”? and few people would purchase a car named “ doesn’t go. ” This marketing error? resulting simply from ignorance of the Spanish language? cost General Motors millions in initial sales? as well as considerable embarrassment.

Business professionals also need to be aware of foreign customs regarding standard business practices. For example, people from some countries like to sit or stand very close when conducting equines. In contrast, people from other countries want to maintain a spatial distance between them and the people with whom they are conducting business. Thus, before business-people travel overseas, they must be given training on how to conduct business in the country to which they are traveling. Business professionals also run into another practice that occurs in some countries? bribery.

The practice of bribery is common in several countries and is considered a normal business practice. If the bribe is not paid to a businessperson from a country where bribery is expected, a orientations is unlikely to occur. Laws in some countries prohibit businesspeople from paying or accepting bribes. As a result, navigating this legal and cultural thicket must be done very carefully in order to maintain full compliance with the law. Physical Other factors that influence international trading activities are related to the physical environment.

Natural physical features, such as mountains and rivers, and human- made structures, such as bridges and roads, can have an impact on international trading activities. For example, a large number of potential customers may live in a entry where natural physical barriers, such as mountains and rivers, make getting the product to market nearly impossible. Marks & Spencer As an organization develops, it creates working practices within the business that reflect its way of doing things. These practices become embedded in decisions and operations.

The way of doing things guides and influences employees as they carry out their work. However, when organizations develop a new business strategy this creates a process of change. This leads to different ways of working. Company background With more than 120 years of heritage, Marks & Spencer is one of the best-known British retailers. The company has more than 450 stores within the UK and employs more than 65, 000 people. It also operates outside the I-J where it has a developing business in places as far field as Hong Kong.

In recent years, the Auk’s retailing industry has been characterized by intense competition. Customers are more aware of where and how they want to shop. They also know what sort of shopping experience they require. This has made it much more difficult for retailers to survive. Facing the challenges The result was that Marks & Spencer had to develop a new business strategy. This created a period of change for the whole organization. The period of change involved refocusing the business upon the basics.

This included the three business values of Quality, Value, and Service. Marks & Spencer developed a promotional campaign that emphasized ‘ Your M’. This helped the company to connect customers with the heritage in the business. It also linked the business in the minds of customers with its two other values of Innovation and Trust. The process involved three key features: developing products that customers wanted investing in the environment within stores roving good customer service to look after customers.

These changes have created a business environment with more challenges for employees. Managers had to prepare employees for whatever role they would be asked to undertake in this new environment. The answer was to develop career paths for the employees. This case study looks at the processes of training and development at Marks & Spencer. It shows how this helped employees to cope with the challenges they faced and created a career path for them.