ขอบข่ายการศึกษาการจัดการธุรกิจระหว่างประเทศ
Conceptualizing the scope of International Business Management

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สาระสังเขป

บทความนี้นำเสนอขอบเขตของการจัดการธุรกิจระหว่างประเทศ ความหมายและความสำคัญของ ซึ่งธุรกิจระหว่างประเทศหมายถึงกิจกรรมทางธุรกิจใด ๆ ที่ข้ามเขตแดนของประเทศ เช่นการเคลื่อนไหวหรือการโอนสินค้าหรือบริการ เงินทุน บุคลากรหรือเทคโนโลยี ทั้งนี้ธุรกิจระหว่างประเทศเกี่ยวข้องกับสองกิจกรรมหลัก ได้แก่ การค้าระหว่างประเทศและการลงทุนระหว่างประเทศ การค้าระหว่างประเทศประกอบด้วยทฤษฎีต่างๆดังนี้: ลัทธิพาณิชย์นิยม การได้เปรียบโดยสมบูรณ์ การได้เปรียบเชิงเปรียบเทียบ ทฤษฎีเฮคเชอร์ออแลง และทฤษฎีวงจรชีวิตผลิตภัณฑ์ ในขณะที่การลงทุนระหว่างประเทศประกอบด้วย โลกาภิวัตน์พันธมิตรเชิงกลยุทธ์และการควบรวมและซื้อกิจการ ธุรกิจระหว่างประเทศมีความสำคัญในด้านช่วยเพิ่มโอกาสการจ้างงาน สร้างรายได้และยกระดับมาตรฐานการครองชีพของประชาชน

คำสำคัญ : ขอบข่ายการศึกษา ; ธุรกิจระหว่างประเทศ ; การค้าระหว่างประเทศ ; การลงทุนระหว่างประเทศ ; โลกาภิวัตน์

SUMMARY

This paper presents the scope of international business management, its definition, and its importance. International Business refers to any business events that cross national boundaries such as the movement or the transfer of goods, services, capital, personnel, or technology. International business involves two main activities including international trade and international investment. International trade theory includes five main theories: mercantilism, absolute advantage, comparative advantage, Heckscher-Ohlin Theory, and the product life-cycle theory. Whereas international investment includes globalization, strategic alliances, and mergers and acquisitions. International business helps in increasing the employment opportunities, national income, and the standard of living of people.

Keywords : Scope ; International business ; International Trade ; International investment ; Globalization

Introduction

The field of international business has come a long way since its beginnings in the 1950s The occurrence of international business has increased meaningfully during the last part of the twentieth century due to the liberalization of trade and investment and the technological development. Businesses that start from domestic business may grow and become international by determined. The examples of business include Procter & Gamble, McDonalds, Starbucks; these companies are now defined as Multinational Enterprises (MNEs) as they conduct their businesses internationally [1]. However, domestic business and international business is different: working in different environments and having different operating practices. In general, international business is performed in foreign countries and the executives need to be familiar with national culture, economic conditions, and legal environment [1].

The word 'international business' refers to all business activities that consist of the creation and transfer of resources (raw materials, energy, technological know-how, organizational skills), goods (manufactured parts, sub-assemblies, assemblies), services (accounting, financial, legal, import, export, transportation), know-how (product and process technological innovations, copyrights, trademarks, brands) and information network across national boundaries [1]. Crossing borders is the transfer of tangible, intangible, management resources, philosophies and practices across national borders. The definition of international business is expanded beyond the principles to include the internal and external environment variety in which businesses and personnel experience are working outside their home country [2].

A simple definition of business is an interaction between two or more countries/cultures [3] which conform with Griffin and Pustay [4], international business consists of business transactions between parties from more than one country. In line with Cullen and Parboteeah [5] who provide a definition on international business activities whereas an organization participates in conducting business functions beyond its domestic borders or engages in international trade and investment [6]. As Eden et al. [7] confirmed that the domain of international business must emphasize on the business enterprise and its activities taking place to exchange goods, services, resources, and other factors that are associated with the production and implementation of global cross-border trade.

As we know that international business engages in cross-border trade and investment, international business enhances the national economy. To this, international business helps increase employment opportunities, expand national income, and raise the standard of living of people. As local or national markets are being saturated, many companies seek expansion through international business. Market expansion assists the firms to expand their market share and sell more products in the new markets within those foreign countries. Besides, if a company is capable in establishing new products and services or make it differentiated from its competitors, it can gain a foothold in the international markets. Secondly, consumers can use or consume products that are not available in their home country. Finally, the production cost is low when the business seeks raw materials or labour from other countries that are rich in natural resources and are provided an economical platform to produce in a huge quantity. This is also known as economies of scale [8]

The development of a country's economy through foreign economic transactions such as trade or investment can help the domestic people earn more income and have better living standards. This is because an international market is the main source of a country's income. Therefore, the significant international transactions towards the development of an economy are as follows: (1) Exporting: if the demand of products from foreign consumers is high, it helps to generate more revenues into a country and causing employment. (2) Resources: the use of national resources effectively and efficiently to produce the merchandises and export to foreign countries. (3) Market expansion: due to a high volume of domestic production and trade between two markets: domestic and international. This leads to a more national income. (4) Skills and technological development: due to an improvement of domestic production, there is a need to use modern technology in production process, people learn and have more skills, and sell abroad. (5) The movement of capital between countries: the transfer capitals from developed countries to developing countries in the form of foreign direct investment.

Supporting the above argument, Menipaz and Menipaz [1] confirmed that the drivers to expand internationally include four main reasons: improving economic gains, expanding markets, positioning themselves intentionally to face future threats or chances, and discovering opportunities. Here is an example of Danone Group, which is a French-based producer of fresh dairy products, beverages, biscuits, and cereal products, and baby foods. Danone started its business as a domestic manufacturer and expanded its market share for international operations (emerging markets). This brings benefit from a steady demand of its three core businesses whereas Danone is successfully expanding internationally. As a result, it achieved vital economies of scale where a company provided the same product and services at lower costs, permitting a large profit margins, and allowing flexibility in setting prices under local conditions in the target country.

Scope of International Business Management

Noting that in the international business literature, it encompasses trade and investment [7] that occur across nations and is performed by both private and public firms [9]. This paper presents a paradigm of international business and its scope: international trade and international investment. Hill et al. [10]. argued that "international trade occurs when a firm exports goods or services to consumers in another country". While "foreign direct investment (FDI) takes place when a company invests resources in business activities outside its home country".

1. International trade

According to the World Trade Organization, the international trade can be divided into two groups: merchandise trade and trade in commercial services. Merchandise trade refers to the mode of famous international trade, including import and export goods and/or services. The transaction was done through export product types., including primary products (e.g. agricultural products), manufactured products (e.g. electronics products and automotive components), and other products (e.g. gold and weapons). On the other hand, trade in commercial services consists of transport (air, land, sea), travel (hotels and accommodations, food and beverages, educational and health services), and other services that are excluded in transport and travel (communication services, insurance, and financial services) [11].

International trade is beneficial one way or another, one nation such as Iceland in particular benefits from making a trade by exchanging fish at a low cost for oranges which cannot be grown in the fields [10]. It is the exchange of goods or services along international borders which allows a greater competition and more competitive pricing in the trade market. As a result of the competition, it leads to more affordable products for the consumer. In addition, the exchange of goods affects the world's economy as dictated by the supply and demand, thus making goods and services obtainable and available to consumers globally. However, to fully understand the trade theory, there are five main theories to be discussed: mercantilism, absolute advantage, comparative advantage, Heckscher-Ohlin Theory, and the product life-cycle theory.

1.1 Mercantilism

This is the first international trade theory that emerged in England in the middle of the 16th century. The primary statement of mercantilism is that gold and silver refers to the national wealth and necessary for vigorous trading [7]. During that time, gold and silver are used as a currency of trade between countries. A country could receive gold and silver by exporting goods to another country. Mercantilism has a major tenet that a country can maintain a trade surplus by having more export than import. To keep this, a country should accumulate gold and silver in order to increase the national wealth, prestige, and power.

1.2 Absolute Advantage

Adam Smith argued that countries can be differentiated from other countries with the ability to produce goods efficiently. The English had an absolute advantage in textile production while the French were the masters in wine production. Therefore, a country that has an absolute advantage is a country that specializes in the production of goods and trading of goods produced by other countries. England and France has a long history of exchange trading in textiles and wine. The basic argument of an absolute advantage is that a country should never produce goods at home if the products can be bought at a lower cost from other countries [10].

1.3 Comparative Advantage

David Ricardo took a step further with Adam Smith's theory and argued that a country might have no benefits if it has an absolute advantage in the production of all goods. On the other hand, it makes more sense that a country become an expert in producing goods more efficiently and buying goods that can be produced less efficiently from other countries. Moreover, labour productivity and the differences in productivity between countries underlie the idea of comparative advantage [10]. For instance, Ghana has an absolute advantage in cocoa and rice productions while South Korea is less efficient in producing both products. Thus two countries are engaging in trade which benefit the consumers in both countries who can consume more cocoa and rice products.

1.4Heckscher-Ohlin Theory

The father of this theory (Heckscher-Ohlin) expects that the nations will export goods that are locally abundant, while importing goods that are locally scarce. This can explain the pattern of international trade in the world economy and it is determined by differences in resources such as land, labour, and capital (factor endowments) [10]. For instance, the United States is an important exporter of agricultural products but lacks of a low-cost in labour, while China exports goods produced in labour-intensive manufacturing industries such as footwear and textiles.

1.5 The product life-cycle theory

Raymond Vernon proposed this theory in the mid-1960s explaining that the early stage in the life cycle starts from the need for a typical new product. Each product has a certain life cycle that commences with its development and ends with its decline. In general, products enter the market and gradually disappear again as Hill et al. [10] argued that this theory is accurate in international trade forms, including four stages in a product's life cycle: introduction, growth, maturity and decline. The introduction stage, a product is introduced in the national and international market. Profits are low, but with few competitors. When more products are sold, it will automatically go to the next stage. The growth stage happens when the demand for the product increases. The maturity stage is arising when the product is widely known and bought by a lot of consumers, however, the product is sold at low price. During this stage, the producers seek the commercial opportunities such as adaptations or innovations to the products. Finally, the decline stage occurs when the market becomes saturated and products are no longer be sold or has utterly become unpopular.

2. International investment

Foreign investment differs from international trade in terms of embracing the transfer of money/capital from one country to another. This is categorized into two forms: foreign direct investment and portfolio investment [11]. The international monetary fund (IMF) defined the foreign direct investment (FDI) as an investment that investors in one country have the power to control or have the ability to determine the direction of the management entity that is located in another country. FDI usually covers transactions involving the movement of other intermediate products apart from the capitals that are integrated into the investment. For instance, technological management, entrepreneurial skills, organizational culture motivation, and opportunities for market access are the intangibles that maintain the flow in business management and operation. In contrast, an investor does not have active management to control the firms operating in another country when talking about portfolio investment. However, investors who only wish to receive only financial compensation arising from the investment such as higher share price per unit will stay close to their network sources in order to stay informed of what has transpired. Therefore, portfolio investment means stock-brokerage trading in foreign market and investments in other financial instruments such as financial derivatives or an investment in various forms of funds.

Foreign direct investment is "a market entry strategy that involves establishing a subsidiary or acquiring a business in a target country" [1]. This form on international business continues to expand quickly even though there are global economic crisis and global economic slowdown. The major reasons of the growth of FDI during the first decade of the 21st century are: (1) globalization and (2) strategic alliances (SA), and (3) mergers and acquisitions

(M&A).

2.1 Globalization

The extent to which business is internationalized is on the changes and developments in the world economy, leading to the process of globalization or increased global interdependence. Towards globalization, it offers the opportunity of growth and prosperity in developed countries and developing countries [10]. Hill [10] defined globalization as "the shift toward a more integrated and interdependent world economy". In addition, Hill et al. defined globalization as a "trend away from domestic national economic units and toward one huge global market". Globalization has meant that the companies are trying to export their products to market around the world [1]. In line with Suh and Smith, a global mind set or globalization, it is perceived positively with the benefits to the local economy exceeding the demands placed on the local economy.

The globalization manifests around us as today's business environment is extremely dynamic and experiencing rapid changes. As a result of globalization, it brings technological improvement, increased awareness, demands of electronic trade [13]. Moreover, globalization is a way to remove trade barriers, increasing international capital transfer and investment, transitioning to market-based economies, industrialization, economic development, modernization, and integration of world financial markets [1]. According to Adewuyi, globalization is the process of opening up of economies to the outside world to assist trade, fall in physical and other obstacles to enrich movement of goods, production factors, and labour force.

However, the globalization measurement is divided into four main classifications. First, economic integration is a combination of trade and foreign direct investment inflows and outflows. Second, personal contact or the international travel and tourism, cross-border remittances, and personal transfers. Third, technological connectivity is the number of internet users, internet hosts, and secure servers through the execution of encrypted transactions. Finally, political engagement includes a variety of representative international organizations such as the UN and the amounts of governmental transfer payments and receipts [1].

2.2 Strategic Alliances (SA)

The growth of strategic alliances and mergers and acquisitions also caused an increase in foreign direct investment. Takac and Singh, noted that strategic alliances are an approach of rationalizing business operations and improving the overall competitive situation of a company. The creation of strategic alliances is significant because of the speed and dynamism of technological change which has opened up a wide variety of new activity areas. It is said that the outcomes of strategic alliances include greater flexibility, access to scarce resources, and lower investment risk. The advantages of alliances enable a company to: (1) differentiate its products and services; (2) reduce the differentiation advantages of its strategic targets; (3) reduce costs; (4) raise the price of its competitors; (5) develop innovative products or procedures; (6) duplicate products or procedures; (7) grow by expanding customer groups, customer needs satisfied technologies used, or functions controlled.

2.3 Mergers and Acquisitions (MA)

The flourishing in international mergers and acquisitions is driven by globalization. Mergers and acquisitions are considered to be a vital aspect of strategic financial management [14]). The predominant mergers and acquisitions are to ensure a better strategic fit between two companies or countries [15]. According to Ahammad and Glaister [16], cross-border mergers and acquisitions mean the companies look to buy a ready-made entry into an overseas market. This approach is reflected by the fact that over 80 per cent of the total annual global foreign direct investment comes in the form of mergers and acquisition [17]. The driving forces behind cross-border mergers and acquisitions consist of (1) rapid technological changes, (2) trade barriers reduction by governments, (3) economic growth of the host and home country (macro-level), (4) growth of basic customer needs, the emergence of global customers, the development of international channels of distribution and marketing approaches that are moveable across cultural and geographical borders (market driver), (5) industry-level driver, e.g. petroleum, automobiles, finance and telecommunications (Kang and Johansson, 2000) are facing intensified global competition and market pressures from dropping commodity prices (petroleum), surplus capacity in key markets (automobiles), deregulation, and speedy technological change (banks and telecommunications), (6) firm-specific competitive advantage or ownership advantage in foreign markets to undertake FDI approach [16].

So far, this paper presents the general concept of international business. Here is the conceptual mapping illustrating the scope of international business.

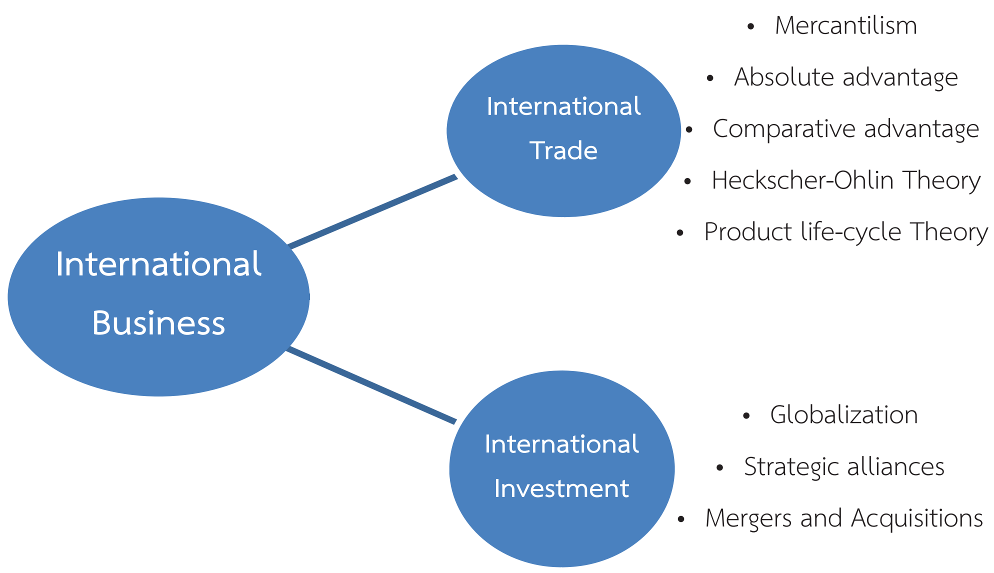

Figure 1 Conceptual Mapping on the scope of international business Source: compiled by Bhrammanachote [8]

Conclusion

International business is an interaction or business transactions between two or more countries. It is the business activity that is conducted beyond its domestic borders or performed between parties from more than one country. International business engages in international trade and investment in order to exchange goods, services, resources, and other factors that are associated with the production and implementation of global cross-border trade. International trade occurs when a firm exports goods or services to consumers in another country whereas the foreign direct investment takes place when a company invests resources or capitals in business activities outside its home country. However, foreign exchange of a country indicates the strength of the economy since almost all companies today are affected by global events and competition where selling output to and/or secure suppliers from foreign countries

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