International Business Management

The Most Important Questions

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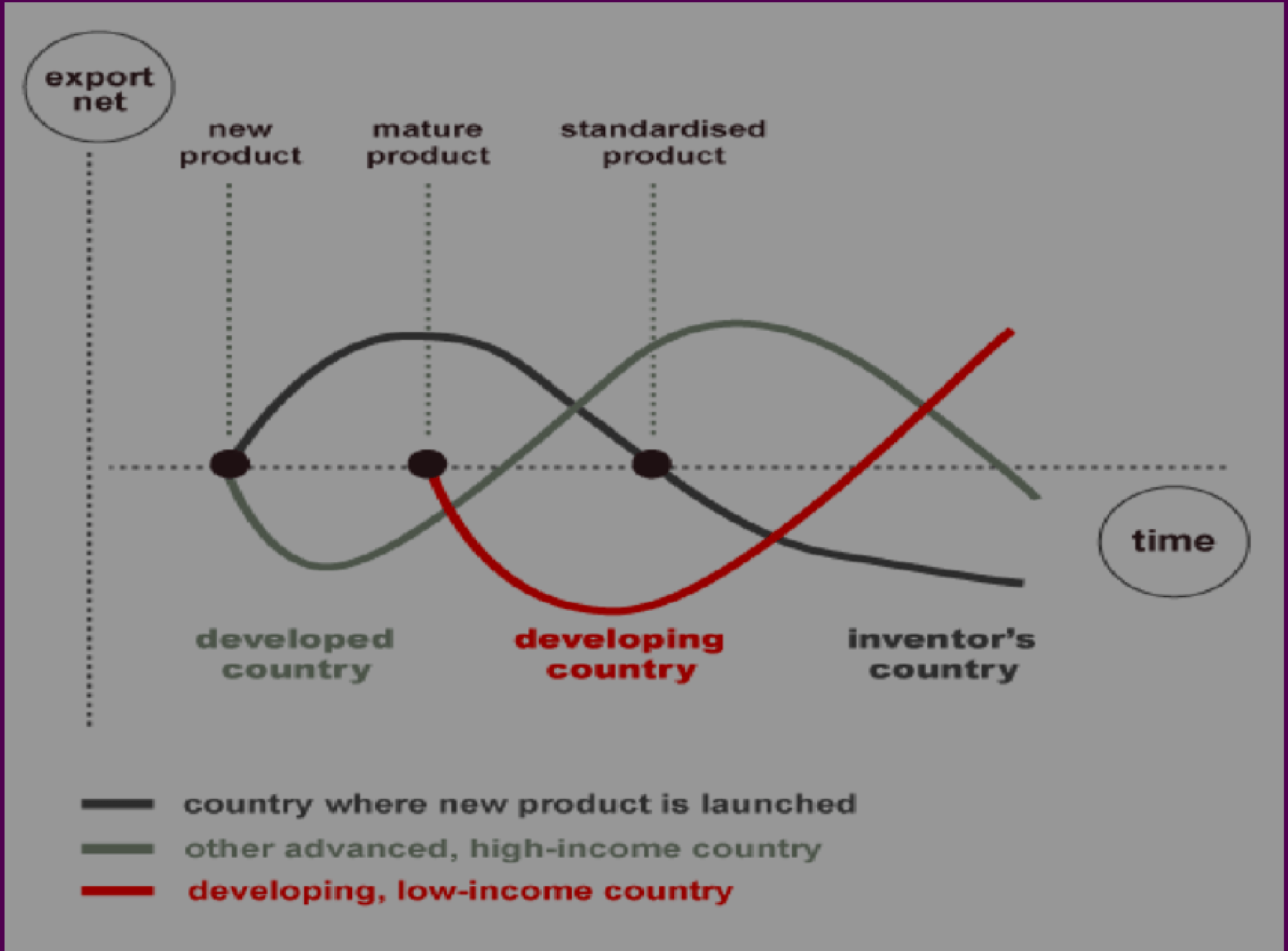
1 Absolute cost Theory and Comparative Cost Theory

- **Absolute Cost Theory:**
- **Definition:** The Absolute Cost Theory, also known as the Mercantilist Theory of International Trade, suggests that countries should specialize in producing goods that they can produce more efficiently and at lower costs than other countries. It emphasizes a nation's absolute advantage in production.
- **Key Points:**
  - **Focus on Absolute Advantage:** According to this theory, a country should produce goods in which it has an absolute advantage, meaning it can produce more units of a good with fewer resources compared to other countries.
  - **Trade as a Means of Accumulating Wealth:** The primary goal of international trade, according to the Absolute Cost Theory, is to accumulate wealth in the form of gold and silver. Countries aim to export goods in which they have an absolute advantage and import goods in which they have a disadvantage.
  - **State Intervention:** Mercantilist policies, which were based on the Absolute Cost Theory, often involved heavy state intervention in the economy. Governments imposed tariffs, subsidies, and regulations to promote exports and limit imports, with the aim of achieving a favorable balance of trade.

- **Comparative Cost Theory:**
- **Definition:** The Comparative Cost Theory, also known as the Theory of Comparative Advantage, was developed by David Ricardo in the early 19th century. It suggests that countries should specialize in producing goods in which they have a comparative advantage, rather than an absolute advantage.
- **Key Points:**
  - **Comparative Advantage:** According to this theory, a country should specialize in producing goods in which it has a comparative advantage, meaning it can produce a good at a lower opportunity cost relative to other goods, compared to other countries.
  - **Gains from Trade:** The Comparative Cost Theory argues that even if one country is more efficient in producing all goods than another country, both countries can still benefit from trade by specializing in and exporting goods in which they have a comparative advantage, and importing other goods.
  - **Mutual Benefit:** Trade based on comparative advantage allows countries to specialize in the production of goods that they can produce relatively more efficiently, leading to increased productivity, higher output, and overall economic welfare for all trading partners.

2 International Product life cycle Theory



- **New Product Introduction:**
  - Innovative products are created in developed countries where people have disposable income.
  - Initially, sales are low, so production remains local for flexibility and risk mitigation.
  - As demand grows, products are exported to similar developed markets to increase sales.
- **Maturity Stage:**
  - Demand solidifies in developed countries, prompting local production to meet demand and reduce costs.
  - Product adaptation continues while competition arises, and exposure extends to less developed economies.
- **Product Standardization and Streamlining of Manufacturing:**
  - Export to less developed economies increases, leading to market saturation and loss of competitive edge based on innovation.
  - Focus shifts to cost reduction through standardized manufacturing methods, often relocating production to lower-income countries.
  - Local workforce in these countries learns manufacturing techniques, leading to increased competition.
  - Demand declines in the original market, prompting the multinational corporation to exit the market and focus on new product development.

3 Forms of Protections: Tariffs, Subsidies, Import Duties ,Voluntary Export Restraints, Administrative Policy, Anti-dumping Policy

- **Tariffs:**
  - Tariffs are taxes imposed on imported goods, making them more expensive for consumers in the importing country.
  - They aim to protect domestic industries by making imported products less competitive in the domestic market.
  - Tariffs can be specific (a fixed amount per unit) or ad valorem (a percentage of the product's value).
- **Subsidies:**
  - Subsidies are financial assistance provided by the government to domestic industries, usually in the form of grants, tax breaks, or low-interest loans.
  - They help domestic producers lower their production costs, making their products more competitive in the global market.
  - Subsidies can distort trade by artificially stimulating production and leading to overproduction.

- **Import Duties:**
  - Import duties are taxes levied on imported goods at the time of importation.
  - They increase the cost of imported products, discouraging imports and protecting domestic industries from foreign competition.
  - Import duties can be specific, ad valorem, or a combination of both.
- **Voluntary Export Restraints (VERs):**
  - Voluntary Export Restraints are agreements between exporting and importing countries where the exporting country voluntarily limits the quantity of exports to the importing country.
  - VERs are often negotiated to avoid the imposition of more stringent trade barriers, such as tariffs or quotas.
  - They are typically implemented to protect domestic industries from foreign competition while maintaining diplomatic relations.

- **Administrative Policy:**
  - Administrative policies refer to bureaucratic regulations and procedures imposed by governments to restrict imports.
  - These policies include licensing requirements, product standards, customs procedures, and administrative delays, which can act as barriers to trade.
  - Administrative policies are often used to address health, safety, environmental, or national security concerns but can also be used for protectionist purposes.
- **Anti-dumping Policy:**
  - Anti-dumping policies are measures aimed at preventing foreign companies from selling their products in the domestic market at prices lower than their fair market value.
  - Dumping occurs when foreign producers sell their goods below cost or below prices charged in their home markets, leading to unfair competition and harming domestic industries.
  - Anti-dumping policies may involve imposing tariffs or duties on dumped imports to protect domestic industries from unfair trade practices.

4 International Marketing: Nature and Significance

- **Nature of International Marketing:**
- **Global Scope:** International marketing involves marketing activities that extend beyond national borders to reach customers in different countries and regions around the world.
- **Cultural Sensitivity:** It requires an understanding and adaptation to diverse cultural, social, and linguistic differences among consumers in various international markets.
- **Market Diversity:** International marketing deals with a wide range of markets, each with unique characteristics, preferences, regulations, and competitive landscapes.

- **Complexity:** Managing international marketing efforts involves navigating complex factors such as currency fluctuations, trade barriers, legal regulations, and political instability.
- **Strategic Planning:** It requires strategic planning to identify target markets, develop market entry strategies, adapt marketing mix elements, and manage international distribution channels effectively.
- **Technological Integration:** International marketing leverages technology for market research, communication, distribution, and customer relationship management across borders.

- **Significance of International Marketing:**
- **Market Expansion:** International marketing allows companies to tap into new markets and customer segments, driving revenue growth and diversification beyond domestic markets.
- **Competitive Advantage:** Expanding internationally enables companies to gain a competitive advantage by accessing new resources, technologies, and opportunities not available in their home markets.
- **Economic Growth:** International marketing fosters economic growth by facilitating trade, investment, job creation, and knowledge transfer across borders.
- **Brand Building:** Establishing a global presence through international marketing enhances brand visibility, reputation, and recognition, which can lead to increased customer loyalty and trust worldwide.

- **Risk Diversification:** Diversifying operations across multiple international markets helps companies mitigate risks associated with economic downturns, political instability, or regulatory changes in any single market.
- **Innovation and Adaptation:** International marketing encourages innovation and adaptation of products, services, and marketing strategies to meet the diverse needs and preferences of global consumers.
- **Cultural Exchange:** Through international marketing activities, companies contribute to cultural exchange and understanding by promoting cross-cultural communication, collaboration, and appreciation of diversity.

5 International HRMand Labour Relation

- **International Human Resource Management (IHRM):**
- **Global Workforce Management:** IHRM involves managing a diverse workforce spread across different countries and cultures.
- **Cross-Cultural Communication:** It focuses on understanding and bridging cultural differences to facilitate effective communication and collaboration among employees from various backgrounds.
- **Talent Acquisition and Mobility:** IHRM deals with recruiting, selecting, and deploying talent globally, considering factors such as immigration laws, work visas, and expatriate assignments.

- **Training and Development:** IHRM designs training programs to develop cross-cultural competencies, language skills, and global leadership capabilities among employees.
- **Compensation and Benefits:** IHRM develops global compensation and benefits packages that are competitive, equitable, and compliant with local regulations across different countries.
- **Employee Relations:** IHRM addresses employee relations issues in an international context, including managing diversity, resolving conflicts, and promoting a positive work culture.

- **Labor Relations:**
- **Collective Bargaining:** Labor relations involve negotiations between employers and labor unions to establish terms and conditions of employment, such as wages, working hours, and benefits.
- **Employee Representation:** Labor relations encompass the representation of employees' interests through labor unions, works councils, or other employee representatives.
- **Labor Laws and Regulations:** It involves compliance with labor laws and regulations governing employment relationships, including employment contracts, workplace safety, and anti-discrimination laws.

- **Conflict Resolution:** Labor relations managers mediate disputes between employers and employees, facilitating resolutions through negotiation, arbitration, or mediation.
- **Industrial Action:** Labor relations may involve managing industrial actions such as strikes, lockouts, or protests initiated by employees or labor unions to address grievances or pursue collective bargaining goals.
- **Employee Engagement:** Effective labor relations contribute to employee engagement, job satisfaction, and productivity by fostering a positive and collaborative work environment.

6 Factors affecting Exchange Rates

- **Interest Rates:** Central banks' monetary policy decisions, particularly changes in interest rates, can affect exchange rates. Higher interest rates tend to attract foreign capital inflows, increasing demand for the currency and strengthening its value.
- **Inflation Rates:** Countries with lower inflation rates typically experience an appreciation in their currency value, as their purchasing power increases relative to other countries with higher inflation rates.
- **Economic Performance:** Strong economic indicators such as GDP growth, employment rates, and trade balances can positively impact a country's currency value, reflecting confidence in its economy and attracting foreign investment.
- **Political Stability and Economic Policies:** Political instability, uncertainty, or changes in government policies can affect exchange rates by influencing investor confidence and perceptions of economic risk.

- **Trade Balance:** Countries with trade surpluses (exports exceed imports) tend to have stronger currencies, as there is greater demand for their goods and services, leading to increased demand for their currency.
- **Speculation:** Market speculation and investor sentiment can cause fluctuations in exchange rates, as traders anticipate and react to future economic and political developments.
- **Central Bank Intervention:** Central banks may intervene in currency markets to stabilize exchange rates by buying or selling their own currency, adjusting interest rates, or implementing other monetary policy measures.
- **Market Sentiment and External Events:** Factors such as geopolitical tensions, natural disasters, or unexpected events can influence market sentiment and cause short-term fluctuations in exchange rates.
- **Relative Strength of Other Currencies:** Exchange rates are often influenced by the relative strength of other currencies, as currencies are traded in pairs. Changes in the value of one currency relative to another can impact exchange rates.

7 Various types of Exchange Rate Regimes

- **Fixed Exchange Rate Regime:**
  - Under a fixed exchange rate regime, the value of a country's currency is pegged or fixed to the value of another currency, a basket of currencies, or a commodity like gold.
  - Central banks intervene in currency markets to maintain the exchange rate at the predetermined level by buying or selling their own currency.
  - Examples include the gold standard, where currencies were pegged to gold, and currency boards, where currencies are pegged to a foreign currency, typically the U.S. dollar or the euro.
- **Floating Exchange Rate Regime:**
  - In a floating exchange rate regime, the value of a country's currency is determined by market forces of supply and demand in the foreign exchange market.
  - Central banks may intervene occasionally to smooth out excessive exchange rate volatility or to address disorderly market conditions, but they do not target specific exchange rate levels.
  - Examples include freely floating exchange rates, where currencies are allowed to fluctuate freely, and managed float systems, where central banks may intervene occasionally to influence the exchange rate.

- **Managed Exchange Rate Regime:**
  - A managed exchange rate regime combines elements of both fixed and floating exchange rate systems.
  - Central banks intervene in currency markets to influence the value of their currency within a certain range or to achieve specific policy objectives, such as controlling inflation or promoting export competitiveness.
  - The exchange rate may be allowed to fluctuate within a predetermined band or crawling peg, with occasional central bank intervention to maintain stability.
- **Crawling Peg Regime:**
  - Under a crawling peg regime, the exchange rate is adjusted periodically in small increments or steps to reflect changes in economic fundamentals or to achieve policy objectives.
  - The central bank sets a target exchange rate path, and the currency's value is adjusted gradually over time through regular interventions or adjustments to the peg.
- **Currency Union:**
  - In a currency union, multiple countries adopt a common currency and a unified monetary policy administered by a central monetary authority.
  - Examples include the Eurozone, where countries share the euro as their common currency and the European Central Bank (ECB) sets monetary policy for the entire region.

8 WTO and IMF

- **World Trade Organization (WTO):**
- **International Trade Rules:** The WTO sets the rules for global trade and serves as a forum for negotiating trade agreements among its member countries.
- **Promotion of Free Trade:** It aims to promote free and fair trade by reducing trade barriers such as tariffs, quotas, and subsidies, and by facilitating the smooth flow of goods and services across borders.
- **Dispute Settlement:** The WTO provides a dispute settlement mechanism to resolve trade disputes between member countries, ensuring that trade rules are upheld and disputes are settled impartially.

- **Trade Negotiations:** The WTO conducts trade negotiations, known as trade rounds, to liberalize trade further and update trade rules to reflect changing economic realities and emerging issues.
- **Technical Assistance and Capacity Building:** It provides technical assistance and capacity-building support to help developing countries participate effectively in the global trading system and implement WTO agreements.
- **Principles:** The WTO operates based on principles such as non-discrimination (most-favored-nation and national treatment), transparency, and predictability, ensuring a level playing field for all members.
- **Member-driven Organization:** Decisions in the WTO are made by consensus among its member countries, ensuring that all members have a voice in shaping global trade policies.

- **International Monetary Fund (IMF):**
- **Global Financial Stability:** The IMF promotes global financial stability by monitoring economic developments, identifying vulnerabilities, and providing policy advice to member countries to prevent or mitigate financial crises.
- **Financial Assistance:** It provides financial assistance, including loans and technical support, to member countries facing balance of payments problems or experiencing economic crises, helping them stabilize their economies and restore growth.
- **Surveillance:** The IMF conducts surveillance of member countries' economic policies and performance, assessing macroeconomic imbalances, exchange rate policies, and financial sector stability to identify risks and vulnerabilities.

- **Policy Advice:** Based on its surveillance findings, the IMF provides policy advice and recommendations to member countries on a wide range of economic issues, including fiscal policy, monetary policy, exchange rate management, and structural reforms.
- **Capacity Development:** The IMF offers capacity development assistance to help member countries strengthen their institutions, improve economic governance, and build policy-making capacity to implement effective economic policies.
- **Quota System:** Member countries' voting power and financial contributions to the IMF are determined by their quotas, which reflect their relative economic size and importance in the global economy.
- **Governance:** The IMF is governed by its member countries through a system of weighted voting, with larger quotas conferring greater voting power, and decisions made by the Executive Board, representing member countries.

9 ASEAN, SAARC and BRICS

- **ASEAN (Association of Southeast Asian Nations):**
- **Regional Cooperation:** ASEAN is a regional intergovernmental organization comprising ten Southeast Asian countries, promoting cooperation and integration among its member states.
- **Member Countries:** Its member countries are Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.
- **Objectives:** ASEAN aims to enhance economic growth, social progress, cultural development, and peace and stability in the region through regional cooperation and dialogue.

- **Key Pillars:** ASEAN focuses on three key pillars: the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community (ASCC).
- **Regional Integration:** ASEAN promotes regional economic integration through initiatives such as the ASEAN Free Trade Area (AFTA) and the ASEAN Economic Community (AEC), facilitating trade, investment, and economic cooperation among member states.
- **Dialogue Partnerships:** ASEAN maintains dialogue partnerships with countries and organizations outside the region, fostering cooperation on political, economic, and security issues.

- **SAARC (South Asian Association for Regional Cooperation):**
- **Regional Cooperation:** SAARC is a regional organization comprising eight South Asian countries, aiming to promote economic and regional integration, peace, stability, and development in South Asia.
- **Member Countries:** Its member countries are Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.
- **Objectives:** SAARC aims to enhance cooperation and collaboration among its member states in various areas, including trade, investment, agriculture, health, education, and culture.

- **Summits and Meetings:** SAARC holds summits and meetings regularly to discuss regional issues, address common challenges, and promote cooperation among member states.
- **SAFTA:** SAARC established the South Asian Free Trade Area (SAFTA) to promote trade liberalization and economic integration among member states, aiming to reduce tariffs and barriers to intra-regional trade.
- **Challenges:** SAARC faces challenges such as political tensions between member states, differences in levels of economic development, and security concerns, which have hindered progress in regional cooperation and integration.

- **BRICS (Brazil, Russia, India, China, South Africa):**
- **Economic Bloc:** BRICS is an association of five major emerging economies—Brazil, Russia, India, China, and South Africa—aiming to promote cooperation, dialogue, and coordination on economic, political, and strategic issues.
- **Economic Powerhouses:** BRICS countries collectively represent a significant share of the world's population, land area, and GDP, exerting considerable influence on global economic and geopolitical affairs.
- **Annual Summits:** BRICS holds annual summits where leaders from member countries discuss key economic, political, and social issues, as well as strategies for enhancing cooperation and collaboration among member states.

- **New Development Bank (NDB):** BRICS established the New Development Bank (NDB) to mobilize resources for infrastructure and sustainable development projects in emerging economies, providing an alternative to traditional international financial institutions.
- **Cooperation Areas:** BRICS countries cooperate in various areas, including trade, investment, finance, technology, energy, climate change, and counter-terrorism, aiming to strengthen mutual ties and address common challenges.
- **Challenges:** BRICS faces challenges such as differences in political systems, economic structures, and priorities among member states, which can affect the effectiveness and cohesion of the bloc in achieving its objectives.

10 International Business Environment: The Economic, Social and Cultural, Political, Legal and Regulatory, Natural , Technological environment

- **Economic Environment:** The economic environment refers to the conditions and factors that influence the overall economic performance of a country or region. This includes indicators such as GDP growth, inflation rates, unemployment levels, exchange rates, and interest rates. Businesses operating in different countries must assess and adapt to the economic environment to make informed decisions regarding investment, pricing, production, and market expansion strategies.
- **Social and Cultural Environment:** The social and cultural environment encompasses the norms, values, beliefs, customs, lifestyles, and demographics of a society. Understanding cultural differences and social dynamics is crucial for businesses to effectively market their products or services, manage human resources, and engage with customers and stakeholders. Cultural sensitivity and adaptation are essential for success in international markets.

- **Political Environment:** The political environment refers to the laws, regulations, government policies, and political stability of a country or region. Political factors can significantly impact business operations, investment decisions, trade relations, and market entry strategies. Businesses must monitor political developments, assess risks, and engage with government stakeholders to navigate the political landscape effectively.
- **Legal and Regulatory Environment:** The legal and regulatory environment comprises the laws, regulations, and legal frameworks governing business activities within a country or across borders. This includes areas such as contract law, intellectual property rights, competition policy, labor laws, environmental regulations, and taxation. Compliance with legal requirements is essential for businesses to operate ethically, mitigate risks, and maintain legitimacy in the global marketplace.

- **Natural Environment:** The natural environment encompasses the physical surroundings, resources, ecosystems, and environmental factors that influence business operations. This includes considerations such as climate change, natural disasters, resource scarcity, pollution, and sustainability. Businesses must adopt environmentally responsible practices, mitigate environmental risks, and contribute to sustainable development to address challenges and opportunities in the natural environment.
- **Technological Environment:** The technological environment refers to the advancements, innovations, and technological trends shaping business operations and industries. This includes developments in information technology, digitalization, automation, artificial intelligence, and communication networks. Businesses need to embrace technological changes, invest in innovation, and leverage digital tools to enhance competitiveness, improve efficiency, and meet evolving customer expectations in the global marketplace.

11 Meaning, Nature and Scope of International Management

- **Meaning:**
  - **International Management** involves managing business operations across national borders.
  - It deals with coordinating people, resources, and processes in multinational organizations.
  - It encompasses strategies to effectively navigate cultural, political, economic, and legal differences in various countries.

- **Nature:**
  - **Complexity:** International management is complex due to diverse cultures, languages, regulations, and business practices in different countries.
  - **Dynamic:** It operates in a constantly changing global environment influenced by economic shifts, technological advancements, and geopolitical events.
  - **Integration:** It focuses on integrating diverse functions such as finance, marketing, human resources, and operations on a global scale.
  - **Strategic:** International management involves developing long-term strategies to compete and thrive in global markets.
- **Scope:**
  - **Cross-cultural Management:** Understanding and managing cultural differences among employees, customers, and partners.
  - **Global Strategy:** Developing and implementing strategies to enter new markets, expand operations, and manage global competition.
  - **International HRM:** Addressing challenges related to staffing, training, and managing a diverse workforce across borders.
  - **International Marketing:** Tailoring marketing strategies to diverse cultural preferences, legal frameworks, and market conditions.
  - **International Finance:** Managing financial resources, currency risks, and capital investments in global markets.

- **Limitations:**
- **Cultural Barriers:** Differences in language, customs, and values can hinder effective communication and collaboration.
- **Legal and Regulatory Compliance:** Compliance with diverse regulations and legal frameworks in different countries can be challenging and costly.
- **Political Risks:** Changes in political landscapes, policies, and instability in some regions can impact business operations.
- **Economic Volatility:** Fluctuations in exchange rates, inflation rates, and economic conditions across countries can affect financial performance.
- **Infrastructure Challenges:** Variations in infrastructure quality, technology availability, and logistics can pose obstacles to efficient operations.
- **Resource Allocation:** Managing resources across borders while considering diverse market needs, cost structures, and supply chain complexities can be intricate.

12 Characteristics and role of MNCs

- **Global Presence:** MNCs operate in multiple countries worldwide, with subsidiaries, branches, or affiliates in different regions. This global presence allows them to access diverse markets, resources, and talent pools.
- **Diverse Operations:** MNCs engage in various business activities across different industries and sectors. They often have multiple product lines, services, or business units tailored to meet the needs of different markets globally.
- **Complex Organizational Structure:** MNCs typically have a complex organizational structure due to their global operations. They may have centralized decision-making at the headquarters while allowing subsidiaries some autonomy to adapt to local market conditions.
- **Advanced Technology and Expertise:** MNCs often possess advanced technology, research capabilities, and specialized expertise in their respective industries. This enables them to maintain a competitive edge and innovate on a global scale.
- **Multicultural Workforce:** MNCs employ a diverse workforce comprising individuals from different cultural backgrounds, nationalities, and skill sets. This diversity fosters creativity, cross-cultural understanding, and adaptability to global markets.

- **Roles of Multinational Corporations (MNCs):**
- **Economic Development:** MNCs play a crucial role in driving economic growth and development in host countries by investing in infrastructure, creating job opportunities, and transferring technology and know-how. They contribute to GDP growth, tax revenue generation, and overall prosperity.
- **International Trade and Investment:** MNCs facilitate international trade and investment by establishing global supply chains, sourcing raw materials from one country, and manufacturing goods in another. They promote the efficient allocation of resources and the transfer of goods and services across borders.
- **Technology Transfer and Innovation:** MNCs often transfer advanced technology, management practices, and innovation to host countries. This helps improve productivity, enhance industrial capabilities, and foster technological advancement in local industries.
- **Infrastructure Development:** MNCs may invest in infrastructure projects such as transportation, communication, and utilities in host countries, contributing to their development and improving the overall business environment.
- **Corporate Social Responsibility (CSR):** Many MNCs engage in CSR initiatives aimed at addressing social, environmental, and ethical issues in the communities where they operate. They support sustainable development, promote human rights, and mitigate the negative impact of their operations.

13 Dimensions and Stages in Globalization

- **Dimensions of Globalization:**
- **Economic Globalization:** This dimension involves the integration of national economies into the global economy through trade liberalization, foreign direct investment (FDI), and the movement of goods, services, and capital across borders.
- **Cultural Globalization:** Cultural globalization refers to the exchange and dissemination of ideas, values, languages, and cultural practices across national boundaries. It includes the spread of popular culture, such as music, films, and fashion, as well as the adoption of global consumer trends.

- **Political Globalization:** Political globalization involves the increasing interdependence and cooperation among nations in addressing global issues such as climate change, terrorism, human rights, and international trade agreements. It also includes the rise of supranational organizations and governance structures.
- **Technological Globalization:** Technological globalization pertains to the rapid advancements in communication, information technology, and transportation, which have facilitated global connectivity and reduced barriers to trade, investment, and communication.

- **Domestic Company:**
  - Focuses solely on the domestic market.
  - Operations, production, and marketing are confined to the home country.
  - Limited or no efforts made to enter foreign markets.
  - Management lacks global expertise and remains risk-averse.
  - Content with gains from domestic market, avoids global expansion.
- **International Company:**
  - Expands operations beyond domestic market capacity.
  - Strategies for international entry include exporting, licensing, or joint ventures.
  - Maintains ethnocentric approach, replicating domestic operations abroad.
  - Management remains centralized, extending domestic practices to foreign markets.
  - Focuses on extending operations to new countries while keeping marketing mix constant.

- **Multinational Company:**
  - Adapts to the diverse needs of customers in different countries.
  - Recognizes the necessity to change marketing mix for foreign markets.
  - Implements multi-domestic strategy, tailoring strategies for different markets.
  - Management decentralizes operations, with production often in host countries.
  - Performance evaluation conducted at various host countries.
- **Global Company:**
  - Implements a global marketing strategy, focusing on worldwide market presence.
  - Produces either in the home country or in a single country while marketing globally.
  - Adapts marketing strategies to suit foreign market conditions.
  - Performance evaluation conducted worldwide, emphasizing global reach and impact.
- **Transnational Company:**
  - Operates globally, utilizing global resources to serve global markets.
  - Adopts a geocentric approach, thinking globally and acting locally.
  - Shares information, R&D, management, and product development worldwide.
  - Utilizes integrated networks with dispersed key assets contributing to company objectives.
  - Prioritizes growth on a global scale while optimizing resources from diverse locations.

14 Mercantilism

- **Mercantilism:**
- Mercantilism was an economic theory and practice dominant in Europe from the 16th to the 18th centuries. It was based on the belief that a nation's wealth and power were determined by its accumulation of precious metals, particularly gold and silver. Mercantilist policies were aimed at increasing a nation's exports while limiting imports, with the ultimate goal of achieving a favorable balance of trade. Here are the key aspects of mercantilism:
- **Export Promotion:** Mercantilist policies emphasized the promotion of exports to generate revenue and accumulate precious metals. Governments provided subsidies, imposed tariffs on imports, and granted monopolies to domestic industries to encourage production for export.
- **Import Restrictions:** Mercantilism advocated for restrictions on imports through tariffs, quotas, and outright bans on certain goods. The goal was to protect domestic industries from foreign competition and prevent the outflow of wealth.

- **Colonialism and Empire Building:** Mercantilist nations pursued colonial expansion to acquire sources of raw materials, establish captive markets for exports, and extract wealth from colonies. Colonies were viewed as essential for supplying raw materials and serving as markets for finished goods.
- **State Intervention:** Mercantilist governments played an active role in the economy, intervening through regulations, subsidies, and trade monopolies to promote domestic industry and commerce. Economic activities were often directed and controlled by the state.
- **Emphasis on Bullion:** Mercantilism prioritized the accumulation of bullion, particularly gold and silver, as a measure of a nation's wealth. Governments hoarded precious metals and sought to maintain a favorable balance of trade to ensure a steady inflow of bullion.