

**University Center Abdelhafid Boussouf-Mila**

**Faculty of Economics, Commercial &**

**Management Sciences**

**Lecture two: International business management**



**Addressed To master one Students-Semester 1**

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**Academic Year 2024-2025**

## **What is International Business?**

International business refers to commercial activities that involve the exchange of goods, services, or resources between countries. It can include everything from trade, investment, and outsourcing to cross-border partnerships.

International business management, therefore, involves overseeing and coordinating business activities that span multiple countries, addressing the complexities that arise from cultural, economic, political, and legal differences between nations.

## **2. The Global Business Environment**

To understand international business management, you must first recognize the global business environment, which consists of:

### **Economic Environment:**

- Economic systems differ globally (e.g., market economy, mixed economy, and planned economy).
- Currency exchange rates, inflation, and the overall economic stability of a country affect international business.

### **Political Environment:**

- Government policies, trade agreements, and political stability are key factors.
- Different forms of government (democracies, monarchies, authoritarian regimes) can influence business decisions.

### **Legal Environment:**

- Laws relating to trade, intellectual property, taxation, and corporate governance vary between countries.
- International regulations, such as tariffs and trade restrictions, can impact the cost and ease of doing business across borders.

### **Cultural Environment:**

- Understanding different cultural values and business practices is crucial. For example, the concept of time, negotiation styles, and communication methods can vary greatly.
- Ethical standards, social expectations, and local customs influence business operations.

### **Technological Environment:**

- Advancements in technology, including communication, transportation, and production methods, play a significant role in global business.
- The digital era has facilitated the rise of e-commerce and virtual teams across borders.

### **3. International Business Strategies**

Businesses need to develop strategies to operate effectively in the international arena. These strategies depend on factors like the company's goals, the industry, and the markets they serve.

### **Types of International Business Strategies:**

#### **Exporting:**

- Selling domestically produced goods or services to customers in other countries. This is one of the simplest ways for businesses to enter international markets.

#### **Licensing and Franchising:**

- Licensing allows a foreign company to use a brand's intellectual property (e.g., patents, trademarks).
- Franchising is a business model where a company allows others in foreign markets to operate using its brand, business model, and support systems.

#### **Joint Ventures and Strategic Alliances:**

- These are partnerships between a company and a foreign business to share resources, technology, and expertise in order to enter a new market or develop new products.

#### **Direct Investment (FDI):**

- Establishing a physical presence in a foreign market by setting up subsidiaries or branches. This strategy involves significant investment and risk but offers greater control and potential for long-term profits.

#### **Global Standardization vs. Localization:**

- **Global Standardization:** Offering the same product or service worldwide with minimal adaptations.

- **Localization:** Tailoring the product or service to meet the needs of individual markets (e.g., McDonald's adapting menus in different countries).

## **4. Challenges in International Business Management**

Managing a global business comes with numerous challenges:

### **Cultural Differences:**

Misunderstandings due to language barriers, different negotiation styles, and distinct ways of conducting business can complicate operations. For example, while direct communication is valued in some cultures, others may prefer a more indirect approach.

### **Economic Risk:**

Variations in economic conditions (recessions, inflation, exchange rate fluctuations) can impact profitability. A strong U.S. dollar, for instance, may reduce a company's competitiveness in foreign markets.

### **Political and Legal Risk:**

Changes in government policies (e.g., tariffs, trade restrictions, or expropriation) can pose serious threats. Businesses must navigate complex legal frameworks in each country they operate in, and changes in laws can affect operations.

### **Supply Chain Management:**

Global supply chains involve complex logistics, including transportation, customs, and inventory management. Disruptions due to natural disasters, political instability, or pandemics (like COVID-19) can have a far-reaching impact.

### **Ethical Issues:**

Companies often face ethical dilemmas when operating in countries with weaker labor laws or environmental regulations. For example, issues like child labor or pollution may arise in certain markets.

## **5. International Business Management Functions**

Managing international business involves several key functions that must be adapted to the global environment:

### **Marketing:**

Developing a marketing strategy that accounts for local tastes, cultural preferences, and market conditions. This can involve product modifications, pricing strategies, and promotional techniques.

### **Human Resources (HR):**

Managing employees across different countries requires knowledge of local labor laws, cultural norms, and compensation structures. Companies must also decide whether to hire local employees or relocate expatriates.

### **Finance and Accounting:**

Managing foreign exchange risks, understanding international tax laws, and reporting financial results in compliance with global accounting standards (e.g., IFRS vs. GAAP).

### **Operations:**

Overseeing the production, distribution, and logistics of goods across borders. This requires understanding the local infrastructure and supply chain complexities.

### **Legal and Compliance:**

Ensuring compliance with local and international regulations and protecting intellectual property across multiple jurisdictions.

## **6. Global Leadership and Management Styles**

Effective leadership is crucial in managing international business. Leaders must adapt their management style to fit the cultural context of each market.

**Ethnocentric Leadership:** A belief that the home country's practices are superior and should be applied in all international markets.

**Polycentric Leadership:** Adapting leadership practices to fit local cultures and markets.

**Geocentric Leadership:** Taking a global perspective and combining the best practices from multiple cultures to manage teams effectively.

## Discussion Questions:

What factors should a company consider when deciding whether to expand into a new international market?

How can cultural differences impact marketing strategies in international business?

What are the advantages and disadvantages of direct investment (FDI) compared to licensing

## Terminology

- International Business – الأعمال الدولية
- Globalization – العولمة
- Foreign Direct Investment (FDI) – الاستثمار المباشر الأجنبي
- Licensing – الترخيص
- Franchising – الامتياز التجاري
- Joint Venture – المشروع المشترك
- Cultural Differences – الفروقات الثقافية
- Exchange Rate – سعر الصرف
- Supply Chain – سلسلة التوريد
- Trade Barriers – الحواجز التجارية
- Global Marketing – التسويق العالمي
- Tariffs – التعريفات الجمركية
- Cross-Cultural Management – إدارة عبر الثقافات
- Political Risk – المخاطر السياسية
- Market Entry Strategy – استراتيجية دخول السوق
- Outsourcing – الاستعانة بمصادر خارجية
- Offshoring – نقل الأعمال إلى الخارج
- Exporting – التصدير
- Importing – الاستيراد
- International Trade Agreements – الاتفاقيات التجارية الدولية