ROLE OF INTERNATIONAL BUSINESS: A CONCEPTUAL FRAME WORK

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Abstract - In recent decades, globalization has changed the face of international business, bringing with it both possibilities and problems for companies that operate in a globalized market. Through a study of previous research and original sources, this work seeks to provide an empirical analysis on this subject. The study will look at how globalization has affected supply chain management, trade flows, foreign direct investment, and strategic decision-making, among other areas of international business. The impact of emerging economies on globalization and its ramifications for multinational firms will also be discussed in this presentation. The report will provide tips for businesses looking to navigate the intricate and dynamic environment of global.

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Key Words: International Business, Globalization, Export and Franchising

INTRODUCTION

Commercial operations that cross national boundaries are referred to as international business. It involves the transfer of commodities, services, money, technology, or knowledge between other nations and cultural contexts. In today's globalized world, international business is becoming more and more significant as businesses look to grow outside of their home markets to seize new possibilities or reduce the dangers associated with becoming overly dependent on a single market or economy. An overview of international business is given in the introduction that follows, including its background, essential ideas, difficulties, and advantages. The origins of international commerce can be found in the prehistoric era, when trade routes linked many cultures. For instance, the Silk Road made it easier for products to be traded between China and the Mediterranean region. European powers became significant participants in global trade during the Age of Discovery in the fifteenth century, as they created trading stations and colonies all over the world. The British Empire in particular, with its extensive network of colonies and economic links, had a major influence on the development of the current global economy.

The 20th century saw a rise in the number of multinational corporations (MNCs), or businesses that have operations in several nations. Multinational corporations (MNCs) like Nestle, Procter & Gamble, and Coca-Cola are well-known brands and have a big influence on regarding the world economy. International commerce expanded even faster in the late 20th century with the advent of globalization, which made it simpler for businesses to conduct cross-border operations thanks to developments in transportation and technology.

MODES OF ENTRY TO INTERNATIONAL BUSINESS

Businesses looking to expand into international markets must make difficult decisions on how best to enter a particular foreign market. Businesses that examine the decision-making variables might lessen the conundrum.

DECISION FACTORS

Following their decision to enter international markets, businesses must choose their entry strategy. By taking into account the following elements, this conundrum can be partially resolved:

- Ownership advantages
- Location advantages
- Internationalisation advantages

Ownership Advantages: Benefits created by a business due to its possession of resources are known as ownership advantages. The company has a competitive advantage over its rivals thanks to these perks. These benefits come in both material and immaterial forms.

Advantages of location: The corporation benefits from certain locational characteristics when its manufacturing facilities are situated in the host nation as opposed to the nation of origin. Among these locational factors are:

- Need,
- tastes, and
- preferences of the customer
- The logistical prerequisites
- Affordably acquired land;
- inexpensive labor;
- political stability;
- inexpensive raw supplies; and
- climate

Internationalisation advantages: Benefits that a corporation receives from producing goods or providing services in the host nation on its own as opposed to through agreements with other businesses in the nation are known as internationalization advantages.

1. EXPORTING

Exporting is the simplest and widely used mode of entering foreign markets. The advantages of exporting include:

Limited financial resources required: The company can enter the foreign market with little to no financial resources if it chooses a distributor in the host nation. As an alternative, the corporation must commit financial resources if it decides to distribute on its own; however, this sum would be significantly less than what would be required under other mores.

REDUCED RISK: As a corporation gradually gains an understanding of the host country's culture, client base, and market, exporting entails less risk. If the product finds a home in the host nation's market, the business can expand its presence there. This method was chosen by a British company to export jams to Japan. Exporting is motivated by both proactive and reactive factors. Opportunities that exist in the host nation are proactive motivators.

2. INTERNATIONAL LICENSING:

This entrance strategy involves domestic manufacturers leasing, for a price, the right to utilize their intellectual property, such as technology, work processes, patents, copy rights, band names, trademarks, etc. to a foreign manufacturer. In this instance, the local manufacturer is referred to as the "Licensor," while the foreign company is referred to as the "Licensee." The licensing procedure is depicted in the picture.

A common strategy for breaking into international markets is licensing. Using this approach to penetrate international markets is less expensive. Since the domestic company has already created intellectual property, it does not need to invest any money. As a result, the domestic business generates income without making any more investments. Therefore, the majority of businesses favour this kind of foreign.

3. INTERNATIONAL FRANCHISING:

One type of licensing is franchising. Compared to licensing, the franchisor has greater control over the franchisee. International franchising is expanding quickly.

When a business is franchised, it is run by an independent entity known as the franchisee, but it uses the name of another corporation known as the franchisor. The franchisee pays the franchisor a fee in accordance with this agreement. The following services are offered to the franchisee by the franchisor:

- Trade mark
- Operating systems
- Product reputations
- Continuous support systems like advertising, employee training, reservation services,
- Quality assurance programs etc.

5. TURNKEY PROJECT

A turnkey project is an agreement whereby a company undertakes to fully design, build, and equip a manufacturing, business, or service facility; once the project is operational, it is then turned over to the buyer in exchange for payment. Among the kinds of payment are:

- A fixed price, where the firm agrees to carry out the project at a lower cost.
- Cost-plus payment (all expenses incurred plus profit)

In 1974, the government of Indonesia called for international bids to build a sugar mill within the nation. The tenders from US, UK, French, German, and Japanese corporations were accepted by the Indonesian government. Out of all the companies, one Japanese company provided the highest quote.

The Indonesian government therefore looked over the quote. The development of the sugarcane fields, the raising of seedlings, the building of the sugar plant, the building of roads, the communication between the factory and the local market, the planning for the export of surplus sugar, etc. are all included in this price. Additionally, agreement included provisions for the factory's transfer, along with the entire package, to the Indonesian government and for the monitoring of its actions once it has done so.

The Indonesian government invited the Japanese company to carry out the project after being really pleased with the entire package. The Indonesian government and the Japanese corporation came to an arrangement for the Japanese company to carry out this project for a fee. "Turnkey Project" is the name of this project.

6. MERGERS AND ACQUISITIONS:

Through mergers and acquisitions, domestic businesses expand internationally. To enter the worldwide business world, a domestic company chooses a foreign company and combines with it. As an alternative, the local business might buy the foreign business and take over its ownership and management. Due of its instant access to global production and marketing networks, domestic businesses choose this method of expanding internationally. If not, the domestic company will have a difficult time breaking into foreign markets. For instance, Coca-Cola quickly entered the Indian market by purchasing Parle and its bottling facilities. Furthermore, by using this mergers and acquisitions method, the local company may potentially gain access to intellectual rights or new technologies.

Even while mergers and acquisitions offer quick and simple access to international company, evaluating the situations of mergers and acquisitions would be quite challenging. Occasionally, a domestic corporation may find it more cost-effective to pursue a greed field strategy rather than making acquisitions. On occasion, mergers and acquisitions also lead to the acquisition of a foreign company's issues.

7. JOINT VENTURES:

To form a new company that is legally distinct from its parents, two or more businesses come together. Joint ventures are formed as corporations with the finance partners owning a fixed percentage of the business. American Motor Corporation and Beijing Automotive Works formed Beijing Jeep as a joint venture to produce jeeps and other vehicles in order to penetrate the Chinese market. In joint ventures, ownership is shared. In international commerce, joint ventures are typical. Joint venture development is encouraged by a number of environmental factors, including social, technological, political, and economic ones.

Joint ventures allow the companies to share the risk in overseas markets while providing the necessary strengths in terms of required money, cutting-edge technology, requisite human talent, etc. Local businesses are involved in joint ventures. This action enhances local perception in the receiving nation and fulfils the government's standards for joint ventures as well. In actuality, the government of the host nation must support the joint venture in order for it to succeed.

CONCLUSION:

In conclusion, for businesses aiming to grow internationally, international business offers both opportunities and obstacles. Market globalization, technological advancements, and the growing significance of emerging economies have opened up new channels for firms to expand their consumer base, acquire fresh resources, and broaden their range of business activities. But there are also a lot of obstacles to overcome when doing business internationally, such as linguistic difficulties, legal restrictions, unstable political environments, and exchange rate fluctuations. Companies need to embrace a global perspective, create a thorough international strategy, and put into practice efficient international management techniques in order to flourish in international commerce. This entails being aware of the subtle cultural differences in international markets, customizing goods and services to meet regional demands, forming bonds with regional partners, and efficiently managing risks.

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