

Review

AN INTRODUCTION TO INTERNATIONAL BUSINESS & MANAGEMENT



1

Distinguish between types of international organizations

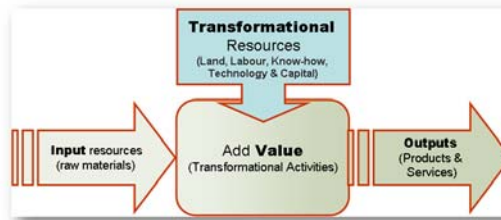
Explain what is meant by globalization and its impact upon organizations worldwide

Describe the resource based view (RBV) and explain its relationship with productive activities and sustainable competitive advantage

Describe the trade theories typically associated with the economic activities of international business

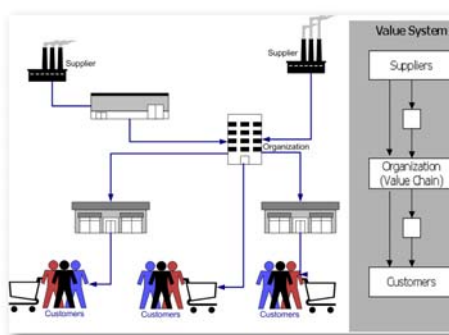
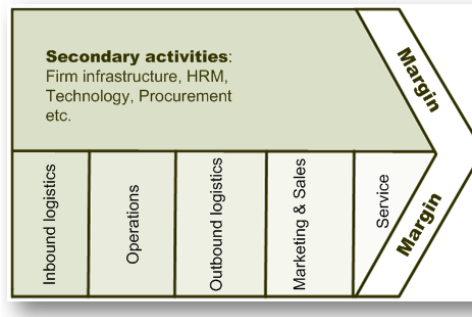
Explain the difference between international business (IB) and international management (IM)

Distinguish the generic methods used to deliver sustainable superior international organizational performance



An international organization is any organization engaging in international trade, investment or offering products or services outside its home-country. We noted the growing importance of such organizations, many of which are now larger economic entities than many countries. Such organizations can be categorised in many ways and may be analysed according to the activities they perform in creating and adding value. The choice of activities and the way resources are used provide the organization with advantages that may help it compete. Some organizations are born global, others evolve over time; internationalisation is the gradual process of taking organizational activities into other countries. Such companies may then be described as global, multidomestic or transnational in their orientation. The Global organization trades internationally as if the world were a single and boundaryless entity whilst the Multidomestic organization trades internationally as if the world were a collection of many different (country) entities. Transnational enterprises (TNE) operate a balanced combination of the multidomestic and global strategies.

Performance relates to organizational purpose (mission); reflects achievements relative to the resources used by the organization (how well the organization manages its resources) and must be considered within the environment in which the organization does its work (adaptability). Organizational performance integrates the concepts of "effectiveness" and "efficiency." That is, the international organization must be able to meet its goals (effectiveness) and to do so with an acceptable outlay of resources (efficiency). The organization must develop and implement strategies which will ensure performance over extended periods of time. Operational effectiveness and strategy are both essential to superior performance; Operational effectiveness is about performing similar activities better than rivals perform them. Strategy is the creation of a unique and valuable position, involving a different set of activities.



Globalisation is a trend away from distinct national economic units towards one huge global market. Globalization is at one end of a convergence continuum with organizations perceiving themselves at some point between divergence (the multidomestic) and convergence (global). Globalisation through increased competition, forces companies to locate particular operations in those places where they can be performed most efficiently. Organisations do this by relocating production facilities to other countries or by outsourcing certain activities to companies in other countries. Theories of international trade seek to explain why trade occurs and how it can benefit the different parties to an exchange.

Aside from a focus on economic activity, organizations must focus on productive activity. Leverage reflects the extent to which resources are utilized in productive activities. The Resource-based (RBV) theory is the perspective on strategy, stressing the importance of capabilities and competences (resources) in determining sustainable competitive advantage. The resource-based approach argues that the basis for an organizations competitive advantage lies primarily in the application of the bundle of valuable resources at its disposal. The bundle of resources, under certain conditions, can assist the organization, sustaining above average returns. Such resources need to be valuable and enable the achievement of goals. In dynamic environments, organizations must create, innovate and develop their capabilities constantly and be able to detect and seize opportunities as they present themselves.

Key Terms

INTERNATIONAL BUSINESS

Any firm that engages in international trade or investment

INTERNATIONAL ORGANIZATION

"any organization that engages in international trade, investment or offers products or services outside their home country"

INTERNATIONAL TRADE

"the purchase, sale, or exchange of goods and services across national borders"

INTERNATIONALISATION

the gradual process of taking organizational activities into other countries

GLOBALISATION

growth and integration to a global or worldwide scale

RESOURCE-BASED VIEW (RBV)

the perspective on strategy that stresses the importance of capabilities (sometimes known as core competences) in determining sustainable competitive advantage.

VALUE CHAIN

a model for analysis of how supply chain activities can add value to products and services delivered to the customer and thus add a margin of value to the organization

VALUE CREATION

Performing activities that increase the value of goods or services to consumers

VALUE SYSTEM

"the supply chain within which an organization's value chain is located i.e. includes producers, suppliers, distributors, and buyers"