

CONCEPT OF INTERNATIONAL BUSINESS ENVIRONMENT

B.COM LLB 6TH SEM

Subject – International Marketing

Institute of Law Jiwaji University, Gwalior

Date – 25/03/2020

Introduction

Developing a marketing strategy to compete effectively in the world market is one of the most critical challenges facing the firms today. Firms that market their products only in their home countries are influenced by the environmental forces operating in the domestic market only. However, in today's global economy, most corporations must anticipate and respond to opportunities and threats presented by forces in both the domestic environment and foreign environment. Whether the firm concentrates on a few markets close to home or target many markets throughout the world, a long run dynamic strategy must be formulated to provide the firm with a sustainable competitive advantage. Since no business firm can by itself, control the forces in international marketing environment, it must take the environmental factors as given and adapt its business strategy to suit the environmental factors.

Meaning

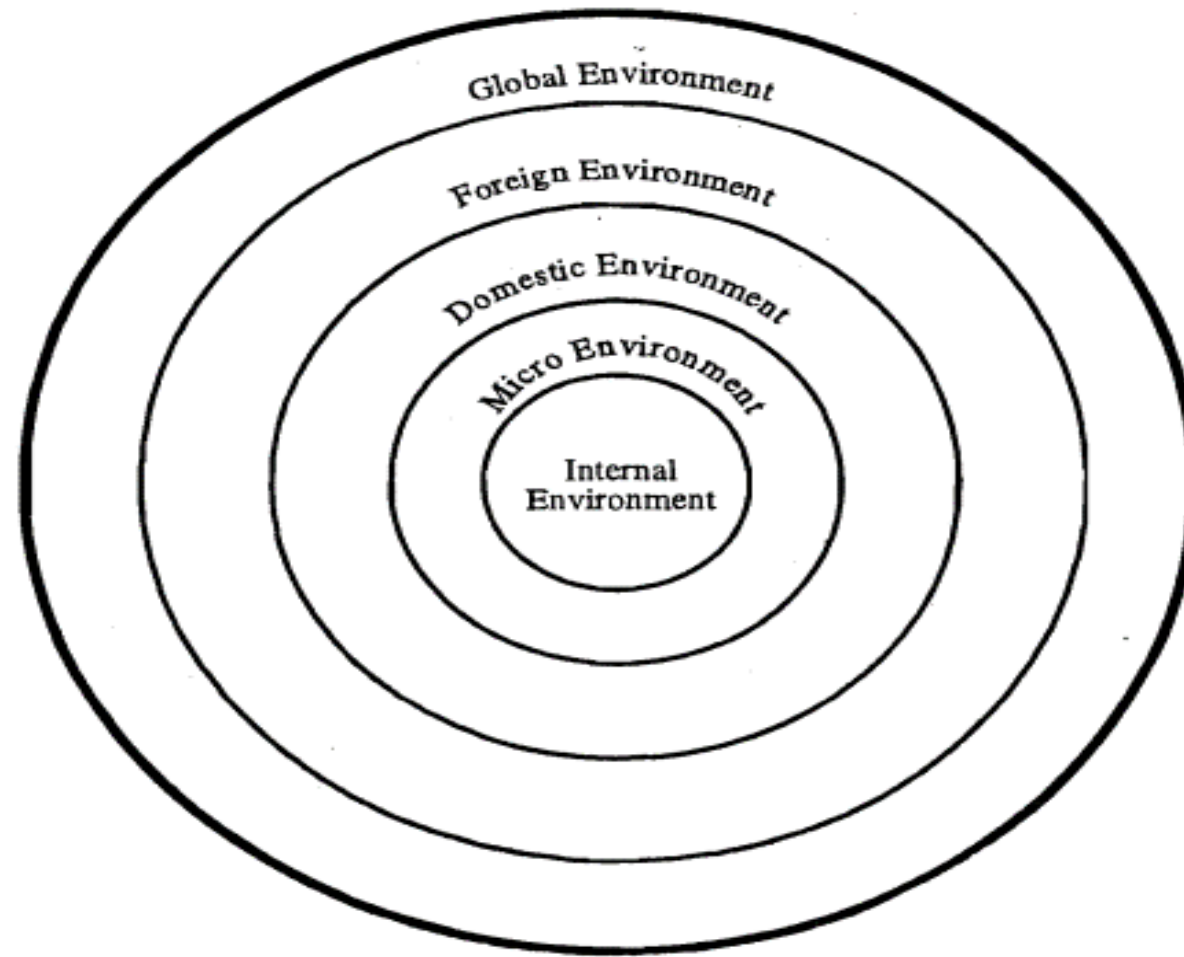
Environment refers to one's milieu or surrounding. In the context of a business firm, environment can be defined as various external factors and forces that surround the firm and influence its decisions and operations. The two major characteristics of the environment are:

(1) these factors and forces are external to the firm, and
(2) these are essentially uncontrollable. The firm, by itself, can do little to change them. It has rather to learn to live with them. Environmental factors are dynamic i.e., they continuously change over time.




One way of understanding the various elements constituting international business environment is to divide the elements into five broad groups.

- (1) internal environment,
- (2) micro environment,
- (3) domestic environment,
- (4) foreign environment, and
- (5) global environment.




Components of International Business Environment



In this diagram the innermost circle represents the firm's **internal environment**. It comprises the firm's business strategy and decisions with regard to production, finance, marketing, human resources and research activities. Since these strategies and decisions are entirely made by the firm, they are considered controllable elements. The firm can change them, but within the constraints of various environmental factors.

Micro environment can be defined as the factors in the firm's immediate environment which directly influence the firm's decisions and operations. These include: suppliers, various market intermediaries and service organizations such as middlemen, transporters, warehouses, advertising and marketing research agencies, business consulting firms and financial institutions, competitors, customers and the general public.




While the customer! constitute the firm's market, suppliers and market intermediaries help the firm with inputs and assist in production and marketing processes. Competitors and the general public also influence the way a firm conducts its business. The factors are semi controllable i.e., controllable to some extent.

The third circle represents **domestic environment** and it consists of factors such as competitive structure, economic climate and political and legal forces which are essentially uncontrollable by a firm. Besides having a profound effect on the firm's domestic business, these factors exert an influence on the firm's overseas market . operations. Lack of domestic demand or intense competition in the domestic market, for instance, have prompted many Indian firms to plunge into international business. Export promotion measures and incentives provided by the national government have been other motivating factors for the firms to internationalise their business operations.



The fourth circle represents **foreign environment** consisting of factors like geographic and economic conditions, socio-cultural traits, political and legal forces, and technological and ecological factors prevalent in a foreign country. Because of being operative in foreign market, firms are generally not very cognizant of these factors and their influence on business activities. The firm can neglect them only at the cost of losing business in the foreign markets. The problem gets more complicated with increase in the number of foreign markets in which firm operates. Differences exist not only between domestic and foreign environments, but also among the environments prevailing in different foreign markets. Because of environmental differences, business strategies that are successful in one nation might fail miserably in another country. Foreign market operations, therefore, require increased sensitivity to the environmental differences and adaptation of business strategies to suit the differing market situations.



The uppermost circle, viz., circle five, represents the **global environment**. Global environment transcends national boundaries and is not confined, in its impact, to just one country. Global environment exerts influence over domestic as well as foreign countries and comprises forces like world economic conditions, international financial system, international agreements and treaties and regional economic groupings. World-wide economic recession; international financial liquidity or stability; working of the international organizations such as


World 'trade Organisation (WTO)

International Monetary Fund(IMF)

World Bank and the United Nations Conference on trade and Development (UNCTAD)

Agreement on Textiles and Clothing (ATC)

Generalised System of References (GSP)



International Commodity Agreements; and initiative taken at regional levels such as

European Union (EU)

North American Free Trade Association (NAFTA)

Association of South East Asian Nations (ASEAN)

Some of the examples of global environmental forces having world-wide or regional influences on business operations.



THANK YOU !