Introduction, Drivers and of International Business

The International business means the buying & selling of the goods & services across the border. These business activities may be government or private enterprises. Here national border is crossed by the enterprises to expand their own business activities such as the manufacturing, mining, construction, agriculture, banking, insurance, health, education, transportation, communication & so on. The business enterprise who goes for the international business has to take a very wide & long view before making any decision, it has to refer to the social, political, historical, cultural, geographical, physical, ecological & economic aspects of another country where it had to business. International business by its nature is the primary determinant of international trade, 1 of the results of the increasing success of international business ventures is globalization. International Business is the process of focusing on the resources of the globe & objectives of organizations on global business opportunities & threats. The **International business** is defined as the global trade of goods/services or investment. In this article, we will discuss the Introduction, Drivers, and Benefits of International Business deeply.

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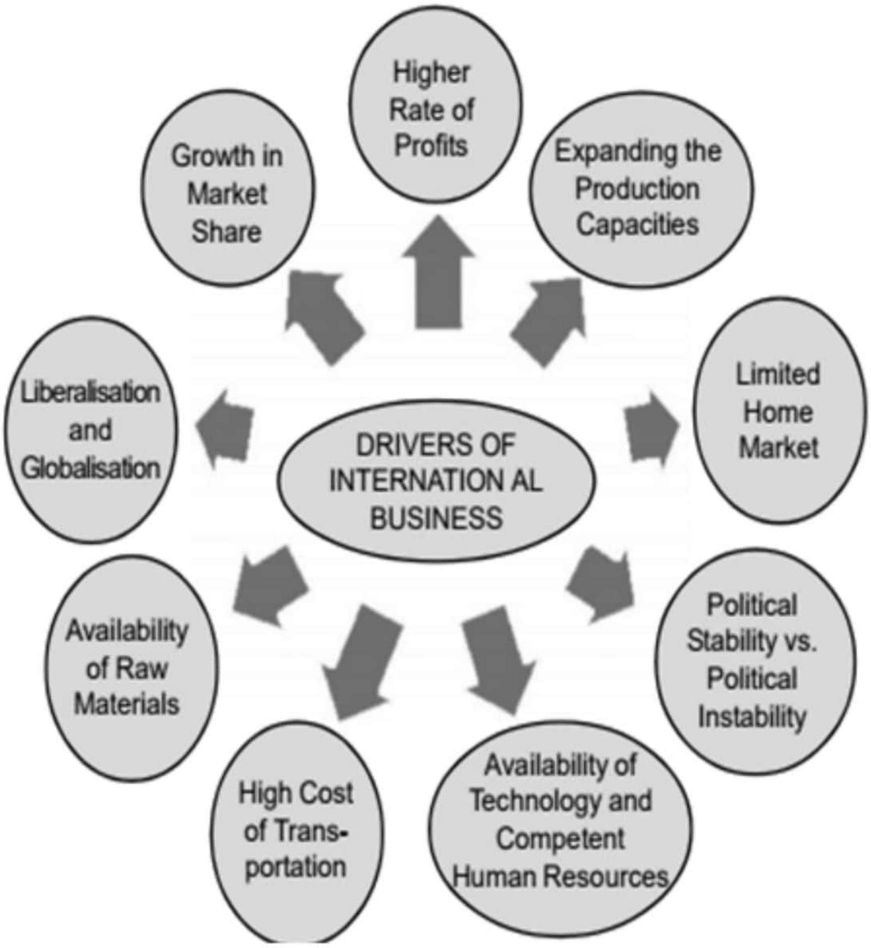
Drivers of International Business



- **Higher Rate of Profits:** The basic objective of the business is to achieve profits. When the domestic markets don't promise a higher rate of profits, business firms search for foreign markets where there is a scope for a higher rate of the profits. Therefore the objective of profit affects & motivates the business to expand operations to the foreign countries. **For example,** Hewlett Packard in the USA earns more than half of its profits from the foreign markets as compared to that of domestic markets.
- **Expanding the Production Capacities beyond the Demand of Domestic Country:** Some of the domestic companies expand their production capacities more than the demand for the product in the domestic countries. In such cases, these companies are forced to sell their extra production in foreign developed countries. **Toyota of Japan is an example.**
- **Limited Home Market:** When a size of the home market is limited either due to the smaller size of the population or due to the lower purchasing power of all people or both, the companies internationalize their operations. **For example,** most of the Japanese automobiles & electronics firms entered the USA, Europe & even African markets due to the smaller size of the home market. ITC entered the European market due to the lower purchasing power of the Indians with regard to high-quality cigarettes.

- **Political Stability vs. Political Instability:** The Political stability doesn't simply mean that the continuation of the same party in power, but it means that continuation of the same policies of the Government for a quite long period. It is viewed that the USA is a politically stable country; countries like the UK, France, Germany, Italy & Japan are also politically stable. Most of the African countries & some of the Asian countries are politically unstable countries. Business firms prefer to enter the politically stable countries & are restrained from locating their own business operations in politically unstable countries. In fact, business firms shift their operations from politically unstable countries to politically stable countries.
- **Availability of Technology & Competent Human Resources:** The Availability of advanced technology & competent human resources in some countries act like pulling factors for business firms from other countries. **For example**, American & European companies, in recent years, have been depended on Indian companies for the software products & the services through their business process outsourcing (BPO). This is due to the cost of human resources in India is almost/approximately 10 to 15 times less compared to the US & European labor markets.
- **High Cost of Transportation:** Initially the companies enter foreign countries for their marketing operations. But the home companies in any country enjoy their higher profit margins as compared to the foreign firms on account of the cost of

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transportation of the products. Under such conditions, the foreign companies are inclined to increase their profit margin by locating their manufacturing facilities in foreign countries through Foreign Direct Investment (FDI) route to satisfy the demand of either one of the countries or the group of neighboring countries. **For example,** Mobil which was supplying petroleum products to Ethiopia, Kenya, Eritrea, Sudan etc., from its refineries in Saudi Arabia, established its refinery facilities in Eritrea in order to reduce the cost of transportation.

- **Availability of Raw Materials:** The source of highly qualitative raw materials & bulk raw materials is a major factor in attracting companies from various foreign countries. **For example,** Vedanta Resources is a London Stock Exchange (LSE) listed UK based company operating principally in India due to the availability of raw materials such as iron ore, copper, zinc & lead.

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