

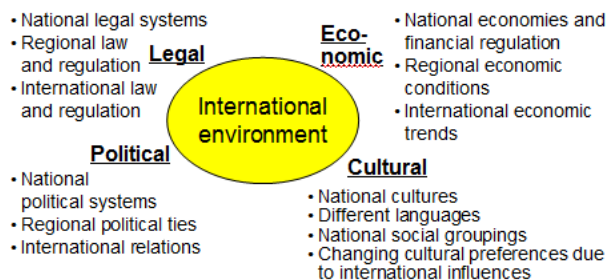
The Business Enterprise in the International Environment

■ Learning objectives:

- To highlight the ways in which the international dimension in business activities is distinctive from national and local enterprises
- To appreciate the role of the entrepreneur and entrepreneurship in the international environment
- To gain an overview of the ways in which enterprises organize and adapt when they expand internationally
- To gain an understanding of the key players in the international environment with which businesses interact

- Businesses can be local/regional, national, international and multi-domestic. Of these, international business entails the greatest complexity in both organization and strategy. Businesses seeking to expand internationally find that a diversity of national environments presents a host of challenges, extending across economic, political, legal and cultural dimensions. Businesses that are entre-

	Local business	National business	International business
Size	Small local firm	Countrywide organization with local and regional units	Organization based in a home country with foreign and regional links
Customers	Local customers	Diverse customers within the national environment	Domestic and foreign customers
Products	Sourced through local suppliers	More complex products and distribution	Sourcing of products across national borders
Seeking the Customers	Personal relations for operations and for reaching the customers	Use of national media to reach the customers	Global media to manage international activities and reach customers



preneurial and international outlook from the outset often take better advantage of the new opportunities, particularly in the internet and high-tech sectors, than established companies dominated by their home-country culture. SMEs have become increasingly vital to international business.

- Factors that have contributed most to the growth in [globalization](#) in recent decades include:

- Shifting demographics in the West versus Asia.
- [Technology](#) is expanding, especially in [transportation](#) and [communications](#).
- [Governments](#) are removing international business restrictions; [cross-national cooperation and agreements](#); improved [political](#) relationships among some major [economic](#) powers; [countries](#) cooperate transnationally; and [institutions](#) provide services to ease the conduct of international business.
- [Consumers](#) know about and want [foreign goods](#) and [services](#).
- [Competition](#) has become more global.

- There is no single model or optimal size of the international firm. The MNE covers a range of possible organization and ownership structures. While it is generally the case that the MNE is a public company with international shareholders, many MNEs remain home-country dominated, with prominent shareholders, including governments. The company's shareholder profile and the size of dominant stakes affect its strategy and culture. The company's corporate governance system is linked to its ownership and is the chief determinant of how major decisions are taken. These systems vary in their openness to outsiders and in the transparency of their processes, but, in general, pressures for greater transparency intensify as companies become more internationalized. Similarly, companies now take greater account of stakeholder interests, extending their perspective to social and environmental issues, both globally and in national environments.
- MNEs increasingly interact with other players in the international environment. Co-operative alliances and networks are facilitated by advances in communications technology and open up new opportunities, especially in emerging markets. For many companies, the international joint venture offers an opportunity to benefit from the know-how of a local partner. National governments play a crucial role, directly and indirectly, for domestic and foreign businesses within their borders. Interaction and co-operation between governments have led to a range of international frameworks which impact on international business. MNEs are thus involved in a range of relations with government and civil society players. Managing stakeholder relations, both national and international, is key to international business success.

