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KOLEJ KOMUNITI MALAYSIA

INTRODUCTION TO INTERNATIONAL BUSINESS

Student Smart Revision

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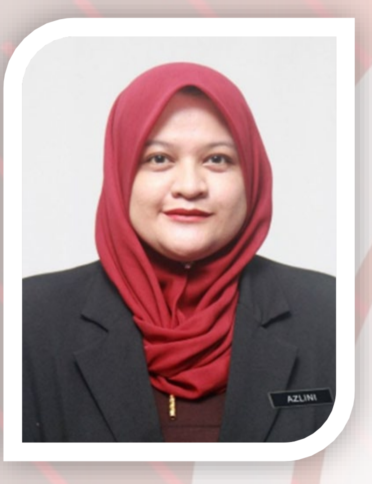

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PREFACE

Introduction to International Business Student Smart Revision was written to students in providing further view on the introductory international business text and as a simple guideline for students in understanding international business as general. This e-book is mainly to more practical learning to the reader especially for polytechnic students in teaching and learning activity. Its coverage provides an overview of international business, political and legal environment, international business organization design, entry and expansion and culture environment. All these coverages have been classified into 5 chapters each. When we started to write this e-book, we realized that this course not only been taken by students from Diploma in International Business, but it is also being taken by Diploma in Business Studies' students at certain polytechnics. Furthermore, this handbook has been written purposely according to the latest polytechnic's syllabus. The e-book intends to upgrade the content if there are any changes into the syllabus. Moreover, students will notice that this e-book has been simplified to meet the needs of non-native English speakers especially in Malaysia. We hope this e-book will help the reader to create ideas and to learn more about international business and besides, it was written by Malaysia authors for Malaysian readers.

AZLINI BINTI AWANG

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ACKNOWLEDGMENT

First and foremost, we would like to thank to Allah S.W.T for giving us the drive and motivation to complete this e-book. Our parents, husband, and friends for all the support given through the process of Introduction to International Business Students Smart Revision work. Lastly, appreciation to all parties involve directly and indirectly in publication of this book. We wish you happy reading and apologies for any omission and errors.

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CHAPTER 1

OVERVIEW OF INTERNATIONAL BUSINESS

INTERNATIONAL BUSINESS VS DOMESTIC BUSINESS

1.1 International Business

According to Cote, C (2020), International business consists of the production and sale of goods as well as services in the economic activities of almost every country in the world.

There are several definition that can be used

- International Business is a transactions of business across national borders in order to satisfy the objectives of individuals, companies and organization.
- It refers to the performance of trade and investment activities across national boundaries that involve the transfer of resources, skills, knowledge, products and services which include management consultation.
- The firms that engaged in international business activities provide consumers with access to goods from other countries that might not otherwise be available locally and enable consumers to have wide range of choices.

Domestic Business

Domestic business is far simpler than international business. Martin, M.J (2019) cited that domestic business is not complicated as compared to international business because its economic transactions are conducted within the domestic environment or geographical limits of the country.

There are several definition that can be used

- Commercial activities conducted within a nation or a commercial entity that conduct economic transactions inside the borders of its home nation.
- It also can be referred to as an internal business involve a producer and a client who live within the same nation that the laws, business practices and customs used in a business transaction shall be of the designated country.
- A domestic business typically has the advantage of only having to deal with its local currency, customs, culture, regulations and tax system.

10 Basis for differences Between International Business and Domestic Business.

No.	Basis for Comparison	Domestic Business	International Business
1	Geographic Area	It is carried out within the geographic borders of the country.	It is carried out across borders and national territories of a country.
2.	Restrictions	Tariffs and quotas are not local presents and very few local restrictions are imposed on a domestic business.	Many restrictions are imposed while doing business internationally or entering a foreign market e.g: tariff, taxes.
3	Culture	There is less difference in the market culture of local areas and regions within a country. The market culture is relatively uniform	The market culture widely varies among different nations and regions.
4.	Risk	Risk factor is LESS	Risk factor is HIGH
5.	Currency	A domestic business deals in a single currency	An international business deals in multiple currencies
6.	Human Resource	A domestic business can succeed with human resource with minimum skill and knowledge. Employees are usually from the same country.	Multilingual, multi-strategic and multicultural human resource is necessary for smooth operations of international business. Global human resource practices are carried out in an international business.
7.	Regulation	Only local regulation is applicable	International and host country regulations are applicable.
8.	Cost Advantage	Do not enjoy cost advantage	Advantage of location economies and cheap resources are available.

9.	Environment	A domestic environment business is only affected by the variables in the domestic environment	Domestic, foreign and international environment factors affect an international business.
10.	Development	The level of development may be same throughout the domestic market	Each country may be at a different level of development.

The most important differences between domestic and international business are classified as under:

- The area of operation of the domestic business is limited, which is the home country. On the other hand, the area of operation of an international business is huge, where it serves many countries at the same time.
- The monetary and regulations may differ for domestic and international business. Domestic business costs less to establish and deals using local currency. On the contrary, the international business deals in the multiple currencies.
- Business research can be conducted easily in domestic business while determining the best product to use. In contrary, it is difficult to conduct business research in international business as it is expensive and must be extensively, for the sake of understanding what the consumer demands and behaviour to establish the viability of the business.
- The political and legal environment of foreign markets is different from the domestic. Domestic business has few restrictions, as it is subject to rules, law taxation of a single country. However, international business is subject to rules, law taxation, tariff and quotas of many countries and therefore, it has to face many restrictions which are barriers in the international business.

1.2 The influence of external and internal environment forces in international business.

Every change brings so many challenges which the managers or leaders need to be vigilant about it. International business environments are complicated and challenging, as they are influenced by various environmental factors. Any changes either internal or external factors of business environment will give an impact to the company performance. However, those changes need to be accepted and adjust by the company in order to meet their objectives as well as profitability.

External Elements

- ❑ External elements are affecting factors outside and under no control of the company. Considering the outside environment allows businessmen to take suitable adjustments to their marketing plan to make it more adaptable to the external environment.

i) **Economic Environment**

- Economics explains country differences in costs, currency values and market size.
- Economics helps explain why countries exchange goods and services, why capital and people travel among countries in the course of business, and why one country's currency has a certain value compared to another's.

ii) **Political & Legal**

- Politics often determines where and how IB can take place. Obviously, political disputes particularly military confrontations can disrupt trade and investment.
- Domestic and international laws play a big role in determining how a company can operate abroad. International law in the form of legal agreements between countries determines how earnings are taxed by all jurisdictions

iii) **Socio Cultural**

- The related disciplines of anthropology, psychology and sociology can help managers better understand different values, attitudes and beliefs to help them make operational decisions abroad.

iv) **Competition**

- Companies' competitive situations may differ by their relative size in different countries, the competitors they face by country and the resources they can commit internationally.

v) **Technological**

- Technological changes also have driven international businesses to escalate through advances in communications, information processing and transportation technology, including the Internet and the World Wide Web (www).

Internal Elements

- ❑ The internal factors refer to anything within the company and under the control of the company no matter whether they are tangible or intangible. These factors after being figured out are grouped into the strengths and weaknesses of the company. If one element brings positive effects to the company, it is considered as strength.

i) **Capital**

- Financial capital is the funds necessary to grow and sustain a business. No company can survive without having capital resources. Once a company has enough budget, they can easily launch their projects as well as expand their scale.

ii) Raw Materials

- Raw materials are the resources used by a company to produce its finished goods and products. It can be divided into two (2) categories such as direct and indirect materials.

iii) People

- People or customer is the entity who buys products or uses services of the organization in exchange for money. They form an important part of the business because all if the profits depend on them.

iv) Personnel

- The success of a business organization depends to a great extent on the skills, capabilities, attitudes, and commitment of its employees.

v) Finance

- Financial resources refer to the funds available with the company to carry out various operations in the organizations.

vi) Production

- Production is the core of any business organization having its operations on an international scale. International business firms must look closely at production factors for profitability and sustainability.

vi) Marketing

- Advertising or promotion, is only one component of the marketing plan. The marketing process begins with the idea of the product and continues until that product is in the hands of a consumer who bought it.

Globalization in International Business

Globalization created many opportunities for business to expand abroad due to the movement towards a borderless world. According to Rabiul Islam, A. Fakhrorazi, H. Hartini and Md. Abu Raihan (2019) in their article, globalization as an interdependent world global market with free transfer of capital, goods as well as services across national border.

Globalization also can be described as an ongoing process in which regional economies, societies and cultures become integrated with an independent on one another The term is often used to refer particularly to economic globalization through which national economies are integrated into the international economy by mean of trade, foreign direct investment (FDI), capital flows, migration and the spread of technology.

Drivers of Globalization in International Business

They are five (5) drivers of globalizations which leads the firm to engages its operations globally:

1. **Technological drivers**

   It shaped and set the foundation for modern globalization. Innovations advancement in computer and communication helps promoting the product where enable customer to identify foreign goods and services. This will lead to a global e-business and also e-commerce.

2. **Political Drivers**

   Liberalized trading regulations and deregulated businesses have led to lowered tariffs and provided Foreign Direct Investment. Furthermore, political drives combine a group of several nation such as NAFTA, ASEAN, EU and many more into a single market which given the opportunity for firms to access broader market.

3. **Market Drivers**

   It helps in expanding the company market shares especially when the domestic markets become saturated. It is a way that most firms will choose to overcome the situation.

4. **Cost Drivers**

   Reducing costs is always a firm's objective. One of the factors that firm use to engage with business internationally is the economics of scale because sourcing efficiency and costs vary from country to country.

5. **Competitive Drivers**

   Competition creates potential to the firms. It will show the ability of the firms to expand their business internationally. This will be a reason for firms to enter a new market outside.

Motives for Entering Foreign Markets in International Business

A. **Increase Profits and Sales**

- A company's sales depend on consumers' demand.
- Any good company could raise greater profits and improve its sales from operating internationally if they enter the market at the right time and place.
- Pursuing international sales usually increases the potential sales and potential profits.

B. Protect Markets, Profits and Sales

- An expansion not only helps a company to keep and protect the same market share, but also increase its share the pie in a newer market.
- Access to a larger market, gain market power and maximize production possibilities.
- International operations may reduce operating risk by smoothing sales and profits and preventing competitors from gaining advantages.

The Implication of International Business to Functional Areas

- **The concept of international marketing** is the application of marketing principles to satisfy the varied needs and wants of different people residing across the national borders.

- Simply, the **International Marketing** is to undertake the **marketing** activities in more than one nation.

- Domestic marketing deals with only a single market while international marketing deals with several different countries and markets.

- In domestic marketing, the company can have the same policies and strategies while international marketing requires different strategies in the promotion of their products.

- **The concept of a global supply chain** is a dynamic worldwide network when a company purchases or uses goods or services from overseas. It involves people, information, processes and resources involved in the production, handling and distribution of materials and finished products or providing a service to the customer.

- **Supply chain management** is the management of the flow of goods and services and includes all processes that transform raw materials into final products. It involves the active streamlining of a business's supply-side activities to maximize customer value and gain a competitive advantage in the marketplace.

- **The concept of international finance** is an important part of **financial** economics. International finance is concerned with subjects such as exchange rates of currencies, monetary **SYSTEMS** of the world, foreign direct investment (FDI), and other important issues associated with **international financial** management.

- The differences in the content of Financial Information in terms of Language is financial statement for different country will use different type of language and sometimes, they will use dual language.

- In terms of currency, accounting currency is the monetary unit used when recording transactions in a company's books. It is also called the reporting currency. Often, the accounting currency is in the same currency denomination as the local currency where the company operates.

- The concept of International Human Resource Management (IHRM) can be defined as a set of activities targeting human resource management at the international level. It strives to meet organizational objectives and achieve competitive advantage over competitors at national and international level.

- IHRM comprises of typical HRM functions such as recruitment, selection, training and development, performance appraisal and dismissal done at the international level and additional exercises such as global skills management, expatriate management and so on.

CHAPTER 2

POLITICAL AND LEGAL ENVIRONMENT

THE POLITICAL ENVIRONMENT IN INTERNATIONAL BUSINESS

Firms that decide to perform internationally will deal with different types of government and the level of risk. The political environment described the type of the government, the level of the political risk in the country as well as the government relationship with a business (Narendra Kumar, 2017).

There are three (3) major types of political systems which are Totalitarianism, Democracy and Socialism.

TOTALITARIANISM

- Totalitarianism is the belief that every aspect of people's lives must be controlled in order for a nation's political system to be effective.
- It has no concern for individual liberties.
- It is a concept that describes a state that regulates nearly aspect of public and private sectors.
- A totalitarian government seeks to control not only all economic and political matters but the attitudes, values and beliefs of its population, erasing the distinction between state and society.
- Government controls all economic and political matters.
- Either *Theocratic (Religion-based)* or *secular.*
- A state party is led by a dictator. Membership is mandatory for those wanting to advance.
- Power is sustained via secret police, propaganda, and regulation of free discussion and criticism.
- Today : Some countries in the Middle East and Africa; Cuba, North Korea.
- Ex-Totalitarianism states tend to have much government intervention and bureaucracy

DEMOCRACY

- Democracy is the system of rule by the people through the terms of rule by majority.
- It is the system of rule by the people and is currently understood and most frequently used through the terms
- *Private Property Rights :* The ability to own property and assets and to increase one's assets base by accumulating private wealth.
- Property includes land, building, stocks, contracts, patents. Encourages initiative, ambition and innovation.
- Economic activity occurs freely, as per market forces.
- *Limited Government :* The government performs only essential functions that serve all citizens, such as national defense, maintaining law and order, foreign relations and providing basic infrastructure.
- *Private Property Rights :* The ability to own property and assets and to increase one's assets base by accumulating private wealth.
- Property includes land, building, stocks, contracts, patents. Encourages initiative, ambition and innovation

DEMOCRACY AND OPENNESS

- Democracy is associated with 'openness', the lack of regulation and barriers to the entry of forms in foreign markets.
- Openness is associated with:
  1) Successful market entry
  2) Increased market demand
  3) Competition on quality, which improves overall product quality.
  4) Increased competition, leading to efficiencies and lower prices.

SOCIALISM

- Capital is vested in the state and used primarily as a means of production for use rather than for profit.
- Group welfare outweighs individual welfare.
- Government's role is to control the basic means of production, distribution and commercial activity.
- Socialism occurs in much of the world as social democracy (e.g : Western Europe, Brazil, India).
- Government intervention in the private sector.
- Corporate income tax rates are higher.

RELATIONSHIP BETWEEN POLITICAL AND ECONOMIC FREEDOM

COMMAND ECONOMIES (CENTRALLY PLANNED)

1. The state is responsible for making all decisions: what goods and services the country produces; quantity of production; prices at which they are sold; and distribution.
2. The state owns all wealth, land and capital, and allocates resources based on which industries they want to develop.
3. Common in the 20th century, command economies proved so inefficient that most have gradually died out.
4. Central planning is less efficient than market forces in synchronizing supply and demand.
5. Today many countries exhibit some characteristics of command economies; e.g China, India, Russia and certain countries in Central Asia, Easter Europe and Middle East.

MARKET ECONOMIES

1. Decisions are largely left to market forces, the interaction of supply and demand.
2. Individuals and firms are main decision- makers
3. Government intervention is limited
4. Associated mainly with Capitalism

MIXED ECONOMIES

1. Have features of both market and command economies, combining state intervention and market mechanism (e.g. Sweden, Singapore).

COUNTRY RISK PRODUCED BY POLITICAL SYSTEMS IN INTERNATIONAL BUSINESS

Under the control of the government, the exposure to a loss in cross-country transactions due to the events is defined as country risk (Moosa I,A, 2002). Furthermore, Moosa I.A (2002) also defined country risk as any cross-border transaction whether it is conducted with the government, a private enterprise or an individual, the action is subject to country risk.

GOVERNMENT TAKEOVER OF CORPORATE ASSETS

1. Confiscation Seizure of corporate assets without compensation
2. Expropriation Asset seizure with compensation
3. Nationalization Takeover of an entire industry, with or without compensation.

CREEPING EXPROPRIATION

1. The most common expropriation today
2. The government gradually modifies regulations and laws after foreign MNEs have made big local investments in property and plants.
3. Abrupt termination of contracts
4. Creation of laws that favor local firms

EMBARGOES AND SANCTIONS

1. Governments may respond to offensive activities of foreign countries by imposing embargoes and sanctions.

ınctions	**nbargoes**
• Sanctions are bans on international trade, usually undertaken by a country, or a group of countries, against another judged to have jeopardized peace and security.	• Embargoes are bans on exports or imports that forbid trade in specific goods with specific countries. Example: The US has enforced embargoes against Cuba, Iran & North Korea, labelled as state sponsors of terrorism.

BOYCOTTS AGAINST FIRMS AND NATIONS

1. Voluntary refusal to engage in commercial dealings with a nation or a company.

WARS & INSURRECTION / VIOLENCE

Wars & Insurrection	**Violence**
• Indirect effects can be disastrous for company activities.	• The threat or actual use of force or violence to attain a political goal through fear and intimidation. • Some terrorism is sponsored by national governments. • Terrorism particularly affects certain industries – tourism, hospitality, aviation, finance, retailing.

THE MANAGING OF COUNTRY RISK IN INTERNATIONAL BUSINESS

Management should develop a comprehensive understanding of the political and legal environment in target countries.

1. PROACTIVE ENVIRONMENTAL SCANNING

Ongoing assessment of potential risks and threats to the firm, via intelligence sources such as:

- Employees working in the host country
- Embassy and trade association officials
- Consulting firms, such as Business Entrepreneurial Risk Intelligence (http://www.beri.com)

2. STRICT ADHERENCE TO ETHICAL STANDARDS

- Firms that engage in questionable practices or operate outside the law invite redress from the governments of the host countries where they do business.

3. ALLIANCES WITH QUALIFIED LOCAL PARTNERS

- For example, firms often enter China and Russia by partnering with local firms who assist in navigating the complex legal and political landscape.

4. PROTECTION THOUGH LEGAL CONTRACTS

- Contract law varies widely. The firm must follow the law in each country.
- Three (3) approaches for resolving contract disputes which are:
  a) Conciliation is a formal process of negotiation whose objective is to resolve differences in a friendly manner. It is the least adversarial method and common in China
  b) In arbitration, a neutral third party hears both sides of a case and decides in favor of one party or the other, based on an objective assessment of the facts.

c) Litigation occurs when one party files a lawsuit against another. The most adversarial approach, it is common in the United States.

THE LEGAL ENVIRONMENT IN INTERNATIONAL BUSINESS

Blajer, A. (2013) mentioned that law is a combination from the culture, the history as well as times which requires a broad understanding of the people and trends that influence the relationship between law and business.

Existence of a legal system where rules are clear, publicly disclosed, fairly enforced and widely respected by individuals, organizations and the government. According to Davis, B (2021), legal environment in business help managers in managerial decisions making especially in the operations as well as allow them to know the limits and boundaries of the country they enter.

THE RULE OF LAW

- Common in the advanced economies
- The legal system are:
    - a) Applied to all citizens equally
    - b) Issued via recognized government authorities
    - c) Enforced fairly and systematically by police forces and formally organized judicial bodies.

1. Economic activity suffers and uncertainty increases when the rule of law is weak.

LEGAL SYSTEM – COMMON LAW

1. A legal system that originated in England and spread to Australia, Canada, USA and other former members of the British Commonwealth (also known as case law)
2. The basis of law is tradition, past practices and legal precedents set by courts via interpretation of statues, legislation and part rulings.
3. Judges have much power to interpret laws based on the circumstances of individual cases. Thus, common law is relatively flexible.

LEGAL SYSTEM – CIVIL LAW

1. Found in France, Germany, Italy, Japan, Turkey and much of Latin America
2. Based on an all-inclusive system of laws that have been 'codified' – clearly written by legislative bodies
3. Laws are more 'cast in stone' and not strongly subject to interpretation by courts.
4. A key difference is that common law is mainly judicial in origin and based on court decisions, whereas civil law is mainly legislative and based on laws passed by national and state legislatures

Legal Issues	Civil Law	Common Law
Ownership of intellectual property	**Determined by registration**	**Determined by prior use**
Enforcing agreements	**Commercial agreements become enforceable only if properly notarized or registered.**	**Proof of agreement is sufficient for enforcing contracts.**
Specificity of contracts	**Contracts tend to be brief because many potential problems are already covered in the civil code.**	**Contracts tend to be very detailed, with all possible contingencies spelled out. Usually more costly to draft a contract.**
Compliance with contracts	**Noncompliance is extended to include unforeseeable human acts such as labor strikes and riots.**	**Acts of God (floods, lightning, hurricanes, etc.) are the only justifiable excuses for noncompliance with the provisions of contracts.**

LEGAL SYSTEM – RELIGIOUS LAW

1. Strongly influenced by religious beliefs, ethical codes and moral values and viewed as mandated by a supreme being.
2. Most important religious legal systems are based on Hindu, Jewish and Islamic Law
3. Islamic law spells out norm of behavior regarding politics, economics, banking, contracts, marriage and many other social and business issues.

LEGAL SYSTEM – SOCIALIST LAW

1. This law is derived from the Marxist socialist system and continues to influence legal framework in former communist countries, such as the CIS, China, North Korea, Vietnam, and Cuba.
2. Socialist law traditionally advocates ownership of most property by the state or state-owned public enterprises, prohibiting free entry to foreign firms.
3. Examples of socialist countries include the Soviet Union, Cuba, China and Venezuela
4. Socialist ideals include production for use, rather than for profit; an equitable distribution of wealth and material resources among all people; no more competitive buying and selling in the market; and free access to goods and services.
5. Capitalism, with its belief in private ownership and the goal to maximize profits, stands in contrast to socialism.

LEGAL SYSTEM – MIXED SYSTEMS

1. Two or more legal systems operating together
2. The contrast between civil and common law has blurred as countries combine both systems
3. Totalitarianism is most associated religious law and socialist law
4. Democracy is associated with common law, civil law and mixed systems.

CHAPTER 3

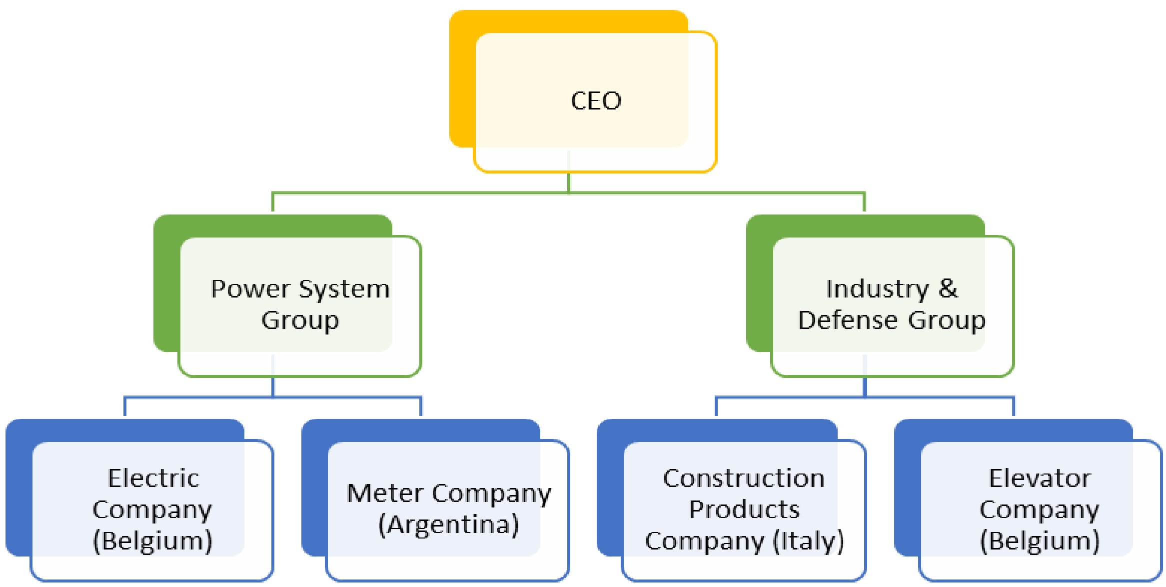
INTERNATIONAL BUSINESS ORGANIZATION DESIGN

INTRODUCTION

According to Allen R.K (2012), organizational design identifies dysfunctional aspects of work flow, procedures, structures as well as systems. It helps in developing plan to implement new changes and also the process focused on improving both the technical and people of the business. Proper design and structure are able to develop a more competitive firms as well as improving their performance.

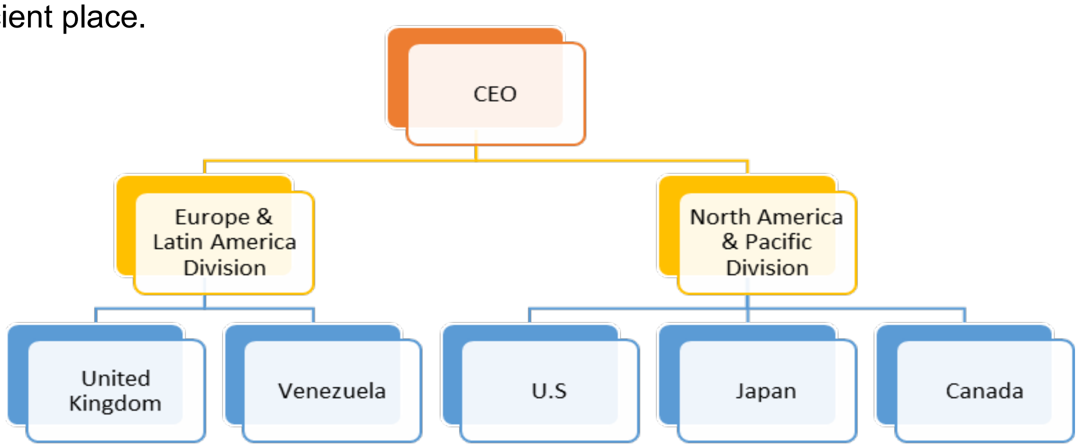
GLOBAL CORPORATE FORM - PRODUCT.

- These are popular among international companies with diverse products.
- Similar products are grouped under one product head e.g. Perfumes and Cosmetics, each focusing on a single product segment for its global market.
- Suited for a global strategy.
- There may be duplicate functions and activities among divisions.
- No formal means by which one product division can learn from another international expertise.



GLOBAL CORPORATE FORM – GEOGRAPHIC REGION

- These are used when foreign operations are large and not dominated by a single country or region.
- Useful when managers can gain economies of scale on a regional rather than on global basis.
- Drawback is the potential of duplication of work among areas as the company locates similar value activities in several places rather than consolidating them in the most efficient place.



HYBRID FORMS MATRIX ORGANIZATIONS

- It is a structure organized by more than one dimension at the top level.
- An organizational structure composed of one or more super imposed organizational structures in an attempt to mesh product, regional, functional and other expertise.
- This structure is a form of departmentalization, which combines both functional and divisional structure.
- Particularly large organizations adopt this structure to gain the advantages of both functional and divisional structure.
- In the matrix structure, employees may report to two or more bosses depending on the situation or project.

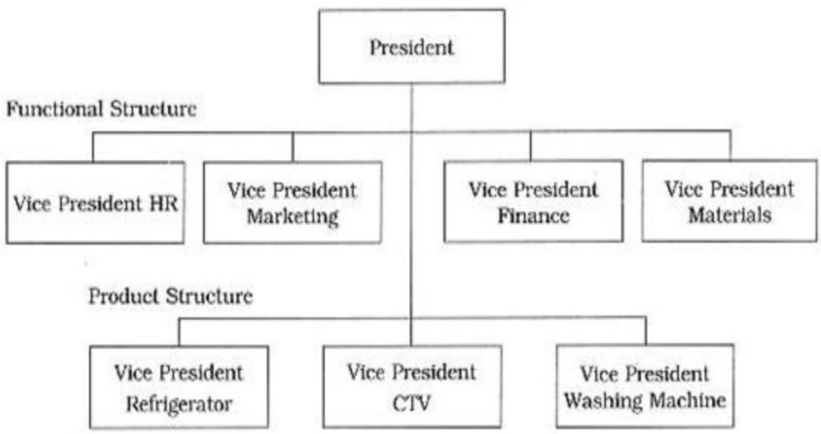
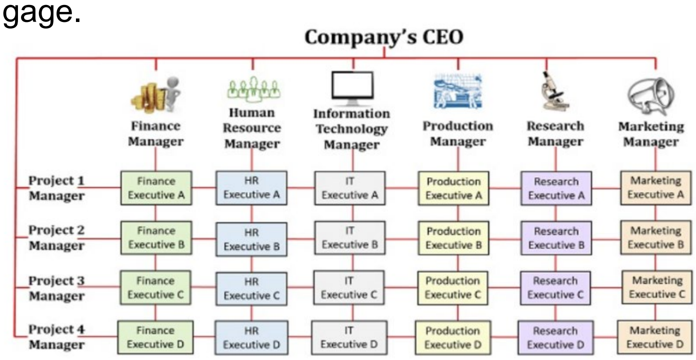


Figure 3.4: *Hybrid Organizational Structure*

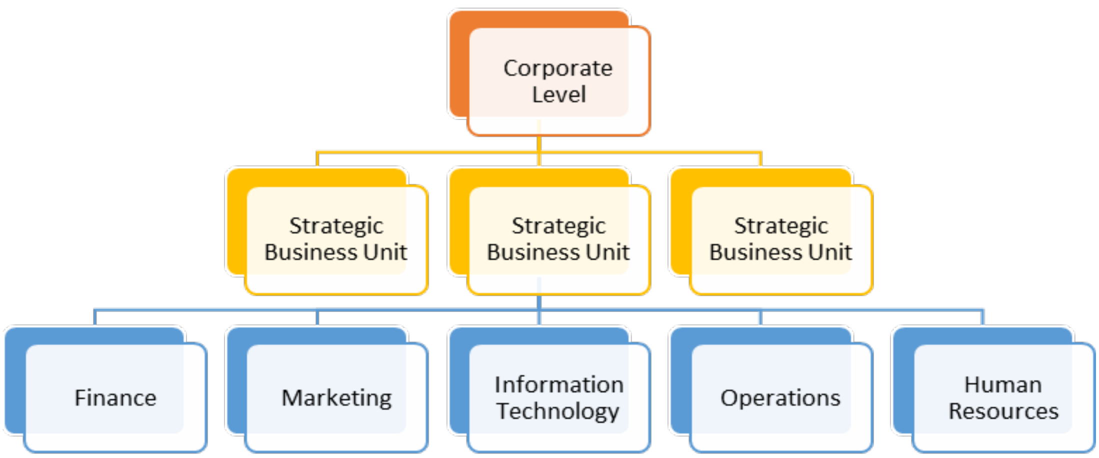
MATRIX ORGANIZATIONS

- This tries simultaneously to deal with competing pressures for global integration and local responsiveness.
- Institutes overlaps among functional and divisional forms.
- Gives functional, product and geographic groups a common focus.
- It makes each group share responsibility for foreign operations and enables each group exchange information and resources more willingly.
- Drawbacks – stop championing their group's unique needs, and thereby eliminate the multiple knowledge- generating and decision-making relationship that it is supposed to engage.



STRATEGIC BUSINESS UNITS

- In business, a strategic business unit (SBU) is a profit center which focuses on product offering and market segment.
- SBUs typically have a discrete marketing plan, analysis of competition and marketing campaign, even though they may be part of a larger business entity.
- Typically, a strategic business unit operates as a separate unit, but it is also an important part of the company.
- The best example of SBU are companies like Procter & Gamble, LG etc. These companies have different product categories under one roof. For example, LG as a company makes consumer durables.



MNEs IN INTERNATIONAL BUSINESS

- A multinational enterprise (MNE) is defined as one that has operating subsidiaries, branches or affiliates located in foreign countries.
- The ownership of some MNEs is so dispersed internationally that they are known as transnational corporations.
- The transnationals are usually managed from a global perspectives rather than from the perspective of any single country.

1. MULTIDOMESTIC FIRM

- Companies that operate mostly or solely within one country are domestic firms. It also can be defined as a company that follows a multidomestic strategy fits its products to each country in which it does business.
- The products and services are typically tailored to the local environment, taking into account different food preferences, religious customs and other characteristics that define the locality.
- It will adapt to each market based on differences in resources availability, cultural values, product usage and marketing opportunities.
- Example : McDonalds in Malaysia offer various food preferences such as Nasi Lemak McD as compared to McDonalds Thailand which provides Kaprao Rice in their menu.

2. MULTINATIONAL FIRM

- Much like transnational companies, multinational businesses have locations or facilities in multiple countries.
- The difference is that each operates as its own entity rather than forming the integrated network characteristic of transnational companies.
- This business model requires making direct investments in host countries, which includes establishing local decision-makers for each operating unit.
- As such, each one can tailor products and services to the local customs and preferences.
- As simple definition, firm – engages in FDI and owns or controls value adding activities in more than one country.
- Some of the largest multinational businesses include Apple, Walmart, Toyota, Volkswagen Group, Exxon Mobil.

3. GLOBAL FIRM

- A global company is more centralized.
- Its operations and primary decisions are made at a central headquarters in the home country.
- We can say that, a global company refers to a company that operates in more than one county or operates in foreign countries.
- it minimizes the importance of national boundaries and develops global brands. It raises capital, obtains materials and components, and manufacturers and markets its goods wherever it can do the best job.
- Example : Microsoft, Coca Cola, Red Bull, Dunkin Donuts.

4. TRANSNATIONAL FIRM

- Operations become more complex within transnational companies.
- They combine domestic and global strategies, using a central control structure to manage all operating units as an integrated global company.
- For instance, firm – has subsidiaries that fulfil a variety of strategic roles typically performed by HQ.
- Example : An operating unit in China may be responsible for manufacturing, while one in the United States handles global marketing and another in Germany leads research and development (R&D).
- A well-known example of transnational company is Nestle.

5. GLOBAL FIRM

- A global company is more centralized.
- Its operations and primary decisions are made at a central headquarters in the home country.
- We can say that a global company refers to a company that operates in more than one county or operates in foreign countries.
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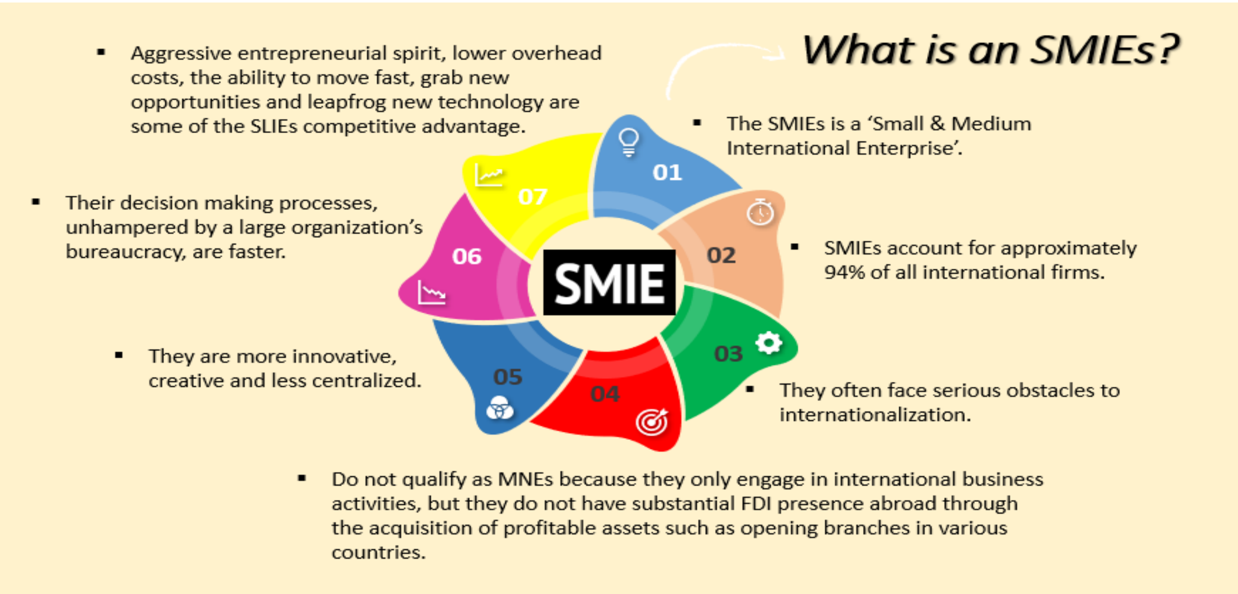
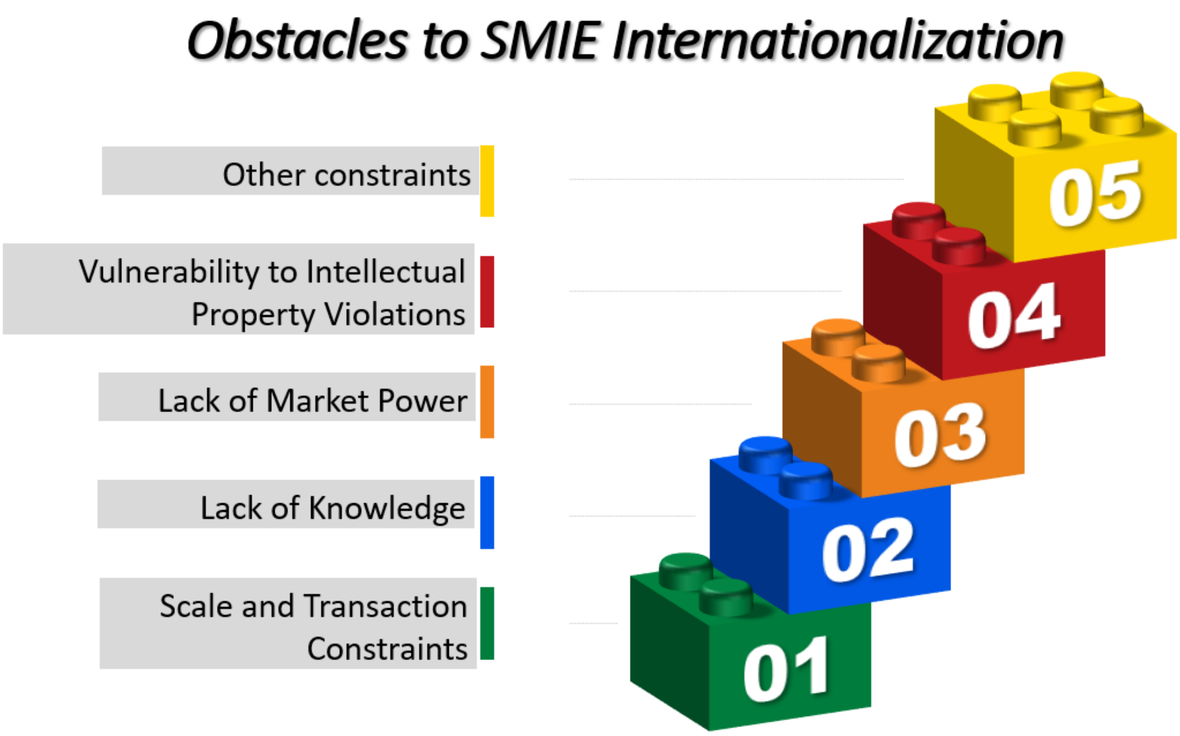
- Example : Microsoft, Coca Cola, Red Bull, Dunkin Donuts.

SMALL AND MEDIUM-SIZED INTERNATIONAL ENTERPRISES (SMIEs)

The changes in technological and market globalization have led to a great impact on business competitive environment and create new possibilities for reinforcing the development of SMEs. According to Benjamin, J.I (2013), SME varies in definition in the context of across countries, industries, organizations, agencies, and the academy community. Controlling a small share market, personal management by the owner, or even lacking a formalized bureaucratic structure is the meaning of SMEs in terms of qualitative criteria.





CHAPTER 4

ENTRY & EXPANSION

INTRODUCTION

The entry mode decision is influenced by dissemination risks and the appropriate level of control. Risk comes from the chance that a firm's applied knowledge (tangible and /or intangible) can be unintentionally transferred to a local firm, thus creating a new competitor.

There are several methods to enter a new international market. These modes can be selected after the analysis of the new market and company's products and services in order to ensure appropriateness. There are generally eight entry modes that can be chosen by companies when entering a new market.

Each entry mode has its advantages and disadvantages. A firm needs to consider these options cautiously before selecting the most appropriate one. There are various factors to be considered, for instance, the need for control, resource availability, and global strategy.

NON EQUITY MODES OF ENTRY

Each entry mode is different. A company needs to understand each entry mode before deciding the most appropriate one. Each entry mode also possesses strengths and weaknesses, thus the choice should be based on the mode that fits well with the company's strategies and resource availability. The modes of entry can be classified into two types: simple strategic and complex strategies. Simple strategies do not require too many barriers and challenges compared to other modes. Simple modes include exporting, licensing, franchising, offshore production, and turnkey projects. When firms engage in these activities, they are considered engaging in international business activities. Simple modes are usually the earliest strategy, choose to better understand the market.

EXPORTING

Exporting means selling goods to other countries, and thus involves the movement of goods from the home country to a foreign country and selling them locally. Exporting is the first step for a firm to get involved in international business, after which it then switches to another mode to serve a foreign market. Exporting is the most popular mode for a company to penetrate markets abroad. Most exported goods are end products. For example, Top Glove Corp. Bhd. Has generated huge profits by exporting its finished products like gloves, rather than exporting raw rubber, which has less value. In Malaysia, the Malaysia External Trade Development Corporation (MATRADE) and the Malaysian Industrial Development Authority (MIDA) are the two government agencies that help to facilitate export and importing activities into the country.

i) Benefits of Exporting

Exporting provides many benefits to companies entering new international markets. Among the benefits for exporters include:

- Market diversification
- Additional source of revenues
- Use of exess production capacity
- Leverage on purchasing power
- Business operation stability
- Product life cycle extension
- Product improvement
- Business growth
- Competitive
- Business strategy
- Cost efficiency

ii) Drawbacks of Exporting

- Limited market
- Cost
- Trade barriers
- Poor performance of local agents

- Threats from local agents
- Licenses

LICENSING

Licensing is a common entry mode for companies that enter new international markets. As the mode does not involve any ownership requirements, it is considered a simple mode and is easily implemented. Licensing is the business of granting the right to use a legally protected trademark, copyright name, graphic, logo, slogan, likeness, or other similar intellectual property in conjunction with a product or service for a prescribed amount of time in a specific geographic area in exchange for a defined payment or series of payments in the form of royalties or fees. The formal definition for a licensing agreement is an arrenagement whereby a licensor grants the rights to intangible property to another entity (known as the licensee) for a specified period, and in returm the licensorreceives a royalty fee from the licensee. In other words a license means that a contractual right is given to someone permitting him or her to engage in a defined activity or to use certain property that is owned by someone else. Licenses have taken on special significance as the universal means to protect “proprietary” (ownership) rights in the software and other computer products. A license allows the holder of intellectual property rights (the ‘licensor’) to make money from an invention or creative work by charging a user (the ‘licensee’) a fee or royalty to use the licensed product.

i) Benefits of Licensing

Licensing offers several benefits for companies. The benefits fro licensors include:

- Low capital investment
- Suitable for small and medium sized companies (SMEs)
- Utilize licensor research and development efforts
- Avoid certain business processes
- Easier market access
- Low cost strategy

The benefits for licensees include:

- Low cost for technology
- Avoid risky investment
- Avoid barriers in foreign markets

ii) Drawbacks of Licensing

- Risk of creating potential competitors
- Dependency of royalty
- Limited control

FRANCHISING

Franchising is similar to licensing, although franchising tends to involve longer-term commitments than licensing. It is an advanced form of licensing in which the franchise allows the franchisee the right to use an entire business system in exchange for compensation. Franchising is a specialised form of licensing in which the franchiser not only sells intangible property but also insists that the franchisee agree to abide by strict rules as to how it does business. The franchiser will also often assists the franchisee to run the business on an ongoing basis. As with licensing, the franchiser typically receives a royalty payment, which amounts to some percentage of the franchisee's revenue. While licensing is used primarily by manufacturing firms, franchising is employed primarily by service firms. McDonald's is a good example of a firm that has grown by using a franchising strategy. McDonald's has strict rules as to how franchisees should operate their outlets. The franchising business model is straighforward, a franchiser or the owner of the business providing the product or service, assigns the right to market and distribute their goods or service to independent traders or the franchisees, and to use their business name for a fixed period of time. Capital needed to expand the business is provided by franchisees.

i) Benefits of Franchising

The benefits of franchising is discussed from both the franchisee and franchiser's perspective.

a) Benefits of franchising to the frachisee

- Risk minimization
- Thorough investigation
- High success rate
- Cheaper supply
- Strong recognition
- Standardized operation
- Management assistance
- Centralized marketin effort
- Financial assistance
- Training

b) Benefits to the franchiser

- Lower cost and risk
- Complementary relationship
- Tight control
- Adaptation to local culture
- Limited capital and experience
- Greater profits
- Quick expansion

ii) Drawbacks of Franchising

Despite all the benefits of franchising, this entry mode also has some drawbacks:

- Constant control
- Potential competitor
- Bad image
- Political risk
- Quality control

TURNKEY PROJECTS

A turnkey project is a type of entry mode whereby a project is constructed by a developer and sold or turned over to a buyer in a ready-to-use condition. Turnkey contracting can be defined as an arrangement where the focal firm or a consortium of firms, plans, finances, organizes, managers, and implements all phases of the project abroad and then hands it over to a foreign customer after training local personnel. Contractors are typically firms in construction, engineering, design, and architectural services. In a typical turnkey project, a major facility such as a nuclear power plant is built, put into operation, and then handed over to the project sponsor, often a national government. The arrangement involves construction, installation, and training, and may include follow-up contractual services, such as testing and operational support. This is a means of exporting process technology to other countries. Turnkey projects are most common in the chemical, pharmaceutical, petroleum refining, and metal refining industries, all of which use complex, expensive production technologies.

i) Benefits of Turnkey Projects

Turkey projects offer several benefits, which include:

- Know-how
- Good returns
- Avoid regulations
- Less risky

Drawbacks of Turnkey Projects

Three main drawbacks associated with a turnkey strategy are:

- Lack of long-term commitment
- Potential competitor
- Losing competitive advantage

EQUITY BASE MODE OF ENTRY

Complex entry modes are joint ventures, mergers, and acquisitions, and wholly owned subsidiaries.

JOINT VENTURES

A joint venture (JV) is an entity formed between two or more parties from different countries to undertake economic activity together. JV involves the establishment of a firm that is jointly owned by two or more independent firms. The JV is a type of international strategic alliances strategy that has equity participation. This means that the partners have ownership rights over the new firm. JV's are very common as a mode of entry for firms to enter a new international market. It is a kind of strategic alliance where two or more firms form a partnership to share markets, capital, intellectual property, assets, knowledge, profits, technology, human resources, risks and rewards in a formation of a new entity under shared control. The parties agree to create a new entity by both contributing equities, and they then share in the revenues, expenses, and control of the enterprise. As an entry strategy that requires huge capital investment, a joint venture is a complex entry mode strategy.

The venture can be for one specific project only or a continuing business relationship such as the Sony Ericcson joint venture. Sony Ericcson, for example, was set up as a joint venture between Sony, a Japanese electronic company and Ericcson, a mobile phone manufacturer. Establishing a joint venture with a foreign firm is a popular method of entering a new market. The most typical joint venture is a 50/50 venture involving two parties, each of which holds a 50% ownership stake and contributes a team of managers who share operating control. Some firms, however, have sought joint ventures in which they have a majority share and thus tighter control. In some countries, joint ventures are a separate legal entity, whereas in others they may be incorporated as one of the available corporate entities.

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i) Reasons for Joint Ventures

JVs that are formed by organizations in two or more countries have become a widespread form of cross-border business cooperation. JVs are commonly adapted because this mode enables firms to exploit partners complementary skills, speed market access across countries, leapfrog the host nation's technological gaps, and strategically respond to increasingly intense national and global competition. Joint ventures have proliferated because individual companies recognize that expansion into new markets can be resource-intensive and risky. Companies may meet significant resistance to entering new markets in foreign countries. Firms engage in joint ventures for various reasons to achieve mutual benefits. Three major reasons for firms to engage in JVs are internal reasons, competitive reasons, and strategic reasons.

ii) Benefits of Joint Ventures

Joint ventures offer a number of benefits for firms that choose to engage in this entry mode. Among them are:

- Local knowledge
- Share costs and risks
- Political reasons
- New capacity
- Expand market and technology
- Shorter life span
- Separate entity
- Increased profit
- Speed access

iii) Drawbacks of Joint Ventures

Joint ventures also pose some drawbacks for firms. Among them are:

- Failure
- Risk of imitation
- Loss of control
- Conflict on control

MERGERS AND ACQUISITIONS

In international business, one of the fastest ways for firms to expand their international markets is by mergers and acquisitions (M & A). M & A refers to the consolidation of companies. The term M & A also refers to the department at financial institutions that deals with mergers and acquisitions. M & A represents the aspect of corporate strategy, corporate finance, and management dealing with the buying, selling, combining of different companies that can aid, finance, or help growing companies in a given industry grow rapidly without having to create another business entity. Independently, a merger is a combination of two companies to form a new company, while an acquisition is the purchase of one company by another in which no new company is formed. A merger itself refers to the process whereby at least two companies combine to form one single company. Business firms make use of mergers and acquisitions for the consolidation of markets as well as for gaining a competitive edge in the industry. A merger is a financial tool that is used for enhancing long-term profitability by expanding a firm's operations. Mergers occur with the mutual consent of the merging companies, as opposed to acquisitions, which can take the form of a hostile takeover. An acquisition or takeover is the buying of one company by another and can be friendly or hostile. Figure 14.12 highlights some common features of M & A.

i) Reasons for Mergers and Acquisition

There are various reasons for firms to engage in M & A. Figure 14.13 illustrates the reasons for M & A.

- Synergy
- Shareholder value
- Increased revenue and market share
- Cross selling
- Economies of scale
- Taxes
- Geographical or other diversification
- Resource transfer
- Vertical integration

Implementing M & A

Most M & A are not successful due to shortfalls in five critical elements incompatible cultures, inadequate talent audit, lack of an integrated go-forward strategy, failure to analyse, understand, and address customer and market issues, and finally lack of cost savings and economies of scale. These similar factors also contribute to gaps in internal restructurings. Many fail for political and cultural sons; others fail because of redundant activities and overlapping or ineffective processes that chase customers away rather than enhance their loyalty. M &A may also fail when the acquiring firms often overpay for the assets of the acquired firm. The price of the target can rise due to competing bids if more than one firm is interested in its purchase, as is often the case. Many acquisitions also because there is a clash between the cultures of the acquiring and acquired farm. Many acquired companies experience high management turnover, possibly because their employees do not like the acquiring company's way of doing things Others fail because attempts to realize synergies by integrating the operations of the acquired and acquiring entities often run into roadblocks and take much longer than forecast. Differences in management philosophy and com patty culture can slow down the integration of operations. Furthermore, these problems are likely to be worsened by differences in national culture.

Mergers based on the relationship between the merging companies are:

- Horizontal merger
- Vertical merger
- Market-extension merger
- Product extension merger
- Conglomeration

Mergers that are based on how the merger is financed are:

- Purchase mergers
- Consolidation mergers

ii) Benefits of Mergers and Acquisitions

- Staff reductions
- Economies of scale
- Acquiring new technology
- Improved market reach and industry visibility
- Cost efficiency
- Value generation
- Larger market share
- Tax gain
- Prevent loss of assets
- Wealth gain

Drawbacks of Mergers and Acquisitions

The drawbacks of mergers and acquisitions are:

- Diseconomies of scale
- Cultural clash
- Lower motivation
- Conflict objective

WHOLLY-OWNED SUBSIDIARIES

A wholly-owned subsidiary is a mode of entry where a firm owns 100% of the dock either by setting up a new operation in a country or by acquiring an established firm. In other words, the parent company owns the company outright and there are no minority owners. The owner of a wholly-owned subsidiary is known as the parent company or holding company. The parent company owns 100% of the subsidiary's common stock. A wholly-owned subsidiary is a separate entity for legal purposes. Thus the laws of the state or country in which the wholly-owned subsidiary is incorporated apply to the subsidiary, but not the parent company. A subsidiary is an entity that is controlled by a bigger and more powerful entity. The controlled entity is called a company, corporation, or limited liability company, and the controlling entity is called its parent or the parent company. A single company cannot be a subsidiary of any organization: only an entity representing a legal fiction as a separate entity can be a subsidiary. The subsidiary continues to operate with the permission of the holding company, with or without direct input from the controlling entity: Control of a subsidiary is usually achieved through the ownership of shares in the subsidiary by the parent. These shares give the parent the necessary votes to determine the composition of the board of the subsidiary and exercise control. Subsidiaries are separate, distinct legal entities for the purposes of taxation and regulation Establishing a wholly-owned subsidiary in a foreign market can be done in two ways. The firm can either set up a new operation in that country, often referred to as a greenfield venture, or it can acquire an established firm in that host nation and use that firm to promote its products Figure 14, 15 shows the sources for wholly-owned subsidiaries.

i) Reasons and Motives for Wholly Owned Subsidiaries

There are several reasons why a company would choose to operate a wholly-owned subsidiary, rather than simply absorb the acquired company into the central corporate operation One of the most common reasons is a matter of location. The wholly-owned subsidiary physically resides in a different country from the holding company. There may be compelling financial and regulatory factors the make it much more financially sound to allow the company to continue or less autonomously. Another common reason for operating the wholly-owned subsidiary separately from the owner company could be name va Ohen, a well-known and respected corporation is acquired by another entity that has no name to name recognition in that particular market. Rather than s amounts of time and resources to create a reputation, the hole decides to remain in the background. This allows the wholly-owned s spend huge continue to enjoy the current name recognition and market share, while being able to work with the resources of the parent c that re reputation. Company to find ways to enhance some instances, a wholly-owed subsidiary will be a ment into one market sector by a company that is more closely associated with completely different industry. This allows the parent company to diversify hele ings and thus become less susceptible to abrupt changes in consumer taste and demand. It is not uncommon for a wholly-owned subsidiary to provide a flow of recommon steady mine both oing a period of financial decline for the parent compa revenue keeping entities afloat until the holding company regains profitability invest

A company may own a subsidiary by acquiring an existing company in the boa country or by purchasing its distributor, thus obtaining a distribution familiar with its products Production facilities will typically have to be built, However, this has not been the case for foreign investors in the United States who have demonstrated a general preference for acquiring going concerns fr the instant access to the market they provide.

ii) Benefits of Wholly-Owned Subsidiary

There are several advantages that firms enjoy in setting up wholly-owned subsidiaries

- Control
- Experience curve
- Overseas expansion
- Configure value chain
- Increased profit

iii) Drawbacks of Wholly Owned Subsidiaries

- Costly
- Cultural conflict
- Risky

iv) Greenfield vs Acquisition

The choice between making an acquisition or establishing a greenfield venture is not an easy one. Both modes have their advantages and disadvantages. The choice will depend on the circumstances confronting the firm. If the firm is seeking to enter a market in which there are already well-established current competitors, and in which global competitors are also interested in establishing a presence, the acquisition may be the better mode of entry. In such circumstances, a greenfield venture may be too slow to establish a sizeable presence. However, if the firm is going to make an acquisition, its management should be aware of the risks associated with the purchase. It may be better to enter by the slower route if a greenfield venture than to make a bad acquisition. If the firm is considering entering a country in which there are no current competitors to be acquired, then a greenfield venture may be the only mode. Even when current competitors exist, if the competitive advantage of the firm is based on the transfer of organizationally embedded competencies, skills, routines, and culture, it may still be preferable to enter via a greenfield venture. Things such as skills and organizational culture, which are based on significant knowledge that is difficult to articulate and codify, are much easier to embed in a new venture than they are in an acquired entity, where the firm may have to overcome the established routines

CHAPTER 5

THE CULTURAL ENVIRONMENT

INTRODUCTION

In international business, firms enter different cultural environments, which are characterized by unfamiliar languages and unique value systems, beliefs, and behaviours. These differences can present cross-cultural problems, such as miscommunication and cross-cultural conflict. Cross-cultural problems often arise in international business because of the various diverse cultures among firms around the world.

Significant role in people's daily lives. Culture determines the way people think, speak, perceive, and behave. In international business, culture is significant not only because it can influence the way business is conducted and the way decisions are made, it also is one of the most difficult factors to handle and control. Culture is strongly linked with values, which decide the ethical behaviour of the people, which varies between nations. Unlike political, legal, and economic systems, culture has proven to be very difficult to identify and analyse. Its effects on international business are deep and broad. Culture influences a range of interpersonal exchanges as well as value chain operations such as product and service design, marketing, and sales. Hence, culture creates a challenging environment for firms that compete in business. Thus, a deep understanding of culture is necessary to be successful.

Meaning of Culture

Culture is a word used to describe the behaviours that represent the general operating norms in an environment. People living in different countries have different ways of conducting their daily lives. People from various parts of the world not only differ physically in terms of their skin colour, physical appearance, and language; the way they think, their beliefs, and how they do things also varies from one nation to another. Culture is a complex portrait of people, as it represents a nation's history, traditions, and customs. Anthropologists view culture as biological evolution and the main means of human adaptation to the world; therefore culture encompasses several elements in human life. It covers the spiritual, material, intellectual, and emotional features of society or a social group. It also includes arts and literature, lifestyle, ways of living, values, traditions, and beliefs.

Culture is a shared understanding of the meaning and is the core of society stability (Kanter & Corn, 1994). Culture is comprised of shared values, understandings, assumptions, and goals that are learned from earlier generations. A widely accepted anthropological definition of culture is a body of learned behaviour, a collection of beliefs, habits and traditions, shared by a group of people and shared values successively learned by people who enter the society. Terpstra (1987) has defined culture as an integrated sum total of learned behaviours traits that are manifest and shared by members of society. Generally, some characteristics of culture are:

- Culture is not inherited but learned.
- Various aspects of culture are interrelated.
- Culture is shared and it defines the boundaries of different groups.

Often different cultures exist side by side within countries, especially in Asia. Culture also reveals itself in many ways and in preferences for colours, styles, religion, family ties, and so on. For example, the colour red is very popular in the west, but not popular in Islamic countries, where sober colours like black are preferred.

Culture results in a basis for living embedded in shared communication, standard, codes of conduct, and expectations. For example, a Malaysian manager assigned to a foreign subsidiary must expect to find large and small differences in the behaviour of individuals and groups within that organization. As business activities are complex and involve interactions among humans who are bound within certain cultures, inevitably differences in cultures arise and create gaps between the cultures. Cultural gaps, which result from spiritual, material, physical, and emotional differences, may distort normal interactions between people, as information conveyed during the interactions may not be properly articulated. The greater the differences in cultures, the wider the cultural gap will be. For instance, a business negotiation between a Malaysian and a Frenchman. Whilst on the surface most countries of the world demonstrate cultural similarities, there are many differences, hidden below the surface. For example, when comparing Asian values, there are many differences between Indian and Chinese cultures.

Facts of Culture

Culture evolves within a society to characterize its people and to distinguish them from others. It captures how the members of society live, for instance how they feed, clothe, and shelter themselves. Culture also explains how members behave toward each other and with other groups. It also defines the beliefs and values of group members and how they perceive the meaning of life. Along with an understanding of what culture is, it is also important to know what culture is not.

- Culture is not right or wrong. This means that culture is relative. There is no cultural absolute. People of different nationalities simply perceive the world differently. Each culture has its own views of what is acceptable and unacceptable behaviour.
- Culture is not about individual behaviour. Culture is about group behaviour. It refers to a collective occurrence of shared values and meanings. Thus, while culture defines the collective behaviour of each society, individuals often behave differently.
- Culture is not inherited. Culture is derived from the social environment. People are not born with a shared set of values and attitudes. Children gradually acquire specific ways of thinking and behaving as they are raised in a society.

The process of learning the rules and behavioural patterns appropriate to the society's culture is known as socialization. Therefore, socialization is cultural learning in which people acquire cultural understandings and orientations that are shared by society. The process of adjusting and orientations that are shared by the society. The process of adjusting and adapting to a culture other plan one's own is referred to as acculturation. This is commonly experienced by people who live in other countries for a certain period of time, like expatriates who work several years abroad.

Components of Culture

In order understand culture and achieve cultural competence, it is essential of study the formation of a culture and identify the differences between cultures. Principally, culture is into ten components, which include aesthetics, values, attitudes, education, personal communication, manners and customs, physical and material environment, family relationships, social structure, and religion. These components can be easily seen in our daily life and business activities.

1. Values and Norms

Value is the basis of a culture that provides the context for norms to be established. Values refer to ideas, beliefs, and customs which people are emotionally attached to, such as honesty, freedom, and responsibility. It is a society's ideas about what is good or bad, right or wrong. Values also can include attitudes toward freedom, truth, justice, honesty, loyalty, and responsibility. Values affect people's work ethics and desire for material possessions. It also determines how an individual will probably respond in any given circumstance. Values in one culture are distinct from another. Norms are the social rules that govern people's actions toward one another. In certain cultures, business meetings follow a precise, well-planned agenda; while in other cultures, time is initially spent deciding whether them is trust between the participants before focusing on the business at hand. In certain cultures like in Singapore, people value hard work and material success while in Greece, people value leisure and a modest lifestyle.

The Inglehart-Welzel Cultural Map of the World (Figure 3.3), which was created based on the World Values Survey, shows the variation of values among people and their cultures around the world. Values can be classified into four elements; survival values, self-expression values, traditional values, and social-relational values. These values vary from one region to another. For instance, English-speaking countries like Australia, Great Britain, Canada, and New Zealand are score highly in their self-expression values and score moderately on traditional and social-relational values. In contrast, certain Asian countries like Pakistan, Indonesia, and the Philippines score highly in survival values and traditional values. These various differences in the four elements of values might widen the gap between one culture and another. Hence, the possibilities for cultural values to collide would be greater between these countries, which may result in a cultural clash. Cultural clashes will be discussed further at the end of this chapter.

2. Attitude

Attitudes refer to positive or negative evaluations, feelings and tendencies that individuals hold in mind toward objects or concepts. Attitudes reflect underlying values. Like values, attitudes are learned from role models including parents, teachers, peers, and religious leaders. This can be seen in different perceptions of attitudes toward time, work ethics, and cultural change. As with values, attitudes also differ from one country to another. Unlike values, which are quite rigid over time, attitudes are more flexible. For example, people in many Latin American and Mediterranean cultures are casual about their use of time. In contrast, people in Japan and the Us typically arrive promptly for meetings, keep tight schedules, and work long hours. The values that they hold are reflected in their attitudes.

3. Aesthetics

Aesthetics refers to the imagery that represents certain expressions and symbolism of certain colours. Aesthetics are the most important part of spiritual culture and are especially creative in character. It is a kind of cultural judgement of beauty and good taste, which is expressed in its art, drama, music, folklore, and dance. It represents a critical reflection on art, culture, and nature. Certain cultures have a strong historical background in the arts like music, painting, dance, drama, and architecture. For instance, Italians have a good sense of fashion design and are among the market leaders in the world fashion and design industry. Understanding criteria of cultural aesthetics are important when a firm considers doing business in another country. The selection of appropriate colours, music, of paintings can increase the firm's chances of success. Colours can deceptive because they mean different things in different cultures. For example, green is a favourite colour in most Islamic nations like Jordan, Pakistan, and Saudi Arabia. Following death or sad situation, Islamic nations, Japan, and most Asian countries use the colour white; while in Europe, Mexico, and the US, the colour used to represent the situation is black. Symbols are also important to certain cultures. The number seven, for instance, signifies good luck in the US, but it represents bad luck in Singapore, Ghana, and Kenya. The number four is unlucky in Japan and China; therefore, when doing business in these countries, products packed in fours may not be well accepted by potential consumers.

4. **Manners and Customs**

Manners and customs refer to appropriate methods of behaving, speaking, and dressing in a certain culture. They represent the ways of behaving and conducting oneself in public and business situations. Some countries are characterized by egalitarian or informal cultures in which people are equal and work together cooperatively. In other non-egalitarian countries, people are more formal and status, hierarchy, power, and respect are very important. Customs that vary most worldwide are those related to eating habits and mealtimes, work hours and holidays, drinking and toasting, appropriate behaviour at social Gatherings, gift-giving, and the role of women. In Korea, it is poor manners to lift a rice bowl close to one's mouth when eating rice, while it is a common practice in China and in Japan. Customs are habits or ways of behaving in specific circumstances that are typically passed down through generations. Customs differ from manners in that they define appropriate habits or behaviour in specific situations. Sharing gifts of food during the Islamic holy month of Ramadhan is a custom among Muslims. In Chinese culture, when a guest is served food, he is not supposed to finish all the food because it is ill-mannered; while in Malay or Indian culture, the well-mannered guest is expected to finish the food.

5. **Social Structure**

Social structure refers to a society's fundamental organization, which is comprised of groups and institutions. It is a system of social positions and their relationships, and the processes by which its resources are distributed. Three important elements of social culture that differ across societies or nations are social group association, social status, and social mobility. Social group association refers to two or more people who identify themselves through self-image. For instance, golf clubs in Malaysia portray the image that their members are successful businessmen or top managers who are rich, famous, and have an urban lifestyle. People from all cultures associate themselves with a variety of social groups. Social status is an important aspect of social structure, where culture is divided according to status. Three factors that normally determine social status are family heritage, income, and occupation. When a person comes from a prominent family, for instance, a royal Malaysian family with the title "Tengku", his social status is higher in society. Social status can be upgraded or downgraded in society through social mobility. However, in certain cultures, social status is not mobile but is inherited. For instance, in Indian culture, caste is a kind of social structure with characteristics of social inequality. Caste refers to a system of ranked, named groups, into which a person is born. This unique and complex social structure is fundamental to South Asian culture.

6. Religion

Religion refers to a specific set of beliefs and practices regarding the spiritual realm. It includes the belief in the existence of divine beings as a single being or group, the purpose of life, who created and oversees the world. Rituals, prayer, and other spiritual exercises are common parts of religious practices. Religious beliefs often provide guidance for behaviour and explanations for the human condition. Religion is often a source of strength for cultural groups in a society, providing a sense of community and a basis for cohesion and moral strength within a cultural group. An understanding of religion is essential as it helps to understand how religion affects business practices. Religion provides the best insight into a society's behaviour. In most cultures, a country's religion plays a major role in shaping the national culture. Some of the major religions practised in the world today are Islam, Christianity, Hinduism, Buddhism, Confucianism, Judaism, and Shintoism. Issues related to religion include basic beliefs of the religion, teachings about gender roles, and destiny in a person's life.

Major Religion	Examples of Countries
Islam	Saudi Arabia, Iran, Iraq, Jordan, Turkey, Afghanistan, Pakistan, India, Malaysia, Indonesia
Christian	Italy, France, Germany, Spain, Portugal, United Kingdom, Canada, USA, Mexico, Brazil, Argentina
Buddhism	Thailand, Cambodia, Myanmar, Bhutan, Sri Lanka, Laos, Vietnam, Macao, Taiwan
Hinduism	India, Nepal, Bangladesh, Indonesia, Mauritius, Sri Lanka, Trinidad
Confucianism	China, Hong Kong, Macao, Taiwan, Singapore, Vietnam, South Korea, Japan, Tibet, Mongolia
Shintoism	Japan
Judaism	Israel

Table 1

It can be seen that major religions are spread around the world according to geographic region. Table 1 lists countries in the world and their major according. The huge majority of Christians live in Europe and the Americas, while the majority of Muslims live in North-West Africa, the Middle East, South Asia, and South-East Asia. A large majority of Buddhists live in Asia and Far Eastern countries. Hinduism is commonly practised in the Indian subcontinent, while Confucianism is widely practised in Far Eastern countries like China, Hong Kong, and Taiwan. The majority of lews live in Israel, while Shiniest (believers of Shintoism) live in Japan. Christian thoughts have contributed to the emergence of capitalism, where hard work and the creation of wealth are emphasized. Islam is the second-largest of the world's major religions. Islam views humans as a collective entity in which the wealthy and successful people have an obligation to help the disadvantaged. Businesses that are involved in deception and exploitation of others are unlikely to be welcomed in an Islamic country. Hindus believe that a moral force in society requires the acceptance of certain responsibilities, known as dharma. Historically, Hinduism has supported India's caste system; but in modern days it has generated hard-working entrepreneurs who have contributed to a rapidly growing economy. Hindus see mobility between castes as something that is achieved through spiritual progression and reincarnations. Confucianism originated from the ethical system of China. Loyalty to one's superiors is regarded as a sacred duty in Confucian thought. In organizations, this culture helps to reduce the conflict between management and labour. Dishonest behaviour is not favoured and has major economic implications. Companies that trust each other can lower the cost of doing business.

7. Personal Communication

Personal communication refers to how people in different cultures communicate and convey their thoughts, feelings, knowledge, and information through speech actions, and writing.

Understanding a spoken language gives great insight into why people think and act the way that they do. Understanding body language is important, in order to avoid sending unintended or embarrassing messages. Spoken language is the most critical element of personal communication and it is often culturally, socially, and politically distinct. Language includes verbal and nonverbal behaviour and social customs. An attempt made to communicate with people in a different culture is known as intercultural communication. Inter-cultural communication may have an effect on a discussion. For example, if a Malaysian and an Italian had to communicate about an important matter, but neither person was able to speak English, they would not be able to understand each other. The opening case advertisement by Nike was considered to be insulting to Chinese culture, although it was not intended. This cross-cultural misunderstanding has had a considerable effect on Nike. Since the company was banned from showing the advertisement, thus a new advertisement had to be created.

Country	Spoken Language
Malaysia	Malay (Bahasa Malaysia)
Myanmar	Burmese
The Philippines	Pilipino, English
Singapore	Chinese, Malay, Tamil, English
Thailand	Thai
Vietnam	Vietnamese
Australia	English
People's Republic of China	Mandarin
Fiji	English

Hong Kong	Cantonese, English
India	Hindi, English, Marathi, Tamil, Urdu, Gujarati, Malayalam, Kannada, Oriya, Punjabi, Assamese, Kashmiri, Sindhi, Sanskrit, Bengali, Telugu
Indonesia	Indonesian
Macau	Portuguese

Table 2

Language reflects the nature and values of society. There are many sub-cultural languages all over the world, such as dialects. Table 2 lists countries around the Pacific Rim and the languages are spoken in each country. Some countries have two or three languages. In Zimbabwe, there are three languages – English, Shona, and Ndebele, with numerous dialects. In Nigeria, some linguistic groups have engaged in hostile activities. Language can cause communication problems – especially in the use of media or written material. It is best to learn the language or engage someone who understands it well. For instance, in the Indonesian language, if someone says yes, it may not necessarily mean yes, - it might mean no. As Indonesians are known for their gracious, polite culture, saying no is considered impolite. The culture requires a polite, agreeable response. Therefore, unless you are fluent in the Indonesian language, the correct message may not be conveyed.

Body language is unspoken cues like hand gestures, facial expressions, physical greetings, eye contact, and the manipulation of personal space. People informally learn about languages like gestures, glances, changes in voice tone and eye contact when they are growing up in society. These kinds of communication, which are highly culture-bound, are learned over the years by observing others and imitating them. Like spoken language, body language also communicates both information and feelings and differs greatly from one culture to another. Body language is normally subtle and takes time to recognize and interpret. Proximity is an extremely important element of body language to consider when meeting someone from another culture.

8. Education

Education refers to the system that a society in educating its people. Each culture educates its people through schooling, parenting, religious teachings, and group memberships. How these groups conduct their systems vary from one society to another. In certain countries, governments are fully responsible for formal education; while in other countries, individuals or organizations work closely with the government to provide formal education. The education systems implemented also differ from country to country. Families and other groups provide informal instructions about customs and how to socialize with others. Two issues related to education that differ from one nation to another are education level and the brain drain phenomenon.

9. Physical and Material Environment

Physical and material environment refers to the surroundings of a culture that largely influence its development and speed of change. Landscape and climate are among characteristics of a physical environment that have some influence on the culture of a society. The geographic surface of the region and the weather conditions determine where people live, and which transportation and distribution systems are suitable. The material environment can be linked and represented with material culture, which refers to tools, artefacts, and technology used in a culture. These artefacts or works of art can be seen in the objects used to cope with culture includes things that people leave behind and all the things' people make from the physical world like farm tools, ceramics, houses, furniture, toys, buttons, roads, and cities. Through material culture, people learn about belief systems like values, ideas, and attitudes, and assumptions of a particular society across time. The objects made or modified by humans, consciously or unconsciously, reflect the beliefs of individuals who made, purchased or used them. Before marketing in a foreign culture, firms need to assess the material culture like transportation, power, communications, technology, and others. All aspects of marketing are affected by material culture, for example, sources of power for products, media availability, and distribution. For example, chilled transport does not exist in many African countries. Newly introduced material culture may bring cultural changes to a country, which may or may not be desirable.

10. Family Relationships

Family relationships refer to the extent of the relationship in a family. A family is the primary unit of society. Children are socialized into human society and into a culture’s beliefs, attitudes, values, and behaviour through the family. Family relationships include family structure, roles, dynamics, and expectations. Issues related to cultural groups are family structure either nuclear family or extended family, rights and responsibilities of the family members, authority in the home, and values placed on having children. A nuclear family refers to a family comprised of a father, a mother, and children, while an extended family is comprised of a father, mother, children, uncles, aunts, and grandparents. Rights and responsibilities also vary from one culture to another culture. In certain regions like the Middle East and in Asian countries, a son carries greater responsibilities towards the parents than a daughter, especially when they are grown up. In western countries, on the other hand, this responsibility is not that great, as parents are independent and children, regardless of their gender, are equally responsible.

Dimensions of Culture

Cultures vary in terms of patterns of thinking, feeling, and acting. Since these patterns are established from childhood, they are extremely hard to change. This may result in unavoidable cultural bias, as all people develop values based on their environment and upbringing. In understanding further about cultural elements, few studies have been conducted by scholars. Among them are Hofstede, Trompenaars & Hampden-Turner, and Hall who studied how one society can be differentiated from another society based on their cultural content.

Hofstede, a Dutch psychologist, has conducted a study on various countries in the world to identify how they differ from one another. He identified five cultural dimensions that can describe and differentiate one culture from the other, particularly in terms of patterns of thinking, feeling, and acting. The dimensions are known as power distance, collectivism versus individualism, masculinity versus femininity, uncertainty avoidance, and long-term versus short-term orientation. These dimensions help to explain the differences between countries. Hofstede's framework analysis not only facilitates the understanding of the differences in cultures but also helps firms to easily apply them to inter-cultural experiences. This framework is very practical and useful to apply to firms involved in international business.

i) Power Distance

Power distance is the degree to which a culture accepts social inequality among its people. Power distance refers to the extent to which less powerful members expect and accept unequal power distribution within a culture. A culture with high power distance tends to be characterized by much inequality between superiors and subordinates. The organization tends to be more hierarchical, with power derived from prestige, force, and inheritance. High power distance cultures have a tendency towards centralized power with hierarchies in an organization and large differences in salaries and status between individuals. Subordinates in the organizations are expected to do as they are told, and teachers are viewed as possessing wisdom and are automatically held in high esteem. Cultures with low power distance display a greater degree of equality, with prestige and rewards more equally shared between superiors and subordinates. Power in these cultures is seen to be derived more from hard work and entrepreneurial drive and is therefore often considered more legitimate. Low power distance cultures view subordinates and managers as being closer together with flatter hierarchies in organizations and less difference in salaries and status.

Based on Hofstede's findings, China is a high power distance society relative to other Far East Asian countries. The score for China is 80, which is above the average score of 60 for Far East Asian countries. High power distance has been accepted and practised by society as a tradition. Similarly, India also scored high in power distance. Even though the caste system has been legally abolished in the country, the system remains in Indian society as a tradition. Another Asian country that has a high power distance is Indonesia. The country has established an authoritarian structure, where rank and position are very important in society. As the majority of the population are Muslim religion and faith are used as a basis for decision-making in certain subjective issues. Examples of low power distance countries are Australia, New Zealand, the United Kingdom, and European countries where power is equally distributed within the society.

ii) Collectivism versus Individualism

Collectivism versus individualism is the extent to which a culture emphasizes the individual versus the group. Collectivism is a culture that means that people are integrated from birth into a strong, cohesive group that provides protection. In exchange for protection, the group expects loyalty. People in collectivist cultures feel a strong association to groups, including family and work units. The goal of maintaining group harmony is most evident in the family structure. Collectivist cultures value harmony more than truth, silence more than speaking, and strive to maintain 'face'. Shame is used to achieve the behaviour that is desired. In the workplace, these cultures value training, skills and intrinsic rewards for mastery of skills. In society, the emphasis is on collective socio-economic interests over the interests of the individual. Individualism in a culture means that the ties to others are loose and that everyone is expected to look after themselves or their immediate family. Individualist cultures value hard work and promote entrepreneurial risk-taking, thereby fostering the spirit of invention and innovation. Individualistic cultures value freedom and personal time, challenge, and material rewards as motivators for work. Families value honesty and truth, maintaining self-respect and using guilt to achieve the behaviour desired. In an individualist society, the emphasis is on individual socio-economics goals rather than the group.

In terms of collectivism vs individualism, based on Hofstede's study, China is a highly collective society relative to other countries in the region. This situation arises from the influence of Communism, which is centred on collective values. Through Hong Kong was originally a part of China, collectivism is lower and the country scored higher in individualism. This indicates that British colonization has gradually moulded society's values towards individualism rather than collectivism.

Indonesia is also a highly collective society. The influence of communism during the Sukarno and Suharto eras and Islamic values have shaped the society to be group-centred rather than individual-centred. A collective society values long term relationships and commitment through family or extended relationships. Loyalty is a virtue in a collective society and can override rules and regulations. Each member of the group has to be responsible for the cohesiveness of the group. Other collective societies in the Asian region are Taiwan and Japan. In contrast, most western countries score low in collectivism but score highly in individualism. Such countries include Australia, New Zealand, the US, Canada, Germany, France, Switzerland, and Scandinavia.

iii) Uncertainly Avoidance

Uncertainty avoidance is the extent to which a culture avoids uncertainty and ambiguity. Cultures vary in their avoidance of uncertainty or unknown matters, creating different rituals and having different approaches to formality, legal, and religious requirements, and tolerance for ambiguity. A culture with high uncertainty avoidance values security and places its faith in a strong system of rules and procedures in society. In cultures with high uncertainty avoidance, businesses have more formal rules and exhibit longer career commitments, normally lower employee turnover, more formal rules for regulating employee behaviour, and more difficulty in implementing change. They expect structure in organizations, institutions, and relationships to help make events interpretable and predictable. Teachers are expected to be the experts who know the answers. Most Asian countries rank fairly high in this category.

Indian society scores highly in uncertainty avoidance relative to other countries in the Asian region. High uncertainty avoidance reflects that society is less structured in terms of ideas and conditions. Rules and regulations are not properly established, which makes control difficult in the management of certain situations. For instance, if there is a bombing of the country, it may not be clear which department or government agencies are responsible and accountable to manage and controlling such a situation. In another country in Asia that has high uncertainty, strict rules, laws, policies, and regulations are adopted and implemented. The ultimate goal of society is to control everything to eliminate or avoid the unexpected. Consequently, this society is not prepared to accept changes and is very risk-averse.

A low uncertainty avoidance ranking indicates a society that not only tolerates uncertainty and freedom of opinions but uses this strength to be a place where many varying cultures and ideas can come together. Cultures that are low in uncertainty avoidance tend to be more open to change and new ideas. Individuals in this type of culture tend to be entrepreneurial. In cultures with low uncertainty avoidance, businesses are more informal and focus on long-range strategic matters. Teachers are allowed to not know all the answers and can conduct open-ended classes and discussions.

For Asian countries, Hong Kong and Singapore score low in uncertainty avoidance while European countries mostly score low in uncertainty avoidance, in fact, some of them such as Denmark, Holland, Germany and Sweden score much lower. This means that these countries have the lowest levels of uncertainty avoidance in the world.

iv) Masculinity versus Femininity

Masculinity versus femininity refers to the traditional assignment of gender roles. It is the value placed on traditionally male or female roles. In masculine societies, social gender roles are clearly distinct. Masculine roles are oriented towards competitiveness, assertiveness, toughness, ambition, and accumulation of wealth and material possessions. In masculine cultures, the traditional distinctions between the roles are maintained. In these cultures, men are the traditional breadwinners, and women do not have to work hard or study if they choose not to do so.

India is a highly masculine society, ranked by Hofstede as the third highest in Asia. The higher the country ranks in masculinity, the greater the gap between the values of men and women. Masculinity generates a more competitive and assertive female population, although still less assertive than the male population.

Most affluent societies in advanced countries tend to be feminine. However, despite being rich, Japanese society remains masculine. Surprisingly, the country is more masculine than other Asian countries like Hong Kong and Singapore.

Femininity pertains to societies in which social gender roles overlap. Feminine roles are oriented towards home, children, people, and tenderness. In feminine cultures, the traditional distinctions tend to collapse. Both men and women can exhibit caring and tenderness, and concern for the quality of life and material success. Feminine cultures also feature more women who take on male careers such as engineering.

Hofstede's study found that Sweden is the most feminine society in the world, while the US and UK are moderately feminine societies.

v) Long-Term versus Short-Term Orientation

This dimension indicates a society's time perspective and an attitude of perseverance by overcoming obstacles with time. Long-term time orientations seem to be influential in cultures where the philosophies are many thousands of years old. For example, Malay culture is influenced by ancient Islamic philosophy. So is Chinese culture, which is influenced by Confucian philosophy. These long-term time orientations share the belief that older people have more authority than younger people. It also means that in work, people should try to acquire skills and education is also identified with 'truth', while long-term orientation is synonymous with 'virtue'. For short-term orientation culture, the society shares the belief that personal steadiness and stability is important. People should try to protect their own 'face', respect tradition, and reciprocate greetings, favours, and gifts.

Long-term orientation focuses on the degree to which the society holds long-term dedication to traditional values and future thinking values. A high long-term orientation ranking indicates the country prescribes the values of long-term commitments and respect for tradition. This is thought to support a strong work ethic where long-term rewards are expected as a result of today's hard work. However, the business may take longer to develop in this society, particularly for a stranger to the society. A long-term orientation score indicates the country does not emphasize the concept of long-term traditional orientation. In this culture, change can occur more rapidly as long-term traditions and commitments do not become obstacles to change. Both China and Hong Kong where traditions are highly regarded by society., have a high long-term orientation score. India also scored highly in long-term orientation. This means that the people are perseverant and cautious.

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SULIT

BAHAGIAN PEPERIKSAAN DAN PENILAIAN
JABATAN PENDIDIKAN POLITEKNIK DAN KOLEJ KOMUNITI
KEMENTERIAN PENDIDIKAN MALAYSIA

JABATAN PERDAGANGAN

PEPERIKSAAN AKHIR

SESI JUN 2018

DPP2013: INTRODUCTION TO INTERNATIONAL BUSINESS

TARIKH : 27 OKTOBER 2018
MASA : 8.30 PAGI - 10.30 PAGI (2 JAM)

Kertas ini mengandungi **TIGA (3)** halaman bercetak.

Esei (4 soalan)

Dokumen sokongan yang disertakan : Tiada

JANGAN BUKA KERTAS SOALAN INI SEHINGGA DIARAHKAN

(CLO yang tertera hanya sebagai rujukan)

SULIT

INSTRUCTION:
This section consists of **FOUR (4)** essay questions. Answer **ALL** questions.

ARAHAN:
*Bahagian ini mengandungi **EMPAT (4)** soalan esei. Jawab **SEMUA** soalan.*

QUESTION 1

CLO1 C1
(a) Describe **TWO (2)** impacts of globalization towards international business [10 marks]

CLO1 C2
(b) Describe the terms as stated below:

i. Developing and Emerging Economies (DMNEs) [3 marks]

ii. Transnational Firm [4 marks]

iii. Global Firm [4 marks]

iv. Multinational Firm [4 marks]

QUESTION 2

CLO2 C1
(a) Discuss the types of exporting as stated below

i. Direct Exporting [5 marks]

ii. Indirect Exporting [5 marks]

The joint venture is a commercial enterprise in which two or more companies join their forces to gain a tactical and strategic edge in the market.

CLO2 C2
(b) i. Discuss **THREE (3)** benefits of Joint Venture [9 marks]

ii. Explain **TWO (2)** disadvantages of Joint Venture [6 marks]

QUESTION 3

CLO3
C2

(a) Describe **TWO (2)** types of legal system as stated below:

i. Civil law [5 marks]

ii. Socialist law [5 marks]

CLO3
C3

(b) Interpret **THREE (3)** methods of managing country risk [15 marks]

QUESTION 4

CLO3
C3

(a) Interpret any **TWO (2)** elements of culture [10 marks]

CLO3
C3

(b) i. Interpret Hofstede Cultural Dimensions below:

a. Power Distance Index [4 marks]

b. Individualism versus Collectivism [4 marks]

ii. Interpret **TWO (2)** methods of doing business in the United States [7 marks]

SULIT

BAHAGIAN PEPERIKSAAN DAN PENILAIAN
JABATAN PENDIDIKAN POLITEKNIK DAN KOLEJ KOMUNITI
KEMENTERIAN PENDIDIKAN MALAYSIA

JABATAN PERDAGANGAN

PEPERIKSAAN AKHIR

SESI DISEMBER 2018

DPP2013: INTRODUCTION TO INTERNATIONAL BUSINESS

TARIKH : 13 APRIL 2019
MASA : 11.15 PAGI - 1.15 TENGAHARI (2 JAM)

Kertas ini mengandungi **TIGA (3)** halaman bercetak.

Esei (4 soalan)

Dokumen sokongan yang disertakan : Tiada

JANGAN BUKA KERTAS SOALAN INI SEHINGGA DIARAHKAN

(CLO yang tertera hanya sebagai rujukan)

INSTRUCTION:
This section consists of **ESSAY** questions. Answer **ALL** questions.

QUESTION 1

CLO1 C1

(a) i. Define external environment in international business [2 marks]

ii. Describe the following international environmental terms used in international business.

a. Economic Environment [4 marks]

b. Political Environment [4 marks]

CLO1 C2

(b) i. Explain what is Small and Medium Sized International Enterprises (SMIEs). [5 marks]

ii. Explain any **TWO (2)** types of Multinational Enterprises (MNEs). [10 marks]

QUESTION 2

CLO2 C1

(a) Describe the following basic decisions before entering foreign markets.

i. Where to enter [5 marks]

ii. How to enter [5 marks]

CLO2 C2

(b) Discuss the following mode of entry.

i. Greenfield Investment [5 marks]

ii. Wholly owned subsidiary [5 marks]

iii. Merge and acquisition [5 marks]

QUESTION 3

CLO3 C1
(a) i. List any **FIVE (5)** principles of democracy [5 marks]

ii. Describe Socialism of Political Systems [5 marks]

CLO3 C2
(b) i. Identify **FIVE (5)** types of legal systems [5 marks]

ii. Explain any **TWO (2)** types of the legal systems [10 marks]

QUESTION 4

CLO3 C2
(a) Explain the elements of culture as stated below:

i. Religion [5marks]

ii. Government Involvement [5 marks]

CLO3 C3
(b) Interpret the etiquette and manners of doing business in Japan . [15 marks]

SOALAN TAMAT

SULIT

BAHAGIAN PEPERIKSAAN DAN PENILAIAN
JABATAN PENDIDIKAN POLITEKNIK DAN KOLEJ KOMUNITI
KEMENTERIAN PENDIDIKAN MALAYSIA

JABATAN PERDAGANGAN

PEPERIKSAAN AKHIR

SESI JUN 2019

DPP2013: INTRODUCTION TO INTERNATIONAL BUSINESS

TARIKH : 31 OKTOBER 2019
MASA : 11.15 PAGI - 1.15 TENGAHARI (2 JAM)

Kertas ini mengandungi **TIGA (3)** halaman bercetak.
Esei (4 soalan)
Dokumen sokongan yang disertakan : Tiada

JANGAN BUKA KERTAS SOALAN INI SEHINGGA DIARAHKAN

(CLO yang tertera hanya sebagai rujukan)

SULIT

INSTRUCTION:

This section consists of **FOUR (4)** essay questions. Answer **ALL** questions.

QUESTION 1

CLO1 C1

(a) i) Define international business as compared to domestic business.

[4 marks]

ii) State **THREE (3)** impacts of globalization in International Business activities.

[6 marks]

CLO1 C2

(b) Describe briefly the following types of Multinational Enterprise below:

i) Multi-domestic company
ii) Multinational company
iii) Transnational company

[15 marks]

QUESTION 2

CLO2 C1

(a) Describe briefly **TWO (2)** approaches to penetrate the foreign market.

[10 marks]

CLO2 C2

(b) i) Explain **FOUR (4)** benefits of exporting.

[8 marks]

ii) Describe **TWO (2)** drawbacks of exporting.

[7 marks]

QUESTION 3

CLO3 C1

(a) Each country's political system is reasonably distinctive. Describe any **TWO (2)** major types of political systems.

[10 marks]

CLO3 C2

(b) Explain **THREE (3)** methods for a country to manage their risks due to political changes.

[15 marks]

QUESTION 4

CLO3 C2

(a) Culture can be known as knowledge, beliefs and norm acquired by a person as a members in the society. Describe any **FIVE (5)** components of culture to a certain country.

[10 marks]

CLO3 C3

(b) Interpret China's culture based on Hofstede's **FIVE (5)** dimensions of culture framework.

[15 marks]

SOALAN TAMAT

TERBITAN

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