



# Unit 5: International Business

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## Delivery guidance

Learners are likely to be familiar with a number of global business organisations in their role as consumers or in a workplace setting. This unit gives learners the opportunity to understand how globalisation can have an impact on all businesses, regardless of their size. In approaching this unit, therefore, you have the opportunity to focus not only on the major players in the global economy but also those small and medium-sized businesses in the local economy who are directly involved in international business or who are influenced by changes in international markets.

Refer learners to local, national and international businesses so that they gain an appreciation of the complex network of business relationships that exist in the global economy and how technology influences these networks. Additionally, learners should consider the risks faced by those businesses that are involved in international business in order to understand that although the global economy gives businesses opportunities for growth and profits, it also brings with it considerable challenges.

Your learners are likely to be familiar with some of the social, economic and political issues that have arisen as a result of globalisation. The focus of this unit, however, should be clearly on the implications for business of globalisation (which, in this unit, includes international communications and technology, international currencies, trading blocs and the notion of the international mobility of labour and capital).

In this unit, learners are not required to make any judgements regarding the scope and development of globalisation, but they are required to explore the issues and challenges prompted by globalisation. For example, the dominance of large international corporations in some countries can exert a negative influence on competition and the growth of local businesses. On the positive side, such large international businesses can be a stimulus for the development of a country's infrastructure and the upskilling of its workforce. This, in turn, can have a both a positive direct and positive indirect impact on the development of new businesses in the economy. For example, smaller businesses could supply parts to the larger multinationals, thereby directly benefiting from the fortunes of the large business. More indirectly, a small firm can take advantage of external economies of scale (such as infrastructure development, technology transfer and a skilled workforce) to contribute towards its own growth and development. It is important for learners to understand the factors that have influenced the growth of globalisation and how small and medium-sized enterprises can exploit these factors for their own advantage.

Many countries belong to some form of trading bloc or have established trade deals with specific countries. Learners should explore the features of different types of trading blocs and identify the influence of these trading associations on the activities of a business.

Learners should also be introduced to some of the complexities encountered by a business which trades internationally. A major consideration concerns the part played by the finance of international trade, the impact of international currency fluctuations and the barriers to international trading activities, which may inhibit the growth of sales in specific countries. Learners should be made aware of the inherent risks associated

with international business. Simple calculations involving exchange rate calculations will enable learners to analyse the impact of currency fluctuations on the price of imported raw materials and the price of exported goods in international markets. Similarly, the impact of direct and indirect barriers to international business, such as tariffs and quotas (direct barriers) and product standards (indirect barriers), could be explored in relation to specific markets and countries.

Taking all of these points into consideration will enable learners to apply their knowledge of international business to specific business contexts and the operational influences that will impact upon business decisions, tactics and processes.

## **Approaching the unit**

You can use a range of delivery methods in this unit, such as:

- discussions, e.g. class and small group discussions on the international business environment
- presentations, e.g. covering the international economic environment
- case studies illustrating factors that influence international business
- videos.

Group work is an acceptable form of delivery, but you must ensure that each learner produces sufficient evidence on their own for assessment.

You can also involve local employers in the delivery of this unit if there are local opportunities to do so.

## **Delivering the learning aims**

When introducing learning aim A, it would be useful for learners to have a broad understanding of the scope and scale of international business in their own country. This should include the country's main exports and imports and how international business has helped shape the local, national and international economy. You could produce a data sheet drawn from official government sources, which learners could use to identify the features and characteristics of the country's trading activities. You could then highlight to them the nature of international business in terms of activities that involve trade in both goods and services. You could also refer to those features in the local economy that have been influenced by international trading activities. This could involve visits to businesses in a local retail or business park or inviting a local business leader to talk to your learners about the international dimension of their business operations, including the business's main markets and suppliers.

For learning aim B, you could prepare a presentation for your learners on the different types of trading blocs and associations that exist in the global economy, looking at barriers to international business and why they exist. Again, the focus should be on the implications for business rather than the wider social and political implications of globalisation.

Learners should engage in activities that highlight how these features influence business operations. For example, you could introduce learners to one of the major risks in international business: international currency fluctuations. You could ask learners to track international currency fluctuations and encourage them to update you



and the class in each lesson with what they have found. You could then use this information to identify some of the business risks or opportunities associated with these fluctuations and the implications for specific businesses.

Having identified the main features of globalisation, learning aim C gives learners the opportunity to look at these features from the perspective of specific international businesses. Recap the concept of the external business environment and the features that can be identified in this environment (previously covered in *Unit 1: Exploring Business*). Make your learners aware of the reasons why it is important for a business to have a clear understanding of the environment in which it operates. You should link this to the business risks identified in learning aim A.

You could then guide learners through the various models that can be used by businesses to analyse the external business environment in which they operate. Case studies involving online research of specific multinational corporations are particularly useful for allowing learners to conduct STEEPLE analysis (Social and cultural, Technological, Economic, Environmental, Political, Legal and regulatory, Ethical). Learners should use situational analysis to consider the impact of external factors on international business.

Learners are likely to focus on the role of technology and its influence on communications as a key factor in the development of the global economy. This could be used as the stimulus for introducing the impact of globalisation on the international business support systems that is utilised within the main functional areas. For example, engaging in the global economy requires a business to have access to a range of different payment methods. It would therefore be useful for you to explain these different methods to learners; this background knowledge will enable them to complete a case study looking at how different payment methods could be used in different circumstances.

Learning aim C also gives learners the opportunity to apply the knowledge and understanding that they have gained to considering the implications of operating internationally on business strategies. Explain the types of business relationships and organisations that could be considered when engaging in international trade, such as licensing, agencies and outsourcing.

Some learners may not be aware that many multinational corporations with which they are familiar operate as franchises. It is therefore useful for them to look at how franchises operate and how franchises may have to take into account local circumstances and cultures in certain countries.

The influence of cultural factors is a specific aspect of the external business environment that should be considered by businesses involved in international trading activities. In learning aim C, learners should focus on identifying business customs in different countries. They should consider how businesses in different countries negotiate contracts and think about cultural factors relating to language, religion, ethnic groupings and the role of women in society. Learners should evaluate how these features impact upon business practices and think of examples of management practices that are suitable in one country but not in another. Similarly, recruitment practices and marketing strategies may have to take account of cultural differences.

Introduce learners to some of the strategic and operational considerations relating to the resource requirements of international businesses. Researching the operations of specific multinational corporations (covering aspects such as revenue, capital costs and

income streams) will give learners an understanding of the organisational structures adopted by different multinational corporations. Understanding could be enhanced if you allocated learners different businesses to research and then encouraged them to compare and contrast their findings with other members of the class.

### Assessment model

| Learning aim   | Key content areas  | Recommended assessment approach   |
|--|--|---|
| <b>A</b> Examine the influences on the growth of globalisation                             | <b>A1</b> Globalisation<br><b>A2</b> Factors influencing globalisation   | A critical review of the current factors impacting the development and growth of international business.          |
| <b>B</b> Explore the structure of the global economy                                       | <b>B1</b> International trading associations<br><b>B2</b> The finance of international trade<br><b>B3</b> Barriers to international business<br><b>B4</b> Exchange rates | A case study investigation of an international business organisation, examining current and potential strategies. |
| <b>C</b> Examine strategic and operational approaches to developing international business | <b>C1</b> Strategic aims and objectives<br><b>C2</b> External influences<br><b>C3</b> Operational implications   |   |

### Assessment guidance

This unit is assessed internally. The recommended assessment is through two internal assignments (in the form of reports), one for learning aim A and one for learning aims B and C. An assignment is a distinct activity that is completed independently by learners and that is separate from teaching, practice, exploration and other activities that learners complete with direction from you. All learners must work independently and generate their own evidence towards the achievement of the learning aim(s), and this must be appropriately authenticated.

For learning aim A, learners must produce a comprehensive report that explores both the positive and negative factors that influence the growth or reduction in scale of business activities that take place in the global economy

For learning aims B and C, learners must produce a comprehensive case study of a self-selected international business organisation and undertake an in-depth exploration of how its involvement in international business contributes to its mission, values and long-term strategic aims. Central to the exploration will be the preparation of SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) and STEEPLE analysis (Social and cultural, Technological, Economic, Environmental, Political, Legal and regulatory, Ethical). These types of analysis will enable the learner to identify the opportunities and



risks faced by the business and how it adapts its strategy and business tactics in different international markets to take account of these factors.

Give learners the opportunity to engage in assignments that develop and support their knowledge of international business as well as their generic skills. Research activities should ask learners to use different source materials that require them to present their findings in a variety of formats, such as reports, business articles and presentations. In their completed assignments, learners should show evidence of data analysis and evaluation. This data analysis should be used to inform and justify any conclusions and recommendations that they include in their final submission.

## Getting started

This provides you with a starting place for one way of delivering the unit, based around the recommended assessment approach in the specification.

### Unit 5: International Business

#### Introduction

The impact of globalisation is one of the key challenges faced by business organisations. It demands creative strategies that allow businesses to reap the rewards gained by operating in the global economy while at the same time addressing the risks that arise when conducting international business. The ultimate aim of this unit is for learners to evaluate the effectiveness of strategies implemented by international businesses.

Begin by introducing the aims of the unit, giving an overview of the content of the learning aims and explaining how learners will be assessed. This will give a basis for the types of activities in which learners will be engaged throughout this unit.

#### Learning aim A – Examine the influences on the growth of globalisation

- Give a presentation on the features and benefits of international trade. This could be followed with a class discussion.
- Learners work in small groups to make an informational leaflet explaining the benefits of international trade to a given audience.
- Give a presentation on the factors that influence globalisation and the influence of business organisations on the global economy.
- Learners could then work in pairs to look at data related to the scope and scale of international trading activities. They could design a data sheet to identify the main exports and imports by volume, value and type, as well as identifying main trading partners by country and region.
- Use the outcome of the previous data sheet activity to discuss with learners the degree to which the local economy mirrors the national picture. Discuss the associated trends in the local economy that have been influenced by international business. You could invite a local business leader with experience of international business to talk to learners about their business. Alternatively, a local elected official could give learners an insight into the wider business implications of international business for the local economy.
- Learners could write a short case study on a specific international business, which investigates the range of international markets in which business organisations may operate.
- Extend learning by asking learners to write a short informative article on how and why international business is concerned with small and medium-sized enterprises (SMEs) as well as very large and complex business organisations.
- Using case study materials about a small or medium-sized enterprise, learners undertake a comparative study in which they compare the international activities of this business with those of a multinational company.
- Lead a discussion on the opportunities afforded by globalisation to small and medium-

sized enterprises.

- In small groups, learners research the role of technology in opening up opportunities for international business, then present their findings to the class.
- Extend learning by asking learners to write a short report reviewing the influences that have led to the development of international businesses within the global economy. This should include the range of agencies which serve to support the interests of international businesses and government support.
- Ensure that all learners are prepared for assessment before handing out the assignment brief for learning aim A.

### **Learning aim B – Explore the structure of the global economy**

- This learning aim requires learners to review, analyse and evaluate data and information drawn from a variety of sources to identify those factors that promote the development of globalisation and those that serve to restrict the growth of international business.
- Give a presentation that illustrates the different types of international trading associations and trading arrangements that exist in different regions of the global economy, paying attention to their similarities and unique features. Lead a discussion that focuses on the role and influence of those trading blocs and associations which impact directly on businesses in their own country.
- Organise a class debate on the advantages and disadvantages for a business operating in a country that belongs to an international trading association.
- Give a presentation on the methods of financing international trade, the agencies involved in supporting businesses who are engaged in, or who wish to commence, international business operations, and the government support available.
- Ask learners to research how the business organisations have been supported by various agencies and the government and the payment methods that are available to them. Learners then discuss their findings with the class. Case study materials may be used.
- Give a presentation on the barriers to international business. Lead a discussion on the factors that have an impact on the growth of international business, giving appropriate examples.
- Ask learners to work in pairs to research the ways in which countries construct barriers to international trade and prepare an article for a business magazine on the economic and business case for erecting such barriers.
- Extend learning by asking learners to write a short comparative study of these barriers to international trade, exploring their own national economy and the existing barriers to imports, then comparing this with another country.
- Give a presentation on the impact of exchange rates and foreign currency fluctuations.
- Ask learners to track international currency movements over a given period. They should record the changes in price of specific exported goods and imported supplies and the impact of these changes on identified businesses.
- Extend learning by asking learners to track the share price of individual international businesses based in the national economy. They could then write a short report that analyses currency movements against the share price and draws appropriate conclusions regarding the relationship between these two economic variables.

### Learning aim C – Examine strategic and operational approaches to developing international business

- This learning aim gives learners the opportunity to apply their knowledge and understanding of business drawn from other units to analyse the external international business environment using a variety of business models.
- Give a presentation on the strategic aims and objectives, including factors that can determine business, strategic aims, strategic direction and strategies for operating internationally. Give examples of strategies with reference to business organisations that are familiar to learners.
- Learners could use this knowledge to investigate the benefits and drawbacks of the variety of the strategies you have identified. Extend learning by asking learners to undertake an in-depth study evaluating one type of strategy for operating internationally. This could focus upon franchising, since a number of international businesses with which learners are familiar are likely to be based upon franchising.
- Lead a discussion on the external business environment and the factors that influence different types of businesses engaged in international business. Discuss the reasons for conducting an analysis of the external business environment.
- Extend learning by asking learners to write a short report on why some features in the external environment will be more important to some businesses than others. This will help learners to understand the approach to analysing business data and information drawn from an external analysis of the business environment.
- Recap the methods used by businesses to analyse their external business environment (previously covered in *Unit 1: Exploring Business*).
- Ask learners to conduct a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) and a STEEPLE analysis (Social and cultural, Technological, Economic, Environmental, Political, Legal and regulatory, Ethical) on a specific international business. Provide case study materials on chosen businesses to ensure that the importance of different elements within the analysis is covered.
- Give a presentation on the operational implication of trading internationally, introducing some of the strategies that well-known businesses have implemented to address challenges from the external business environment.
- Lead a discussion on the factors to take into account when implementing an international business strategy. Discuss the reasons why businesses have re-engineered their products and services to meet the demands and preferences of international markets.
- Extend learning by asking learners to write a case study on a local business, analysing how and why they have re-engineered their products and services to meet the demands and preferences of international markets.
- Ensure that all learners are prepared for assessment before handing out the assignment brief for learning aims B and C.





## Details of links to other BTEC units and qualifications, and to other relevant units/qualifications

This unit links to:

- Unit 1: Exploring Business
- Unit 2: Research and Plan a Marketing Campaign
- Unit 3: Business Finance
- Unit 6: Principles of Management
- Unit 7: Business Decision Making.

## Resources

In addition to the resources listed below, publishers are likely to produce Pearson-endorsed textbooks that support this unit of the BTEC Internationals in Business. Check the Pearson website (<http://qualifications.pearson.com/endorsed-resources>) for more information as titles achieve endorsement.

### Textbooks

Brewer, Q., *Edexcel Economics – A Student Guide: Theme 4 A global perspective*. Phillip Allan, 2016, ISBN: 9781471857805

Includes a useful section on globalisation. Suitable for all learners.

Hewison, A., *International Business for A2* (2nd edition), Anforme, 2013, ISBN 97819055049992

Includes relevant sections on global markets, cultural factors and corporate social responsibility. Suitable for higher-level learners.

Peng, M. and Meyer, K., *International Business* (3rd edition), Cengage, 2019, ISBN: 9781473758438

Gives European and global examples. Suitable for tutors.

Daniels, J., Radebaugh, L. and Sullivan, D., *International Business: Environments & Operations* Global Edition (16th edition), Pearson, 2019, ISBN 9781292214733

Gives examples, scenarios and case studies. Suitable for tutors.

### Videos

There are a number of videos available on YouTube® discussing how international business differs from domestic business and covering some of the factors to be considered when doing business in a foreign country. Try searching YouTube for:

- 'international v domestic businesses'
- 'International Business-Cross cultural communication (Integration Training)' – this video offers an introduction to the cultural factors that influence business communications

- 'Cross-cultural communication/Pellegrino Riccardi/TEDxBergen' – this video considers the business implications of cultural differences with reference to specific countries and businesses.

### **Websites**

Business Case Studies is a useful website containing case studies on business organisations that cover a range of different business themes, including globalisation.

Economics Online is a website that covers aspects of globalisation, including video clips and links to global organisations such as the World Trade Organization (WTO) and the European Union (EU).

The Economic Times is a useful business news website.

McKinsey & Company produces reports and industry insights.

The websites of banks have useful guides to international business.

*Pearson is not responsible for the content of any external internet sites. It is essential for tutors to preview each website before using it in class so as to ensure that the URL is still accurate, relevant and appropriate. We suggest that tutors bookmark useful websites and consider enabling students to access them through the school/college intranet.*