



Republic of the Philippines
Isabela State University – Cauayan Campus
College of Business Management



INTERNATIONAL BUSINESS OPERATIONS

International Trade in Business

GROUP 2

Dumaguit, Jehan

Santiago, Quenee

Decano, Cynthia

Lauayan, Csharuice Wrandelle

Lazaro, James

Madrilejos, John Mark

Conception, Lace Christele

Ramiro, Genesis

Learning Objectives:

Managing International Operations

- To identify the elements that are important to consider when formulating production strategies
- Identify key considerations when acquiring physical resources
- Identify several production matters that are of special concern to managers
- Describe the three potential sources of financing

Hiring and Managing Employees

- Explain the 3 different types of staffing policies used by international companies
- Describe the recruitment and selection issues facing international companies
- Discuss the importance of training and development programs, especially cultural training
- Explain how companies compensate managers and workers in international markets

Managing International Operations

Production Strategy – are important to achieving a company's strategy. Careful planning of all aspects of production helps companies cut costs (to become low-cost leaders) or design new products and product features necessary for a differentiation strategy.

These are the important strategic issues that managers must consider in planning for:

1. **Capacity Planning** – the process of assessing the company's ability to produce enough output to satisfy market demand.
2. **Facilities Location Planning** – selecting location for production facilities
3. **Process Planning** – deciding on the process that a company will use to create its product.
4. **Facilities Layout Planning** – deciding the spatial arrangement of production processes within production facilities.

Acquiring Physical Resources – process of sourcing and acquiring the necessary physical resources for business operations.

The main elements that managers need to consider:

1. **Make-or-Buy Decision** – An option to buy or make inputs needed in production.
2. **Raw Materials** – decisions about selection and acquisition of raw materials.
3. **Fixed Assets** – known as "Fixed tangible assets". Where companies has a option either (1) acquiring or modifying existing factories or (2) building entirely new facilities, called a **Greenfield investment**.

Key Production Concerns – how a company maximize its quality and minimize shipping and inventory costs.

Below are the important reinvestment-versus-divestment decision

1. **Quality Improvement Efforts** – Companies thrive toward quality improvement for 2 reasons: costs and customer value.
2. **Shipping and Inventory Costs** – Shipping costs can have a dramatic effect on the cost of getting materials and components to the location of production facilities.
3. **Reinvestment versus Divestment** – Companies maintain the current level of operations when no new opportunities are foreseen.

Financing Business Operations – Companies need financial resources to pay variety of operating expenses and new projects.

Such Organizations obtain financial resources through one of three sources:

1. **Borrowing (debt)** – International companies (like domestic companies) try to get lowest interest rates possible on borrowed funds.
2. **Issuing equity (stock ownership)** – Companies issue such stock to primarily to access pools of investors with funds that are unavailable domestically.
3. **Internal Funding** – a international business activities can also be financed internally whether with funds supplied by the parent company or by its international subsidiaries.
Capital Structure – is a mix of equity debt, and internally generated funds that it uses to finance its activities.

Hiring and Managing Employees

International Staffing Policy - The customary means by which a company staffs its offices.

1. **Ethnocentric Staffing** – This policy tends to appeal to companies that want to maintain tight control over decision making in branch offices abroad.
2. **Polycentric Staffing** – It is well-suited to companies who want to give national units a degree of autonomy in decision making.
3. **Geocentric Staffing** – The best-qualified individuals, regardless of nationality, manage operations abroad

Recruiting and Selecting Human Resources - this happens when companies recruit and select qualified managers and non-managerial workers who are well suited to their tasks and responsibilities.

1. **Human resources Planning** – the process of forecasting a company's human resource needs

and its supply.

2. **Recruiting Human Resources** – the process of identifying and attracting a qualified pool of applicants

3. **Selecting Human Resources** – the process of screening and hiring the best-qualified applicants with the greatest performance potential

4. **Culture shock** – a psychological process affecting people living abroad that is characterized by homesickness, irritability, confusion, aggravation, and depression.

Training and Development - this identifies the skills and knowledge that employees have and those that they need in order to perform their duties.

Methods of Cultural Training:

1. **Environmental Briefings and cultural orientations** – the most basic training, often the starting point for studying other cultures

2. **Cultural Assimilation and sensitivity Training** – teaches the culture's values, attitudes, manners and customs

3. **Field Experience** – means visiting the culture, walking the streets of its cities and villages, and becoming absorbed by it for a short time.

Employee Compensation - this means a fair and effective compensation or reward system which is designed to attract and retain the best and brightest employees and reward them for their performance.

1. **Managerial Workers**

- Bonus and tax incentives

- Cultural and social contributors to cost

2. **Non-Managerial Workers**

Two main factors that influence the wages of nonmanagerial workers.

*Their compensation is strongly influenced by increased cross-border business investment.

*The greater mobility of labor today affects wages.

Reference:

Wild, J.J., & Wild, K.L. (2015). *International business: The challenges of globalization (7th ed., Global ed.)*. Pearson