

# Unit 39: International Business

<b>Unit code:</b>	<b>F/502/5502</b>
<b>QCF Level 3:</b>	<b>BTEC National</b>
<b>Credit value:</b>	<b>10</b>
<b>Guided learning hours:</b>	<b>60</b>

## ● Aim and purpose

The aim of this unit is to introduce learners to the role played by international business. The importing and exporting of goods and services are important economic activities to any economy. Learners will study national and international businesses and the framework in which they operate.

## ● Unit introduction

Apple's iPods and insurance from Aviva are products that have a global identity. Brand names are often recognised across the world as organisations seek to increase demand for their products, by expanding from a national to an international market. Initially, the nature of the international business environment will be considered by looking at the size and importance of international markets. Governments encourage businesses to trade internationally but protectionism is also common. International business is regulated by national governments and also by transnational trading arrangements promoted by trading blocs such as the European Union and global agencies such as the World Trade Organization (WTO).

Both large and small businesses trade internationally but this is often more complex than doing business in the home market. Consideration will be given to the issues facing a business when it expands its operations internationally. However, additional insight is provided by considering issues faced by overseas businesses as they have expanded their operations by moving into the UK market. Tesco has had very limited success in extending operations into France but has had more success in Malaysia and China. The business environment needs to be considered with its mix of political, economic and legal issues. Cultural questions about how best to operate in international settings, as individual markets have unique characteristics that need to be understood before they can be exploited, need to be explored.

Support is available to businesses that want to work internationally. It includes trade delegations, voluntary industry-specific groups, government assistance and help from commercial businesses for example how to finance international business activities. Working internationally requires businesses to look at strategies and techniques that promote international working. Should factories be built or should local partnerships be developed using local businesses in joint ventures or licensing deals? Activities such as production, sales, marketing, human resource management and purchasing will need to be adapted. Each venture needs to be considered on its own merit. The next time you have a drink on holiday, read the label on the bottle it comes in and think about the significance of the production information.

## ● Learning outcomes

### On completion of this unit a learner should:

- 1 Understand the international business environment
- 2 Know how cultural differences affect international business
- 3 Know how international business is financially supported
- 4 Understand the strategies used by international businesses.

# Unit content

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## 1 Understand the international business environment

*International business:* economic value of international trade (to individual businesses, to the economy); imports; exports; balance of trade; balance of payments; value of world trade; trends; globalisation; multinational corporations; competition; economies of scale; labour movement; foreign investment; developing countries

*Economic activities that encourage/restrict international trade:* free trade; barriers to trade; embargoes; quotas; tariffs; economic blocs, eg European Union; World Trade Organization (WTO)

## 2 Know how cultural differences affect international business

*Environment:* ideology; political; economic; technology; social; legal; ethics, environmental issues

*Culture:* language; religion; values; attitudes; customs; manners; education; material culture; institutions; infrastructure; work attitudes

## 3 Know how international business is financially supported

*International monetary environment:* foreign exchange system; the European Monetary System (EMS); balance of payments; international money markets; international banking; trade credit; letters of credit; Export Credit Guarantees; forfeiting; factoring; bills of lading; international debt; methods of protection against exchange rate fluctuations

*Trade support:* government agencies; trade associations; insurance; legal issues

## 4 Understand the strategies used by international businesses

*Reasons:* growth (value, volume, market coverage); diversification; emerging markets; economies of scale; cost reduction; taxation regime; legal and regulatory regime

*Marketing:* identifying markets; data analysis; marketing information systems; promotion; advertising; adaptation/standardisation of product and promotion, licensing, co-production, joint ventures

*Production and distribution:* standardisation of products; product differentiation; product pricing; distribution channels; transportation; supply chain; logistics

*Human resources management:* staff; foreign personnel; expatriate personnel; labour expertise; labour mobility; recruitment; induction and training; cross-cultural training

*Technology:* internet; industrial development; transfer of technology; adapting technology to conditions

## Assessment and grading criteria

In order to pass this unit, the evidence that the learner presents for assessment needs to demonstrate that they can meet all the learning outcomes for the unit. The assessment criteria for a pass grade describe the level of achievement required to pass this unit.

Assessment and grading criteria		
To achieve a pass grade the evidence must show that the learner is able to:	To achieve a merit grade the evidence must show that, in addition to the pass criteria, the learner is able to:	To achieve a distinction grade the evidence must show that, in addition to the pass and merit criteria, the learner is able to:
<b>P1</b> explain the international business environment in which a selected organisation operates [IE]	<b>M1</b> assess the methods to increase trade between countries and the methods to restrict trade between countries	<b>D1</b> evaluate the potential problems faced by businesses that trade internationally when entering new markets
<b>P2</b> describe the mechanisms that regulate international trade [IE]		
<b>P3</b> describe how the environment and culture of another country affects a business operating internationally [IE, CT, RL]	<b>M2</b> compare how cultural differences and foreign business environments affect multi-national corporations.	<b>D2</b> evaluate the impact of cultural differences on international business performance in the international market.
<b>P4</b> describe how the monetary environment affects businesses that operate internationally [RL, IE]		
<b>P5</b> identify why businesses operate internationally [CT, IE]		
<b>P6</b> explain the business strategies used by a business operating internationally. [IE, CT]		

**PLTS:** This summary references where applicable, in the square brackets, the elements of the personal, learning and thinking skills which are embedded in the assessment of this unit. By achieving the criteria, learners will have demonstrated effective application of the referenced elements of the skills.

<b>Key</b>	IE – independent enquirers	RL – reflective learners	SM – self-managers
	CT – creative thinkers	TW – team workers	EP – effective participators

## Essential guidance for tutors

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### Delivery

Learners will develop an understanding of the importance of international business by considering current data on trade which will establish the level of current activity and will introduce some of the important terms used in international business. Up to date information is available in the financial press and from government departments.

To understand the context of international business, learners should consider why international business activities are important. Many businesses see overseas markets as an opportunity for growth and they adopt a range of strategies to enable this. Some manufacturers may just sell their products in new markets but others may move some of their manufacturing overseas to take advantage of lower operating costs. In some cases, all manufacturing may be moved abroad so goods are then imported back to the UK. A lot of the tableware that was once made in the Potteries in the Midlands of the UK is now manufactured in the far East. Other business with no manufacturing activity in the UK will seek to import goods from those countries where costs are lowest. Textiles come from Bangladesh, India and Vietnam. Electrical goods come from China and Eastern Europe. Services can similarly be imported. International business involves both buying and selling overseas. Additional insight is provided by looking at foreign businesses that choose to set up in the UK because of the advantages of operating here. They use the UK as a base for some of their international activity. Honda, Nissan and Toyota all manufacture cars in the UK and are significant exporters. Overseas businesses are set up in the UK because English is the global language of business, the transport system is extensive and the labour force is skilled. UK businesses sell, manufacture and import from countries where the local environment is understood. India provides an educated, English speaking population which accounts for the popularity of the country in which to do business. There are country and business case studies that consider how specific organisations approach working internationally. Newspapers, TV and radio cover specific businesses from time to time. Local expertise also exists and Chambers of Commerce and staff in local businesses may be able to provide material on international working.

The practicalities of international business activities need to be covered. Support mechanisms exist, provided by government, both local and national, to promote international business. Government departments, Chambers of Commerce and specialist consultancies provide advice and expertise and banks provide finance. Once a business has opted to operate internationally then it has to decide what it wants to do and how it wants to do it. Production, marketing, distribution, human resources, technical factors and legal issues all need to be considered. A company such as Cadbury provides interesting material. It builds plants overseas but also acquired existing businesses as this might offer easier access to an established market as well as providing new brands. Promoting a bubblegum, Bubbalo, in India offers better returns than promoting luxury brands such as Green and Black's organic chocolate. Bubbalo, however, is manufactured in South America. When exploring international business strategies, learners need to be aware of the practical issues that need to be considered. This can be done through the use of case studies and examples that consider how an international presence can be established. Much pertinent current material is readily accessible, as a result of companies like Cadbury plc.

## Outline learning plan

The outline learning plan has been included in this unit as guidance and can be used in conjunction with the programme of suggested assignments.

The outline learning plan demonstrates one way in planning the delivery and assessment of this unit.

Topic and suggested assignments/activities and/assessment
Introduction to unit and structure of the programme
Introduction to international business and its economic importance to organisations
Pair work on the international business environment. This will be supported by tutor input on technical topics. Learners: <ul style="list-style-type: none"><li>investigate the significance of imports and exports to the economy and trends in imports and exports.</li><li>identify the factors that influence international business</li><li>gather information on the factors that promote and/or restrict international business.</li></ul> There will be formal input during group work.
<b>Assignment 1 – The International Environment – Investigations, presentations, and discussions</b>
Pair work on the environmental and cultural issues that affect international business. This will be supported by tutor input on technical topics. Learners: <ul style="list-style-type: none"><li>investigate different countries as places to do business</li><li>investigate the UK as a place for overseas businesses to operate</li><li>undertake PESTLE analyses of new countries in which a business might choose to operate in</li><li>analyse the cultural factors in different countries that might affect businesses choosing to operate in those countries.</li></ul> There will be formal input during group work.
<b>Assignment 2 – Cultural Differences – Research, presentations, discussions and displays</b>
Pair work (group work) on the how international business is supported. This will be supported by tutor input on technical topics. Learners: <ul style="list-style-type: none"><li>identify the characteristics of the monetary environment.</li><li>investigate the services offered by banks in support of international business</li><li>investigate the range of services offered by government agencies in support of international business.</li></ul> There will be formal input during group work.
<b>Assignment 3a: The Monetary Environment and Business Strategies – how international business activities are supported – Investigation, discussion and presentations</b>
Pair work on the strategies and techniques used by businesses that operate internationally. This will be supported by tutor input on technical topics. Learners: <ul style="list-style-type: none"><li>identify the range of factors that an organisation needs to consider when operating internationally</li><li>examine how selected organisations respond to the demands of establishing international business activities.</li></ul>
<b>Assignment 3b: The Monetary Environment and Business Strategies – strategies and techniques used by organisations when working internationally – Research and presentations</b>
Supervised assignment time
Non-supervised study time and completion of assignments

## Assessment

For P1, learners will need to consider the importance of international business to a selected organisation and to the economy. They will need to look at data on the value and volume of activity together with recent trends in activity. National data needs to be considered together with evidence of the significance of international activity for specific organisations. Both import and export information needs to be explored as different international business are involved with both of these activities.

For P2, the factors that encourage and/or restrict international trade need to be reviewed. A variety of mechanisms exist. For example membership of the EU alongside non-membership of European Monetary Union, could be considered in relation to the international business environment.

For P3, learners should look at the significance of the international business environment and international cultures for businesses that operate internationally. Familiar environments allow businesses to operate internationally but within their 'comfort zone'. Large and emerging markets offer more of a challenge. Legal and regulatory contexts are likely to be codified but cultural issues are less formally defined. So, selling a TV format such as 'Who wants to be a Millionaire' presents problems in China as Chinese TV is largely state controlled and game shows on TV are novel for many Chinese. In Australia, by contrast, TV is run mainly by public companies and the cultural influences are, in many cases, similar to those in the UK.

For P4, learners need to consider some of the mechanics of international business such as how business is established, promoted, financed and payments are made. International trade carries risks, such as fluctuating currencies and operating in different legal jurisdictions, and learners should know how government agencies offer a range of support to mitigate the possible effects of risk. Again, both domestic businesses importing goods and services as well as establishing export presences need to be considered.

For P5, learners should look at why a business might want to work internationally and there is a wide variety of reasons. There are problems and these may be difficult to resolve but international operations are viewed positively by business and government.

For P6, learners should look at how a business operating internationally approaches the task and makes arrangements using a range of techniques to work successfully in an international market. Learners should consider how businesses can develop strategies to operate internationally. Drinks companies usually seek a local joint venture since the basic ingredient in many drinks is water and water is expensive to ship. Soft drinks and beer are almost always produced and bottled under licence but spirits are not. Cars need to be made with a left hand drive and chocolates need to be labelled in the local language. Mainstream products in the UK may be premium products in international markets and so are promoted differently.

This can be linked to P3 which looks at different countries in general terms whereas P6 is about many of the specific issues. Having chosen a new country, is a start up the best option rather than establishing a partnership with an existing business in the new country? The focus is on establishing an international presence.

For M1, learners should consider the purpose of methods of promoting and restricting international trade and identify how and why they might be used.

For M2, learners need to look at how different international business and cultural environments affect organisations. Products may need to be adapted and marketing techniques modified in order to sell successfully in a different market which has different expectations and requirements.

For D1, learners need to assess the possible impact of problems posed by operating in international markets. Rather than build complex car assembly plants in too many countries, where there may be insufficient skilled labour, vehicle manufacturers supply vehicles in 'knock down form' that are re-assembled locally saving on capital costs and shipping costs.

For D2, learners should evaluate the impact of cultural issues on international business performance. Health, welfare, social considerations, environmental issues and belief systems all influence how well organisations do in different international settings.

## Programme of suggested assignments

The table below shows a programme of suggested assignments that cover the pass, merit and distinction criteria in the grading grid. This is for guidance and it is recommended that centres either write their own assignments or adapt any Edexcel assignments to meet local needs and resources.

Criteria covered	Assignment title	Scenario	Assessment method
P1, P2, M1, D1	The International Environment	Case Study	Case Study
P3, M2, D2	Cultural Differences	Case Study	Case Study
P4, P5, P6	The Monetary Environment and Business Strategies	Case Study	Case Study

## Links to National Occupational Standards, other BTEC units, other BTEC qualifications and other relevant units and qualifications

This unit forms part of the BTEC Business sector suite. This unit has particular links with the following unit titles in the Business suite:

Level 3
Introduction to Marketing
Supply Chain and Stock Management
Business and the Economic Environment

This unit also links with the following units of the Level 3 National Occupational Standards in Supply Chain Management:

- Unit T3: Analyse information on the supply chain
- Unit T6: Complete export procedures and requirements
- Unit T7: Complete import procedures and requirements.

## Essential resources

For this unit learners should have access to a suitable business teaching environment and access to current resources about international business activities. Current and specific advice and information is easy to come by. Government websites provide definitions of processes and documentation. Data for PESTLE analyses of specific countries is available in many reference works as well as online. Local organisations and businesses can provide information from personal experience.

## Employer engagement and vocational contexts

Centres should develop links with local employers involved in import and export activities. Many businesses look to employ learners when they finish their programmes of study. They may want some of the expertise some learners can offer if for example they are bi-lingual or come from abroad.



## Indicative reading for learners

### Textbooks

The books are aimed at undergraduates and are expensive. They are best for dipping in to.

Czinkota M R, Ronkainen I A and Moffett M H – *International Business* (Thompson Learning, 1998)  
ISBN 0030223784

Czinkota M R – *Fundamentals of International Business* (Cram 101 Textbook Outlines, 2003)  
ISBN-10 1428805521

Monir Tayeb – *International Business: Theories, Policies and Practices*, (Financial Times/Prentice Hall, 2000)  
ISBN-10 0273637126

Morrison J – *International Business Environment: Global and Local Marketplaces in a Changing World* (Palgrave Macmillan, 2006) ISBN 1403936919

Wild J and Kenneth Wild – *International Business, The Challenges of Globalization* (Prentice Hall, 2007)  
ISBN10: 0135032814

### Journal

*Journal of International Business Studies* (Palgrave Macmillan)

### Newspapers

*The Economist*

*The Financial Times*

### Websites

<http://europa.eu>

Website of the European Union

<http://news.bbc.co.uk>

Provides up-to-date country profiles

[www.bbc.co.uk/learning/subjects/business\\_studies.shtml](http://www.bbc.co.uk/learning/subjects/business_studies.shtml)

A changing bank of learning resources and up to date case studies. This site also has links to other useful sites

[www.bized.co.uk](http://www.bized.co.uk)

Business studies resources for teachers and students

[www.britishchambers.org.uk](http://www.britishchambers.org.uk)

British Chambers of Commerce site for exporting

[www.businesslink.gov.uk](http://www.businesslink.gov.uk)

Business Link site for importing and exporting

[www.cadbury.co.uk](http://www.cadbury.co.uk)

Cadbury plc, particularly the Corporate part of the site

[www.direct.gov.uk](http://www.direct.gov.uk)

Follow the links to information for businesses which then has links to specific information at the Department for Business and Regulatory reform (BERR)

[www.wto.org](http://www.wto.org)

The World Trade organisation

## Delivery of personal, learning and thinking skills

The table below identifies the opportunities for personal, learning and thinking skills (PLTS) that have been included within the pass assessment criteria of this unit.

Skill	When learners are ...
<b>Independent enquirers</b>	describing the international business environment in which a selected organisation operates describing the mechanisms that regulate international trade describing how the environment and culture of another country affects a business operating internationally describing how the monetary environment affects businesses that operate internationally identifying why businesses operate internationally describing the business strategies used by a business operating internationally
<b>Creative thinkers</b>	describing how the environment and culture of another country affects a business operating internationally
<b>Reflective learners</b>	describing how the environment and culture of another country affects a business operating internationally describing how the monetary environment affects businesses that operate internationally.

Although PLTS are identified within this unit as an inherent part of the assessment criteria, there are further opportunities to develop a range of PLTS through various approaches to teaching and learning.

Skill	When learners are ...
<b>Independent enquirers</b>	planning and carrying out research into the international business environment investigating the mechanisms that regulate international trade researching the environment and culture of other countries
<b>Creative thinkers</b>	considering why businesses operate internationally reviewing business strategies used by businesses operating internationally
<b>Reflective learners</b>	looking at how international cultures affect the choice of location for businesses operating internationally inviting comment on own researches in to the issues associated with international business operations evaluating own experiences and learning to inform future progress
<b>Team workers</b>	working in a group to discuss ideas, gather materials about international business agreeing roles with others in any group investigations about countries and their cultures taking responsibility for own role managing activities to reach agreements and achieve results

Skill	When learners are ...
<b>Self-managers</b>	seeking out challenges or new responsibilities and showing flexibility when priorities change dealing with competing pressures, including personal and work-related demands responding positively to change, seeking advice and support when needed
<b>Effective participators</b>	acting as an advocate for own views and opinions when working in groups.

## ● Functional Skills – Level 2

Skill	When learners are ...
<b>ICT – Use ICT systems</b>	
Select, interact with and use ICT systems independently for a complex task to meet a variety of needs	researching international business activity, and the business environment and culture in overseas locations
Use ICT to effectively plan work and evaluate the effectiveness of the ICT system they have used	producing plans to research international business
<b>ICT – Find and select information</b>	
Select and use a variety of sources of information independently for a complex task	finding material about international business researching the environment and culture of different countries researching the support available to international businesses
Access, search for, select and use ICT-based information and evaluate its fitness for purpose	exploring, extracting and assessing the relevance of international business information from websites and other sources
<b>ICT – Develop, present and communicate information</b>	
Enter, develop and format information independently to suit its meaning and purpose including: <ul style="list-style-type: none"> <li>• text and tables</li> <li>• images</li> <li>• numbers</li> <li>• records</li> </ul>	combining information from a variety of sources gathered through research preparing data on exports and imports and the associated trends preparing country profiles for international businesses
Bring together information to suit content and purpose	
Present information in ways that are fit for purpose and audience	
Evaluate the selection and use of ICT tools and facilities used to present information	
Select and use ICT to communicate and exchange information safely, responsibly and effectively including storage of messages and contact lists	communicating with chambers of commerce, businesses and other parties who can provide information about international business

Skill	When learners are ...
<b>Mathematics</b>	
Understand routine and non-routine problems in a wide range of familiar and unfamiliar contexts and situations	using numerical data about imports, exports, sales, revenues and marketing identifying opportunities for growth for international businesses
Identify the situation or problem and the mathematical methods needed to tackle it	
Select and apply a range of skills to find solutions	
Use appropriate checking procedures and evaluate their effectiveness at each stage	
Interpret and communicate solutions to practical problems in familiar and unfamiliar routine contexts and situations	
Draw conclusions and provide mathematical justifications	
<b>English</b>	
Speaking and listening – make a range of contributions to discussions and make effective presentations in a wide range of contexts	carrying out group work when investigating international business asking questions about international business and the support available to international businesses making presentations
Reading – compare, select, read and understand texts and use them to gather information, ideas, arguments and opinions	reading about the international business environment and country and company-specific information reviewing the PESTLE and cultural environments overseas identifying opportunities for operating overseas considering how best an international organisation might establish itself in a new market
Writing – write documents, including extended writing pieces, communicating information, ideas and opinions, effectively and persuasively	preparing accounts of various aspects of international business activity justifying choice of new markets specifying how to establish international business activities in new markets.