UNIT-III

International Market Entry Strategies- Exporting, Licensing And Technology Transfer, International Subcontracting, Franchising, Joint Ventures, Counter Trade, Turnkey, Mergers And Acquisition, Factors Influencing A Firm's Selection Of Entry Strategy. Factors To Be Considered Before Finalizing A Joint Venture Agreement.

International Market Entry Strategies

There are a number ways businesses can sell their products in international markets. The most appropriate method will depend on the business, its products, the outcome of its Marketing Environment analysis and its Marketing Plan.

Exporting

Exporting is the direct sale of goods and / or services in another country. It is possibly the best-known method of entering a foreign market, as well as the lowest risk. It may also be cost-effective as you will not need to invest in production facilities in your chosen country – all goods are still produced in your home country then sent to foreign countries for sale. However, rising

transportation costs are likely to increase the cost of exporting in the near future.

The majority of costs involved with exporting come from marketing expenses. Usually, you will need the involvement of four parties: your business, an importer, a transport provider and the government of the country of which you wish to export to.

1. **Direct Export**

The organization produces their product in their home market and then sells them to customers overseas.

2. **Indirect Export**

The organizations sells their product to a third party who then sells it on within the foreign market.

3. **Licensing**

Another less risky market entry method is licensing. Here the Licensor will grant an organization in the foreign market a license to produce the product, use the brand name etc. in return that they will receive a royalty payment.

4. **Franchising**

Franchising is another form of licensing. Here the organisation puts together a package of the 'successful' ingredients that made them a success in their home market and then franchise this package to overseas investors. The Franchise holder may help out by providing training and marketing the services or product. McDonalds is a popular example of a Franchising option for expanding in international markets.

5. **Contracting**

Another of form on market entry in an overseas market which involves the exchange of ideas is contracting. The manufacturer of the product will contract out the production of the product to another organisation to produce the product on their behalf. Clearly contracting out saves the organisation exporting to the foreign market.

6. **Direct Investment**

Multinational organizations may choose to engage in full-scale production and marketing abroad by directly investing in wholly-owned subsidiaries. As opposed to the previously mentioned methods of entry, this type of entry results in a company directly owning manufacturing or marketing subsidiaries overseas. This enables firms to compete more aggressively abroad, because they are literally "in" the marketplace. However, because the subsidiary is responsible for all the marketing activities in a foreign country, this method requires a much larger investment. It's also a

risky strategy because it requires a complete understanding of business conditions and customs in a foreign country.

7. **Joint Venture**

A joint venture is a partnership between a domestic and foreign firm. Both partners invest money, share ownership, and share control of the venture. Typically the foreign partner provides expertise about the new market, business connections and networks, and access to other in-country elements of business like real-estate and regulatory compliance. Joint ventures require a greater commitment from firms than other methods, because they are riskier and less flexible. Joint ventures may afford tax advantages in many countries, particularly where foreign-owned businesses are taxed at higher rates than locally owned businesses. Some countries require all business ventures to be at least partially owned by domestic business partners. Joint ventures may also span multiple countries. This is most common when business partners team up to conduct business in a world region.

Source: https://theintactone.com/2019/07/06/im-u2-topic-12-international-market-entry-strategies-different-entry-modes-and-market-entry-strategies/

Licensing

Definition: Licensing is defined as a business arrangement, wherein a company authorizes another company by issuing a license to temporarily access its intellectual property rights, i.e. manufacturing process, brand name, copyright, trademark, patent, technology, trade secret, etc. for adequate consideration and under specified conditions.

For example: Under licensing system, Coca-Cola and Pepsi are globally produced and sold, by local bottlers in different countries.

In finer terms, it is the simplest form of business alliance, wherein a company rents out its product based knowledge in exchange for entry to the market.

Why Licensing?

The overseas company enters into a licensing agreement with another company based in the domestic country, for a specified period of time. The two primary reasons for entering in the licensing agreement are:

- International expansion of a brand franchise.
- Need for commercialisation of new technology.

Generally, a firm opts for license its products, when the firm holds that the consumer's acceptance of the product is high. It helps the licensee to differentiate the product from other products offered by the competitors in the market. Further, it also assists the licensing company in reaching new customers at a low price.

Benefits and Limitations

In licensing, the licensor gets the advantage of entering the international market at little risk. However, the licensor has little to no control over the licensee, in terms of production, distribution and sales of the product. In addition to this, if the licensee gets success, the firm has given up profits, and whenever the licensing agreement expires, the firm might find that it has given birth to a competitor.

As a prevention measure, there are certain proprietary product components supplied by the licensor itself. Although, innovation is considered as the appropriate strategy so that the licensee will have to depend on the licensor.
On the other hand, the licensee acquires expertise in production or a renowned brand name. It expects that the arrangement will increase the overall sales, which might open the doors to the new market and help in achieving the business objectives. However, it requires a considerable capital investment, to start the operations, as well as the developmental cost is also borne by the licensee.

Source:
https://businessjargons.com/licensing.html#:~:text=Definition%3A%20Licensing%20is%20defined%20as,technology%2C%20trade%20secret%2C%20etc.

Technology Transfer

Technology transfer covers various activities, including the internal transfer of technology from the R&D or engineering department to the manufacturing department of a firm based in a country. It also includes the same transfer of technology from a laboratory or operations of a MNCs in one country to its laboratory or operations in another country. Finally, It includes the transfer of technology from a research consortium supported by many firms to one of the members. Simply told, technology transfer is a process that permits the flow of technology from of technology from a source to a receiver. The source is the owner or the holder of the knowledge and it can be individual, a company, or a country. The source is the owner or the or holder of the knowledge and it can be individual, a company or a country. The receiver is the beneficiary of the transfer technology. Technology is transferred through published material (such as journals, books), purchase and sale of machinery, equipment and intermediate goods, transfer of data and personal, and interpersonal communication. Technology transfer in international business comprises six categories:

1. **International Technology Transfer**, in which the transfer is across national boundaries. Generally, such transfers take place between developed and developing countries.
2. **Regional Technology Transfer**, in which technology is transferred from one another.
3. **Cross-industry or Cross-sector Technology Transfer**, in which technology is transferred from one industrial sector to another .
4. **Interfirm Technology Transfer**, in which technology is transferred from one company to another.
5. **Intra-firm Technology Transfer**, in which technology is transferred within a firm ,from one location to another. Intrafirm transfers can also be made from one department to another within the same facility.
6. **Pirating or Reverse-Engineering**, whereby access to technology is obtained at the expense of the property rights of the owners of technology.

Parties Involved in the Technology Transfer

International technology transfer has both horizontal and a vertical dimension, each with its own elements. From the horizontal perspective, the three basic elements in technology transfer are the home country, the host country and the transaction. The vertical dimension of technology transfer refers to the issues specific to the nation state, or to the industries or firms within the home and host countries.

In general, the various elements may be categorized as (i) home country, (ii)host country ,and (iii)the transaction.

1. Home Country's Reactions to Technology Transfers

Home countries express apprehensions about the export of their technology, they have reasons to oppose the export of technology .They argue that the established of production facilitates by MNCs in subsidiaries abroad decreases their export potential. Additionally, they claim, because some of the MNCs imports stem from their subsidiaries, the volume of imports of the home country tends to increase. Given the decrease in exports and increase in imports, the balance of trade tends to be adverse to be adverse to the home country. Besides technology transfer tends to affect adversely comparative advantages of the country. Labor unions in the home country too oppose technology transfer on the ground that the jobs generated from the new technology will benefit the country citizens.

2. Host Country's Reactions to technology Transfers

More serious are the reactions of the host country to transfer. The subject of technology transfers is highly sensitive, often evoking strong reservations against it from the country citizens. The criticisms against technology transfer are based on economic and social factors.

1. **Economic Implications:** Economic implications include payment of fee, royalty, dividends, interest and salaries to technicians and tax concessions resulting in loss to the national exchequer. All these are payable to the transferring country and might prove very expensive to the host country. In addition to the payments just stated, the technology supplier often succeeds in extracting payments through various other techniques like over-pricing and buying intermediates at high prices. There are malpractices too, for example, tie-up purchase, and restriction on exports, and charging excessive prices. Many times, the type of technology transferred by international business is not appropriate to developing countries. The technology that is developed is inevitably the one most suitable for industrial countries which are appropriate to resources endowment of developed nations. Such technology are not in the interest of developing countries.
2. **Social Implications:** The social and cultural implications of technology transfer are more serious than the economic significance. Along with the transfer of technology, there is the transmission of culture from the exporting countries. The Indians who work in firms using such imported technology get influenced and accustomed to the skills, concepts, policies, practices, thoughts, and beliefs. Then there are social problems like pollution, urbanization , congestion, depleted natural resources, and similar other evils.

3**. Transaction**

This element focuses on the nitty-gritties of the transfer. The issues here relate to the terms and conditions of technology transfer.

International Subcontracting

International subcontracting is, thus, a logical extension of domestic subcontracting which has flourished in a number of highly industrialized countries, notably the United States and Japan. The basic reason behind the dependence of the large manufacturing firms on units in the small scale sector of the supply of parts, and components of their assembly is that the wage rate the unorganized sector is much below the rate prevailing in the organized sector. The low level of overhead cost in the small scale units also makes their cost of production much lower. The relationship between the contractee and the subcontract may be very close as it is in Japan where the subcontractor depends on the contractee for almost everything – from the supply of finance to technical expertise. The case of the automobile industry in Japan will exemplify this statement. While there are only 9 major manufacturers of automobiles in Japan, there are about 6,000 ancillary manufacturers. Automobile manufacturers depend upon the subcontractors (ancillary manufacturers) for the supply of parts while the latter rely upon the former for technical assistance, designs, specifications and finance. In fact, the two major auto firms namely, Toyota and Nissan are not self-sufficient in the production of major parts.

Source: https://www.citeman.com/3866-international-subcontracting.html#:~:text=Such%20high%20magnitude%20of%20wage,be%20known%20as%20International%20Subcontracting.

Advantages of Subcontracting

Frees up time for contractors to focus on their construction business

Less expensive than hiring full-time employees

A contract must be drawn up to guarantee warranties of the services being provided

The contractor will gain more knowledge/resources

Any subcontractors are responsible for bringing their own equipment

Payroll taxes and benefits will decrease

Legal liability will be transferred to the subcontractor

Disadvantages of Subcontracting

Lack of staff development

Contractors will use more time researching potential subcontractors

Contractors will lose their control over the timeliness and quality of work

Poor performance quality

Source: https://trentcotney.com/construction/subcontracting-versus-directly-hiring/

Franchising

- *Franchisee*: A holder of a franchise; a person who is granted a franchise.
- *Franchising*: The establishment, granting, or use of a franchise.
- *Franchise:* The authorization granted by a company to sell or distribute its goods or services in a certain area.
- *Franchiser:* A franchisor, a company which or person who grants franchises.

The table below shows more advantages and disadvantages of franchising for the franchisor:

franchising-table	
Advantages	Disadvantages
Expansion can be faster because franchisees provide the labour and their sales provide the growth	Franchisees cannot be managed as closely as employees and they may have different goals to the franchisor
Franchisees are responsible for their company's success so they are more motivated	Franchise recruitment can be slower and less efficient than employee recruitment
Franchisees may be more talented at growing the business and turning a profit than employees would be	Franchisors earn royalties from sales. Franchisees earn money from profits. Achieving growth in both isn't always possible, potentially causing conflict
The franchisor puts relatively little money into new locations as this comes from the franchisee	Franchisees don't always work together like employees might, thus losing any potential collective benefit
Successful locations can return high royalties	The upfront investment (time and money) required can be huge – a pilot operation may need to be tested

Consistent operations across the business generally means improved efficiency and higher quality levels	Selecting one wrong franchisee can ruin the reputation of the whole franchise
Franchisees should be fully committed due to the investment they put in	Sharing confidential information with franchisees is risky if they are not fully committed to the business

Source: https://www.premierline.co.uk/knowledge-centre/what-are-the-advantages-and-disadvantages-of-franchising.html

Joint Ventures

Joint Venture is a business preparation in which more than two organizations or parties share the ownership, expense, return of investments, profit, governance, etc. To gain a positive synergy from their competitors, various organizations expand either by infusing more capital or by the medium of Joint Ventures with organizations.

Advantages of Joint Ventures	Disadvantages of Joint Venture
Profit at low cost	Flexibility is restricted
Flexible nature	Assets and claims
Start-up push	Equal involvement is impossible
Shared costs, expenses, benefits, and risk	Rapport formation
Learning ground	

Source: https://content.wisestep.com/joint-venture-advantages-disadvantages/

Counter Trade

Countertrade is an umbrella term used to describe many different types of transactions each in "which the seller provides a buyer with goods or services and promises in return to purchase goods or services from the buyer". It may or may not involve the use of currency, as in barter.

By far the largest indirect method of exporting is countertrade. Competitive intensity means more and more investment in marketing. In this situation the organization may expand operations by operating in markets where competition is less intense but currency based exchange is not possible. Also, countries may wish to trade in spite of the degree of competition, but currency again is a problem. Countertrade can also be used to stimulate home industries or where raw materials are in short supply. It can, also, give a basis for reciprocal trade.

Countertrade can take many forms. These are: • Barter- is the direct exchange of one good for another. It requires a double coincidence of wants. Barter trade can take a number of formats. Simple barter is the least complex and oldest form of bilateral, non – monetarised trade. Often it is called "straight", "classical" or "pure" barter. • A clearinghouse arrangement- is a form of barter in which the traders agree to buy a certain amount of goods from each other. They set up accounts with each other that are debited and credited as needed. At the maturity of the arrangement, the parties settle up in cash or merchandise. • Switch trading - Practice in which one company sells to another its obligation to make a purchase in a given country. Switch trade is the purchase by a third party of one country's clearing agreement balance for hard currency. • A buy-back transaction involves a technology transfer via the sale of a manufacturing plant.
Source: https://www.termpaperwarehouse.com/essay-on/Advantages-And-Disadvantages-Of-Countertrade/27066

Turnkey

TURNKEY PROJECTS

A turnkey project is amongst the types of international business where a firm fully designs, constructs and equips a production or service facility. The project is handed over to the purchaser upon completion. The project is handed over in such a ready and up to date state that the purchaser just has to "turn the key" to bring the facility to ignition. Turnkey projects are generally carried out as an agreement between one business belonging to a developed country and the other to a developing country. The former brings to the table advanced production technology, know-how, and economies of scale. This enables a business in a developing country to thrive and prosper with little assistance from the first world countries.

ADVANTAGES

A design and construct project involves multiple contractors working on a single project. On the other hand, having a turnkey vendor on board means a single point of contact for the plethora of sub-contracts that go into the construction of a single contract. The purchaser is much more comfortable since he can handover the complete execution to the vendor. Moreover, the turnkey vendors are masters in their field. They provided the added benefit of lower costs due to economies of scale they experience.

DISADVANTAGES

The turnkey vendor has no specific interest in the project apart from its completion. The vendor will not be present when the plant is operationalized on a day to day basis. Because of a lack of long-term interest, the vendor may be casual during the construction phase. This may cause him to overlook small slip-ups here and there. Also, since the project is handled by the vendor from start to finish, the purchaser is not made a part of the process. He will not have acquaintance with how his own plant works once the control is handed over to him.

Mergers and Acquisition

Mergers and acquisitions (M&A) are defined as consolidation of companies. Differentiating the two terms, ***Mergers*** is the combination of two companies to form one, while ***Acquisitions*** is one company taken over by the other. M&A is one of the major aspects of corporate finance world. The reasoning behind M&A generally given is that two separate companies together create more value compared to being on an individual stand. With the objective of wealth maximization, companies keep evaluating different opportunities through the route of merger or acquisition.

Source: https://www.edupristine.com/blog/mergers-acquisitions

Types of Merger

Many types of mergers and acquisitions redefine the business world with new strategic alliances and improved corporate philosophies.

From the business structure perspective, some of the most common and significant types of mergers are listed;

1. Horizontal Merger.
2. Vertical Merger.
3. Co-Generic Merger.
4. Conglomerate Merger.

These are explained below;

Horizontal Merger

This kind of merger exists between two companies that compete in the same industry segment. The two companies combine their operations and gain strength in terms of improved performance, increased capital, and enhanced profits.

This kind substantially reduces the number of competitors in the segment and gives a higher edge over the competition.

Vertical Merger

A vertical merger is a kind in which two or more companies in the same industry but different fields combine in business.

In this form, the companies in the merger decide to combine all the operations and productions under one shelter. It is like encompassing all the requirements and products of a single industry segment.

Co-Generic Merger

Co-generic merger is a kind in which two or more companies in an association are some way or the other related to the production processes, business markets, or basic required technologies.

It includes the extension of the product line or acquiring components that are all the way required in the daily operations.

This kind offers great opportunities to businesses as it opens a huge gateway to diversify around a common set of resources and strategic requirements.

Conglomerate Merge

Conglomerate merger is a kind of venture in which two or more companies belonging to different industrial sectors combine their operations.

All the merged companies are no way related to their kind of business and product line; rather, their operations overlap that of each other. This is just a unification of businesses from different verticals under one flagship enterprise or firm.
Not all mergers and amalgamations are malignant, and in some cases, there may be a cost reduction in the production of goods and services, thus benefiting end consumers.

Process of Merger and Acquisition

The merger and acquisition process is the most challenging and most critical one when it comes to corporate restructuring.
One wrong decision or one wrong move can unimaginably reverse the effects. It should certainly be followed in a way that a company can gain maximum benefits with the deal.
Following are some of the important steps in the M&A process:

1. **Business Valuation**

A business valuation or assessment is the first process of merger and acquisition. This step includes examination and evaluation of both the present and future market value of the target company.
Thorough research is done on the history of the company with regards to capital gains, organizational structure, market share, distribution channel, corporate culture, specific business strengths, and credibility in the market.
Many other aspects should be considered to ensure if a proposed company is right or not for a successful merger.

2. **Proposal Phase**

The proposal phase is a phase in which the company sends a proposal for a merger or an acquisition with complete details of the deal, including the strategies, amount, and commitments.
Most of the time, this proposal is sent through a non-binding offer document.

3. **Planning Exit**

When any company decides to sell its operations, it has to undergo the stage of exit planning.
The company has to make firm decisions as to when and how to exit in an organized and profitable manner.
In the process, the management has to evaluate all financial and other business issues like deciding on a full sale or partial sale along with evaluating various options of reinvestments.

4. **Structuring Business Deal**

After finalizing the merger and the exit plans, the new entity or the takeover company has to take initiatives for marketing and create innovative strategies to enhance business and its credibility.
The entire phase emphasizes on the structuring of the business deal.

5. **Stage of Integration**

This stage includes both the company coming together with their parameters.
It includes the entire process of preparing the document, signing the agreement, and negotiating the deal. It also defines the parameters of the future relationship between the two.

6. **Operating the Venture**

After signing the agreement and entering into the venture, it is equally important to operate the venture. This operation is attributed to meet the said and pre-defined expectations of all the companies involved in the process.
The M& A transaction after the deal includes all the essential measures and activities that work to fulfill the requirements and desires of the companies involved.
Source: https://www.iedunote.com/mergers-acquisitions

Factors Influencing A Firm’s Selection Of Entry Strategy

Figure 5.2: Factors Affecting Selection of International Market Entry Mode

1) External Factors:

i) Market Size:

Market size of the market is one of the key factors an international marketer has to keep in mind when selecting an entry mode. Countries with a large market size justify the modes of entry with long-term commitment requiring higher level of investment, such as wholly owned subsidiaries or equity participation.

ii) Market Growth:

Most of the large, established markets, such as the US, Europe, and Japan, has more or less reached a point of saturation for consumer goods such as automobiles, consumer electronics. Therefore, the growth of markets in these countries is showing a declining trend. Therefore, from the perspective of long-term growth, firms invest more resources in markets with high growth potential.

iii) Government Regulations:

The selection of a market entry mode is to a great extent affected by the legislative framework of the overseas market. The governments of most of the Gulf countries have made it mandatory for foreign firms to have a local partner. For example, the UAE is a lucrative market for Indian firms but most firms operate there with a local partner.

iv) Level of Competition:

Presence of competitors and their level of involvement in an overseas market is another crucial factor in deciding on an entry mode so as to effectively respond to competitive market forces. This is one of the major reasons behind auto companies setting up their

operations in India and other emerging markets so as to effectively respond to global competition.

v) Physical Infrastructure:

The level of development of physical infrastructure such as roads, railways, telecommunications, financial institutions, and marketing channels is a pre-condition for a company to commit more resources to an overseas market. The level of infrastructure development (both physical and institutional) has been responsible for major investments in Singapore, Dubai, and Hong Kong. As a result, these places have developed as international marketing hubs in the Asian region.

vi) Level of Risk:

From the point of view of entry mode selection, a firm should evaluate the following risks:

a) Political Risk:

Political instability and turmoil dissuades firms from committing more resources to a market.

b) Economic Risk:

Economic risk may arise due to volatility of exchange rates of the target market's currency, upheavals in balance of payments situations that may affect the cost of other inputs for production, and marketing activities in foreign markets. International companies find it difficult to manage their operations in markets wherein the inflation rate is extremely high.

c) Operational Risk:

In case the marketing system in an overseas country is similar to that of the firm's home country, the firm has a better understanding of operational problems in the foreign market in question.

vii) Production and Shipping Costs:

Markets with substantial cost of shipping as in the case of low-value high-volume goods may increase the logistics cost.

viii) Lower Cost of Production:

It may also be one of the key factors in firms deciding to establish manufacturing operations in foreign countries.

2) Internal Factors:

i) Company Objectives:

Companies operating in domestic markets with limited aspirations generally enter foreign markets as a result of a reactive approach to international marketing opportunities. In such cases, companies receive unsolicited orders from acquaintances, firms, and relatives based abroad, and they attempt to fulfill these export orders.

ii) Availability of Company Resources:

Venturing into international markets needs substantial commitment of financial and human resources and therefore choice of an entry mode depends upon the financial strength of a firm. It may be observed that Indian firms with good financial strength have entered international markets by way of wholly owned subsidiaries or equity participation.

iii) Level of Commitment:

In view of the market potential, the willingness of the company to commit resources in a particular market also determines the entry mode choice. Companies need to evaluate various investment alternatives for allocating scarce resources. However, the commitment of resources in a particular market also depends upon the way the company is willing to perceive and respond to competitive forces.

iv) International Experience:

A company well exposed to the dynamics of the international marketing environment would be at ease when making a decision regarding entering into international markets with a highly intensive mode of entry such as Joint ventures and wholly owned subsidiaries.

v) Flexibility:

Companies should also keep in mind exit barriers when entering international markets. A market which presently appears attractive may not necessarily continue to be so, say over the next 10 years. It could be due to changes in the political and legal structure, changes in

the customer preferences, emergence of new market segments, or changes in the competitive intensity of the market.

Source: https://www.yourarticlelibrary.com/international-marketing/2-factors-affecting-the-selection-of-international-market-entry-mode/5866

Factors To Be Considered Before Finalizing A Joint Venture Agreement.

- Know your partner.
- Know your partner's national culture.
- Decide on the respective roles in detail at the start.
- Discuss contingencies **before** the **agreement** is signed.
- Create a detailed **joint venture agreement**.
- Clear performance indicators.
- Establish an open dialogue.
- Keep good records.

Source: https://thecorpsecblog.com/2013/01/31/ten-things-to-consider-when-forming-a-joint-venture/

Questions:

1. What is exporting?
2. Define Franchising.
3. Define merger.
4. What is licensing?
5. Write the advantages and disadvantages of joint venture.
6. Explain the types of merger.
7. Discuss the factors influencing a firms selection of entry strategy.
8. Describe the factors to be considered before finalizing a joint venture.

Unit-IV

International Marketing, Major Steps In International Marketing. International Pricing. Transfer Pricing-Meaning. Factors Affecting Pricing, Pricing Methods, Dumping. International Trade Terms-FOB, FAS, CIF, C&F.

International Marketing

The word 'International Marketing' is defined as the exchange of goods and services across national borders to meet the requirements of the customers. It includes customer analysis in foreign countries and identifying the target market.

Major Steps In International Marketing

Process of International Marketing

International Marketing Process comprises of following five steps:-

1. Motivation for International Marketing – For an organisation the motivation for entering international market can be any or all of the following:

- Growth
- Profitability
- Economies of Scale, or
- Risk Spread

2. Research and Analysis – Market research is done to Analyse the organization's strength and weakness, opportunities available in international markets, and threats in international markets.

3. Decision to Enter International Markets – After identification of potential opportunities in international market decisions are taken to enter international market. Such decisions include – identification of potential buyers in international markets, demand measurement and forecasting, market segmentation, market targeting and market positioning.

4. International Marketing Mix – At this step international marketing mix is developed. Marketing mix identifies four key areas – Product, Price, Place, and Promotion for developing a well coordinated marketing strategy.

5. Consolidate Marketing Efforts - Developing a good marketing program is not enough a marketing organisation need to manage the international marketing effort properly. Marketing organisations also need proper analysis, planning, implementation and control of their marketing efforts.

Source: https://www.enotesmba.com/2015/03/steps-in-process-of-international-marketing.html

International Pricing

International pricing strategies refer to three different options in how to set **prices** for foreign markets, the rigid **cost**-plus **pricing** approach; the approach of flexible **cost**-plus **pricing**; and dynamic incremental **pricing**. **Pricing** decisions are generally considered to be rather difficult to make (see **Pricing** Strategy).

Source:
https://onlinelibrary.wiley.com/doi/full/10.1002/9781118785317.weom090488#:~:text=International%20pricing%20strategies%20refer%20to,make%20(see%20Pricing%20Strategy).

Pricing refers to the value determination process for a good or service, and encompasses the determination of interest rates for loans, charges for rentals, fees for services, and prices for goods. Pricing decisions are difficult to make even when a company operates only in a domestic market, and the difficulty is still greater in international markets. Multiple currencies, trade barriers, additional cost considerations, and longer distribution channels make price determination more complex in international markets.

Companies operating in international markets have to identify:

1) The best approach for setting prices worldwide.

2) The variables those are important in determining prices in international markets.

3) The level of importance that needs to be given to each variable.

4) The variance in prices across markets.

5) The variance in prices across customer types.

6) The factors to be considered while determining transfer prices,
Source: https://www.yourarticlelibrary.com/product-pricing/international-pricing-useful-notes-on-international-pricing/5842

Transfer Pricing

Transfer prices are those charged for intracompany movement of goods and services. Firms need to make transfer-pricing decisions when goods are transferred from the headquarters to the subsidiaries in another countries. This transfer prices are important because goods transferred from country to country must have a value for cross-border taxation purposes. There are three basic approaches to transfer pricing:

Transfer at cost. The transfer price is set at the level of the production cost and the international division is credited with the entire profit that the firm makes. This means that the production center is evaluated on efficiency parameters rather than profitability.

Transfer at arm´s length. Here the international division is charged the same as any buyer outside the firm. Problems occur if the overseas division is allowed to buy elsewhere when the price is uncompetitive or the product quality is inferior, and further problems arise if there are no external buyers, making it difficult to establish a relevant price. Nevertheless, this approach has now been accepted worldwide as the preferred (not required) standard by which transfer prices should be set.

Transfer at cost plus. This is the usual compromise, where profits are split between the headquarters and the subsidiaries. The formula used for assessing the transfer price can vary, but usually it is this method that has the greatest chance of minimizing time spent on transfer-price disagreements, optimizing corporate profits and motivating the headquarters and subsidiaries.

Source: https://www.globalnegotiator.com/international-trade/dictionary/transfer-pricing/

Factors Affecting Pricing

It is far more difficult to fix price in international market as compared to domestic market.
The following are the main factors to be considered while fixing prices in international market:
1. International Marketing Objectives:
Mostly price is decided with a view to capture international market, e.g., when a company wants to enter in the market the product is sold at lower rates. When it intends to maximise use of its additional production capacity, marginal cost of production is considered. When an export target

is to be achieved then in that context price is determined. Other motives like getting entry in market, to get a certain share in market, to get definite return on investment, etc., are also of special importance.

2. Cost of Product:

Price in international marketing cannot be determined without considering the cost of the product. Fixed and variable costs of production, marketing and transport expenses are included in the cost of production. Sometimes a company sells at a price lower than cost and increases its share in market. It aims to recover production cost in long run. Price depends on production cost. Hence, it is necessary to analyse the cost and to consider the fixed and variable costs while fixing the price. But cost alone cannot fix the price. It is true that the price cannot be fixed below cost for long. Cost determines the floor price below which an exporter may not agree to sell the goods. But this principle does not always hold good. An increase in costs may justify the increase in prices, yet it may not be possible to do so because of the marketing conditions, i.e., demand and supply. On the other hand, it may also be possible that any increase in demand may lead to an increase in price without an increase in costs.

Although the costs-price relationship is important, it does not support the claim that costs determine the price. In some cases, the prevalent price may determine the costs that may be increased. The manufacturer-exporter cuts the cost according to the prices prevailing in the market. Another factor that proves that the costs do not determine the price is that costs of each producer differ substantially due to different internal and external factors. If cost is the determining factor, the price must also vary substantially. Again, if costs are to determine the price, no firm would suffer a loss. It does not mean that costs should be completely ignored while setting price. Cost is one of the most important factors in setting price.

3. Demand:

Demand is another factor that determines the prices in the international markets. The demand in international markets is also affected by a number of factors which are different from those operating in domestic market. Customs and tastes of foreign customers may differ widely.

Elasticity of demand is another factor which affects the pricing. If the demand of the product is elastic, a reduction in price may increase the sales volume. On the other hand, higher price may be fixed if the demand is inelastic and the supply is limited.

4. Business Competition:

Competition in the foreign market is also an important factor. Competition in foreign market may be so severe that the exporter has no other option except to follow the market leader. In monopoly an exporter can fix high price of its patented product. Greater competition reduces freedom for fixing the price. Price cannot be determined without considering the strategy of competitors.

5. Exchange Rate:

Foreign exchange rate plays a vital role in the price fixing in international marketing. For example, when rupee falls against dollar an importer hesitates in filling tender. An importer has to pay more rupees per dollar. In such circumstances rupee is considered to have become weaker against dollar.

6. Product Differentiation:

This factor plays a vital role in price fixing. When a product has specialities or is totally different compared to those of its competitors, the company is more-free to decide price. Usually prices of such products are quoted higher than that of others up to certain extent.

7. Prestige:

Prestige of the producer and of the country is reflected in the price of the product. Prestigious companies determine higher price for their products. Underdeveloped countries cannot quote high

price, even if their product is better than that of the developed country. In foreign markets, as a developing country India finds it difficult to keep prices high though our many items like H.M.T. watches, woollen garments, readymade wear, leather bags and Ayurvedic medicines are of superb quality.

8. Market Characteristics:

In addition to competition the following are some other factors which also affect price:

(i) Trend of demand
(ii) Consumer income levels
(iii) Importance of the product to the consumer, and
(iv) Margins of profit.

9. Government Factors:

Government's policy and laws affect pricing as under:

(i) Ceiling and Floor Prices:

Some countries fix top and bottom prices of their products. When government regulates the price, one has to keep its price between them. India had fixed minimum export prices of cotton cloth and other products. Normally, such a policy may be applied for national development, industries position, stock of goods, and protection of industries.

(ii) Regulation of Margins:

Sometimes government decides the profit margin or percentage of mark-up for producers or distributors. As a result, marketer loses most of the freedom of pricing.

(iii) Taxes:

While deciding price of an exportable product, custom duties and other taxes have to be considered. When import duties are levied, an exporter has to reduce his price. In foreign markets price has to be kept up because of such taxes.

(iv) Tax Concessions, Exemptions and Subsidies:

To promote exports many countries give tax reliefs or freedom. Products can be exported at lower prices in such cases. For example, under Duty Draw Back Scheme, if raw-materials are imported for production of export goods, the import duty or excise duty paid for this is refundable. To promote export, Govt., gives financial subsidies also. Such subsidies also affect price determination in export market.

(v) Other Incentives:

To promote export the government gives many incentives. Among these, supply of raw-materials, electricity and water supply at lower rates, aid in selling etc. are main incentives. While fixing prices of export goods these factors are kept in view.

(vi) Government Competition:

Sometimes the government enters in market to keep control on international prices. For example, the American Government sells aluminium from its stock at a fixed price to American companies. The companies are unable to increase prices in such circumstances. Hence, while fixing price Government competition should also be considered.

(vii) International Agreement:

Prices of some products are controlled by international agreements about stock, buffer stock agreement, bilateral or multilateral agreements. In view of such agreements companies have to fix prices in international market.

Pricing Methods

The price structure in international marketing, like the domestic market price structure, begins on the factory floor. But there is no similarity in the costs included in the two structures. The pricing

of the products for domestic and export purposes shall be calculated in a somewhat different manner.

International market price structure is the basis of all export price quotations, discounts and commissions. There are various methods of pricing the product in the foreign markets. The methods may be grouped into two, i.e., cost-oriented export pricing methods and market- oriented export pricing methods.

Cost-oriented methods or pricing are as follows:

1. Cost plus pricing:

Cost plus pricing involves adding a certain percentage to cost in order to fix the price. For instance, if the cost of a product is Rs. 200 per unit and the marketer expects 10 per cent profit on costs, then the selling price will be Rs. 220. The difference between the selling price and the cost is the profit. This method is simpler as marketers can easily determine the costs and add a certain percentage to arrive at the selling price.

2. Mark-up pricing:

Mark-up pricing is a variation of cost pricing. In this case, mark-ups are calculated as a percentage of the selling price and not as a percentage of the cost price. Firms that use cost-oriented methods use mark-up pricing.

3. Break-even pricing:

In this case, the firm determines the level of sales needed to cover all the relevant fixed and variable costs. The break-even price is the price at which the sales revenue is equal to the cost of goods sold. In other words, there is neither profit nor loss.

For instance, if the fixed cost is Rs. 2, 00,000, the variable cost per unit is Rs. 10, and the selling price is Rs. 15, then the firm needs to sell 40,000 units to break even. Therefore, the firm will plan to sell more than 40,000 units to make a profit. If the firm is not in a position to sell 40,000 limits, then it has to increase the selling price.

4. Target return pricing:

In this case, the firm sets prices in order to achieve a particular level of return on investment (ROI).

5. Early cash recovery pricing:

Some firms may fix a price to realize early recovery of investment involved, when market forecasts suggest that the life of the market is likely to be short, such as in the case of fashion-related products or technology-sensitive products.

B. Market-oriented Methods:

1. Perceived value pricing:

A good number of firms fix the price of their goods and services on the basis of customers' perceived value. They consider customers' perceived value as the primary factor for fixing prices, and the firm's costs as the secondary.

The customers' perception can be influenced by several factors, such as advertising, sales on techniques, effective sales force and after-sale-service staff. If customers perceive a higher value, then the price fixed will be high and vice versa. Market research is needed to establish the customers' perceived value as a guide to effective pricing.

2. Going-rate pricing:

In this case, the benchmark for setting prices is the price set by major competitors. If a major competitor changes its price, then the smaller firms may also change their price, irrespective of their costs or demand.

The going-rate pricing can be further divided into three sub-methods:

a. Competitors 'parity method:

A firm may set the same price as that of the major competitor.

b. Premium pricing:

A firm may charge a little higher if its products have some additional special features as compared to major competitors.

c. Discount pricing:

A firm may charge a little lower price if its products lack certain features as compared to major competitors.

The going-rate method is very popular because it tends to reduce the likelihood of price wars emerging in the market. It also reflects the industry's coactive wisdom relating to the price that would generate a fair return.

3. Sealed-bid pricing:

This pricing is adopted in the case of large orders or contracts, especially those of industrial buyers or government departments. The firms submit sealed bids for jobs in response to an advertisement.

4. Differentiated pricing:

Firms may charge different prices for the same product or service.

The following are some the types of differentiated pricing:

a. Customer segment pricing:

Here different customer groups are charged different prices for the same product or service depending on the size of the order, payment terms, and so on.

b. Time pricing:

Here different prices are charged for the same product or service at different timings or season. It includes off-peak pricing, where low prices are charged during low-demand tunings or season.

c. Area pricing:

Here different prices are charged for the same product in different market areas. For instance, a firm may charge a lower price in a new market to attract customers.

d. Product form pricing:

Here different versions of the product are priced differently but not proportionately to their respective costs. For instance, soft drinks of 200,300, 500 ml, etc., are priced according to this strategy.

Source: https://www.yourarticlelibrary.com/marketing/pricing/methods-of-pricing-cost-oriented-method-and-market-oriented-method/32311

Dumping

Dumping is a term used in the context of international trade. It's when a country or company exports a product at a price that is lower in the foreign importing market than the price in the exporter's domestic market.

Advantages

The main advantage of dumping is selling at an unfairly competitive lower price. A country subsidizes the exporting businesses to enable them to sell below cost. The nation's leaders want to increase market share in that industry. It may want to create jobs for its residents. It often uses dumping as an attack on its trading partner's industry. It hopes to put that country's producers out of business and become the industry leader.There is also a temporary advantage to consumers in the country being dumped upon. As long as the subsidy continues, they pay lower prices for that commodity.

Disadvantages

The problem with dumping is that it's expensive to maintain. It can take years of exporting cheap goods to put the competitors out of business. Meanwhile, the cost of subsidies can add to the export country's sovereign debt.The second disadvantage is retaliation by the trading partner. Countries may impose trade restrictions and tariffs to counteract dumping. That could lead to a trade war.The third is censure by international trade organizations. These include the World Trade Organization and the European Union.

Source: https://www.thebalance.com/what-is-trade-dumping-3305835

International Trade Terms-FOB, FAS, CIF, C&F.

International contracts typically contain shorthand terms (Incoterms) describing when the risk of loss transfers from a seller to a buyer. The most commonly used Incoterms are listed below:

FOB stands for "free on board". Its use would be "FOB " where would be the city or place where the goods would be left. This term is typically used in sales contract, and designates a location for the delivery of goods. For example, FOB Dallas means that the seller would provide the goods at the seller's expense to Dallas. The buyer is responsible for transport of the goods beyond Dallas.

FAS stands for "free along side". Typical usage would be FAS (Port or Vessel). This means that the seller is responsible for delivering goods to a specific port or vessel. The buyer would then assume the risk of loss once the goods were delivered to the side of the vessel. Once the loading process begins, the risk of loss shifts to the buyer.

CIF stands for "cost insured freight". This means that the seller will bear the cost of shipping and insurance up to the designation. Common usage would be "CIF Buyer's address"

C&F means "cost and freight" which means the seller pays for shipping, but not insurance. The buyer would be responsible for all insurance.

Source: https://www.leonlaw.com/blog/international-contract-terms-defined-fob-fas-cif-and-cf/

Questions

1. Define international marketing.
2. Write short note on pricing.
3. What is dumping.
4. State transfer pricing.
5. Explain the major steps in international marketing.
6. Discuss the factors affecting pricing.
7. Elaborate the advantages and disadvantages of dumping.
8. Explain the international trade terms.

UNIT-V

Reasons for Low Presence Of Female Executives In Global Business. Organizations Role In Utilizing Women As Managers.

Corporate Social Responsibilities-Meaning, Importance of Corporate Social Responsibilities. Business Ethics-Meaning. Principles of Business Ethics, Advantages of Business Ethics-Characteristics Of Business Ethics.

Reasons for Low Presence Of Female Executives In Global Business

The business world is no longer just a man's world. According to 2017 data from the National Association of Women Business Owners (NAWBO), over 11 million U.S. firms are currently owned and operated by women, contributing over 1.7 trillion dollars to the U.S. economy.

Though these numbers speak volumes to the power and determination of the female spirit, they do not tell the whole story of women's leadership. Women-owned firms are still the minority, and women continue to face unequal pay, sexism, and gender barriers in the workplace. From finding professional mentors to achieving work/life balance, overcoming these obstacles to female leadership can seem daunting — especially in technical and chief executive roles where the representation of women is far lower than men.

1.
CHALLENGE: MOST OF THE PEOPLE IN THE ROOM ARE MEN.
OPPORTUNITY: AS A WOMAN, I STAND OUT BUT I'M ALSO MORE LIKELY TO BE REMEMBERED.

One of the uncomfortable realities of being a female leader is walking into a business meeting and realizing that you're one of the few women (if not the only woman) in the room among your male counterparts. The pressure of being the only *one* can be overwhelming. In fact, studies show that individuals who are "onlies" (e.g. the only woman, the only person of color, etc.) are subject to a higher percentage of bias and discrimination from members of the majority group, whether intentional or not. No wonder it's so tempting for us to step back and try to blend in with the crowd!

While the temptation to stick out less is strong, most successful female leaders agree that staying true to yourself and playing to your strengths are key to rising above preconceived notions of how women should appear and act at work.

Instead of conforming to the widely held belief of what a successful leader looks like or should be, I have discovered that it is important to have confidence in myself and the skill sets that brought me to where I am today. "Sticking out" can actually be a positive attribute, giving you the chance to spotlight the unique skills and outlook you bring to the table. So instead of shrinking back, step forward and make a lasting impression by being both seen and heard.

2.
CHALLENGE: IT'S HARD TO BUILD A SUPPORT NETWORK IN A "BOYS CLUB" WORLD.
OPPORTUNITY: SEEK BOTH MEN AND WOMEN AS CONNECTIONS AND MENTORS WHO WILL HELP YOU ALONG YOUR CAREER JOURNEY.

It's no secret that a lack of mentors and advisors can stunt one's professional growth. After all, in the business world, it's not always *what* you know, but *who* you know.

Yet, a 2017 study by the NAWBO states that over 48% of women in business report finding it difficult to build a healthy support network in male-dominated fields. Despite this challenge, women have an amazing opportunity to collaborate and build strong support networks.

For example, women-oriented networking groups and events, such as the American Express OPEN CEO Bootcamp and the International Association of Women, are indicative of a growing number of networks and professional spaces that focus on supporting and elevating women professionals. Consider becoming involved with networking groups, professional associations, and other organizations that feature and promote successful women leaders in career development. This gives you the opportunity to not only learn from the experiences of seasoned professionals, but also enables you to make and build connections with potential mentors who can offer support and advice later in your career.

It's important to note that professional support and mentorship for women does not have to come exclusively from a female executive. On the contrary, I have found incredible value in seeking counsel from men who have shared their connections, advice, expertise, and support — all of which helped catapult me into my current role as CEO.

3.
CHALLENGE: IT'S INCREASINGLY DIFFICULT TO BALANCE WORK WITH MY PERSONAL LIFE.
OPPORTUNITY: CREATE A HEALTHY WORK-LIFE BLEND.

As a female business executive, I have been asked the question time and time again, "Can women *really* have it all*?*" There are several flaws inherent to this question (not least of which is the fact that my husband and male coworkers never get asked this).

The truth is that both men and women in leadership positions are challenged with balancing their career and personal life. However, I've found that changing the terminology from "work-life balance" to "work-life blend" helped me ease the juggling act of work and family time. Running your own business takes significant time and effort. However, it can also allow more flexibility and control over your schedule.

As the head of Acanela Expeditions, my work bleeds into my personal life and vice versa. Rather than being a separate part of my life, work is a genuine and integral part of it. This doesn't mean that I'm simply "on" and working all the time. Instead, I've intentionally set strategic, as well as realistic career and personal goals that work together to create a healthy lifestyle for me and my family.

4.
CHALLENGE: I LACK ACCESS TO FUNDING.
OPPORTUNITY: IDENTIFY FUNDING SOURCES THAT TARGET WOMEN-LED FUNDRAISING INITIATIVES.

According to a Forbes article published in December 2017, female entrepreneurs receive less than 3% of venture capital funds. Though that number is skewed due to fewer women in business and

corporate leadership positions, studies consistently show women founders as less likely to win adequate funding.

As an entrepreneur, this challenge creates an opportunity for you to engage in education and support networks dedicated to helping women-led businesses. Organizations like the Female Founders Alliance, Astia, and Golden Seeds offer coaching workshops to guide early-stage entrepreneurs through the fundraising process and help connect them to potential donors.

5.
CHALLENGE: I CONSTANTLY ENCOUNTER THE STEREOTYPE THAT "WOMEN ARE MORE EMOTIONAL AND LESS DECISIVE THAN MEN." **OPPORTUNITY**: WOMEN BRING DIVERSE PHYSICAL, MENTAL, AND EMOTIONAL EXPERIENCES TO THE CONVERSATION.

You've probably heard the common stereotype that women are "emotional thinkers" and, therefore, less competent business leaders than their male counterparts. While some women may think differently than men as a result of their personal and professional experiences, I haven't found it to be a flaw in business. If anything, it's an advantage.

In today's hypercompetitive marketplace, gender diversity is good business. Women bring unique perspectives, ideas, and experiences to the table that enrich conversations and lead to better company decisions. It often takes great boldness to make our voices heard, but it is essential, for we have a lot of important opinions and ideas to share with the world.

Harmful gender stereotypes argue that women are less decisive than men and thus have a difficult time making tough business decisions. However, while I tend to be a more relationally-oriented decision maker, I've discovered this characteristic to be helpful in advancing my company. I'd also argue that my relationships with colleagues have enhanced not just my leadership skills and abilities, but also the overall health of my company.

Listening to and involving team members in important conversations has enabled me to make more logical, reasonable, and healthier decisions that steer the company forward. Ultimately, respecting my employees and their opinions has helped me become a more well-rounded and successful business leader.

6.
CHALLENGE: EXPECTATIONS ARE OFTEN SET LOWER FOR WOMEN. **OPPORTUNITY**: THEN SHOULDN'T IT BE EASIER TO EXCEED THEM?

Earning the same level of respect and recognition as male colleagues can be a difficult and frustrating experience for women in not only entry level roles, but also in senior roles. Senior-level roles in businesses remain dominated by men, and internal biases are alive and well in the workplace.

While this reality has frustrated me greatly, I've realized that it has also given me the motivation to not only reach those expectations, but to also surpass them. Don't be discouraged by low

opinions and gender stereotypes. As we continue to surprise and exceed expectations, we break through one glass ceiling at a time.

Overall, the truth is: Yes, women continue to face unfair gender biases in the workplace. However, when viewed from an empowered perspective, these obstacles can serve to strengthen and elevate women leaders in diverse spaces. Meeting these challenges head on presents an incredible opportunity to make a positive impact on your situation and those of future generations. We live in a unique time in history, one in which we have the power and opportunity to band together to break down long-standing and new potential barriers on the horizon, and realize our biggest dreams and career aspirations.

Source: https://generalassemb.ly/blog/6-challenges-female-business-leaders/

Corporate Social Responsibilities

According to the World Business Council for Sustainable Development, CSR is "the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families, as well as of the community and society at large." CSR, in its essence, looks beyond profits and instead focuses on how business can benefit the greater community.

Importance of Corporate Social Responsibilities

A growing body of evidence has identified a company's role in its community as a factor in increasing profitability, promoting company image, reducing costs, and elevating employee morale and customer loyalty, among other benefits.

Interesting aspect of social responsibility in the modern era is that, being socially responsible is not a matter of choice to a very large extent. It has become a business compulsion. Behaving in a socially responsible manner gives business benefits to organizations. It may involve costs in short run but has proved beneficial in the long run.

For companies operating on a multinational basis, community involvement can be helpful in supporting efforts to enter new markets, attract potential employees, and establish or strengthen the reputation of the company, its brand and products.

Specifically, corporate community involvement can:

1. Increase Employee Morale, Retention, Attendance and Performance:

A company's community involvement activities directly influence employees' feelings about their job. The more an employee knows about the company's programs, the more likely he or she will be loyal and positive about the company.

2. Develop Employee Skills:

Many company programs in the community can help foster employee skills. Volunteering and other forms of employee involvement help developing a variety of competencies, including

teamwork, planning and implementation, communication, project management, listening skills and customer focus.

3. Enhance Company Reputation:

Active involvement in community activities builds a positive reputation with stakeholders in the company.

4. Attract Investors:

Companies noted for their corporate citizenship may experience an advantage in attracting investors, business partners, and new employees and in establishing customer preference.

5. Increase Customer Goodwill and Loyalty:

As the price and quality of products and services become increasingly standardized throughout many industries, community involvement may help differentiate a company from its competitors and increase brand loyalty.

6. Improve Relationships with The Community:

Many companies find that community involvement does not require sacrificing profits and, in fact, can open new markets, reduce local regulatory obstacles, provide access to the local political process, generate positive media coverage and increase company or brand awareness within the community. Research has shown that the public expects companies to "give back" more to their communities, and often views negatively the companies that are not perceived as doing their fair share.

Source: https://www.businessmanagementideas.com/notes/management-notes/corporate-social-responsibility/social-responsibility-of-business-meaning-concept-importance-and-barriers/18432

Business Ethics

"Business Ethics is an art and science for maintaining harmonious relationship with society, its various groups and institutions as well as recognizing the moral responsibility for the tightness and wrongness of business conduct" -Wheeler.

Business ethics means the behaviour of a businessman while conducting a business, by observing morality in his business activities.

Principles of Business Ethics

i. Ethics are principles, values and beliefs that define what is right and wrong behaviour.

ii. Ethics are broader than what is stated by law, customs and public opinion. For example, accepting gifts from father-in-law might be socially acceptable but not ethical; owners pocketing profits without sharing the gains with workers might be legally permissible but not ethical.

iii. Ethical behaviour may differ from society to society. For example, birth control is mandatory in Communist societies but not in Catholic Christian societies.

iv. Ethical standards are ideals of human conduct. Defining ethical standards is not an easy task.

Business ethics refers to the application of moral principles to solve business problems. Here, the word ‘morals’ refers to accepted customs of conduct in a society. The purpose of business ethics is to guide the efforts of managers in discharging their duties to the satisfaction of various stakeholders e.g., employees, owners, customers, suppliers, and the general public.

Managerial ethics, thus, are those principles that guide the conduct and thinking of managers with respect to what is good or bad; right or wrong (Barry). It is not always easy to divide managerial actions into clear-cut compartments of ethical and unethical behaviour because of certain complicating factors.

Business ethics implies general ethical ideas to business behaviour. Ethical behaviour not only improves profitability but also fosters business relations and employees productivity. Business ethics is concerned with the behaviour of businessman in doing a business. Unethical practices create problems to businessman and business units.

The growth of a business is dependent upon ethical practices performed by the businessman. Business custom differs from one business to another. If a custom is adopted and accepted by businessman and public, that custom will become an ethics.

“Business Ethics is an art and science for maintaining harmonious relationship with society, its various groups and institutions as well as recognizing the moral responsibility for the Tightness and wrongness of business conduct”, as said by Wheeler.

According to Rogene A Buchholz, Business ethics refers to right or wrong behaviour in business decisions.

Advantages of Business Ethics

- Provide a Competitive **Advantage** in Terms of Customers.
- Improve Employee Happiness.
- Attract More Investors.
- Better for Society.
- Limited Ability to Maximise Profit.
- Time Consuming to Implement the Practices.

Provide A Competitive Advantage In Terms Of Customers

When a company behaves ethically, they can attract customers to their products and services and sway them towards loyalty. This is indicated by a Unilever survey which found a third of consumers (33 percent) choose to buy from brands that are making a positive social or environmental impact.

Such a mindset might be a fashion brand whose clothes are sourced, designed and produced in ways that are kind to the environment and the workers. Or it could be a print company whose

materials are sourced sustainably, the labourers are paid an appropriate living wage and the printing processes do not damage the environment.

Whatever the industry, an ethical way of doing business can be that company's USP (unique selling point). This boosts a company's reputation which in turn, can boost sales. Customers feel better about parting with their money if they know the goods will have been produced ethically and responsibly.

Improve Employee Happiness

Employees will feel more comfortable working for a business that's behaving ethically than one that's not. After all, they don't want to be partially responsible for any unethical consequences, such as contributing to the deforestation of an area or poverty due to underpaying labourers.

This will boost productivity, as indicated by a 2015 survey of more than 2,000 Brits which found that 36 percent of people would work harder if they knew their company helped society.

Business ethics don't just make current employees want to stay. It can also give businesses a competitive edge with regards to employee recruitment, particularly among the younger generation. The same survey found that 62 percent of people born between 1981 and 1996 (millennials) want to work for a company that makes a positive impact.

Attract More Investors

If investors know that the company they work with prioritises having high morals and will operate in an ethical way, they will be safe in the knowledge that their money is being used in a responsible way. Plus, it means they can be comfortable knowing they're not indirectly contributing to unethical practices.

This is an advantage because investors will be more likely to continue funding the company.

Strong business ethics are also an attractive quality, which means other investors are more likely to be interested in investing their money into the company, keeping its share price high and protecting it from takeover.

Better For Society

Business ethics are beneficial for the company by attracting customers, investors and employees). But that's not all. When a company cares about its behaviour, impact and environmental footprint, it's also better for society overall.

For example, a print company might care about sourcing their materials sustainably and producing their products in a way that's environmentally friendly. Both of these approaches help to benefit society in a number of ways:

The print company's stock (such as paper, card etc) will be sourced in a way that doesn't impact the environment. For every tree that's cut down to make the stock, another might be planted in its place.
The labourers who plant, maintain, chop and produce the stock will be paid a good living wage and ensure their business doesn't damage the local way of life.
When the printed products are being made, it'll be in an environmentally friendly way – such as using sustainable inks or energy saving printers.
Being kinder to the environment ultimately benefits society because it means consumers can live in a world that's at its best rather than at its worst or suffering. It also means consumers can start to become more aware of business ethics and choose companies who uphold strong morals to help ethical practices continue. Which help to boost the benefits even more.

Characteristics Of Business Ethics.

There are several characteristics or features of business ethics.

Some of them are discussed here:

1. Business ethics are based on social values, as the generally accepted norms of good or bad and 'right' and 'wrong' practices.
2. It is based on the social customs, traditions, standards, and attributes.
3. Business ethics may determine the ways and means for better and optimum business performance.
4. Business ethics provide basic guidelines and parameters towards most appropriate perfections in business scenario.
5. Business ethics is concerned basically the study of human behaviour and conducts.
6. Business ethics is a philosophy to determine the standards and norms to make mutual interactions and behaviour between individual and group in organisation.
7. Business ethics offers to establish the norms and directional approaches for making an appropriate code of conducts in business.
8. Business ethics are based on the concepts, thoughts and standards as contributed as well as generated by Indian ethos.
9. Business ethics may be an 'Art' as well as 'Science' also.
10. Business ethics basically inspire the values, standards and norms of professionalism in business for the well-being of customers.
11. Business ethics is to motivate and is consistently related with the concept of service motives for the customers' view point.
12. Business ethics shows the better and perspective ways and means for most excellences in customisation.
13. Business ethics aims to emphasise more on social responsibility of business towards society.

Source: https://www.economicsdiscussion.net/business/business-ethics/31798

Questions

1. Define CSR.
2. What is business ethics?
3. Explain the importance of corporate social responsibility.
4. Elaborate the principles of business ethics.
5. Discuss the reasons for the low presence of female executives in global business.
6. Write the advantages of business ethics.
7. Describe the characteristics of business ethics.