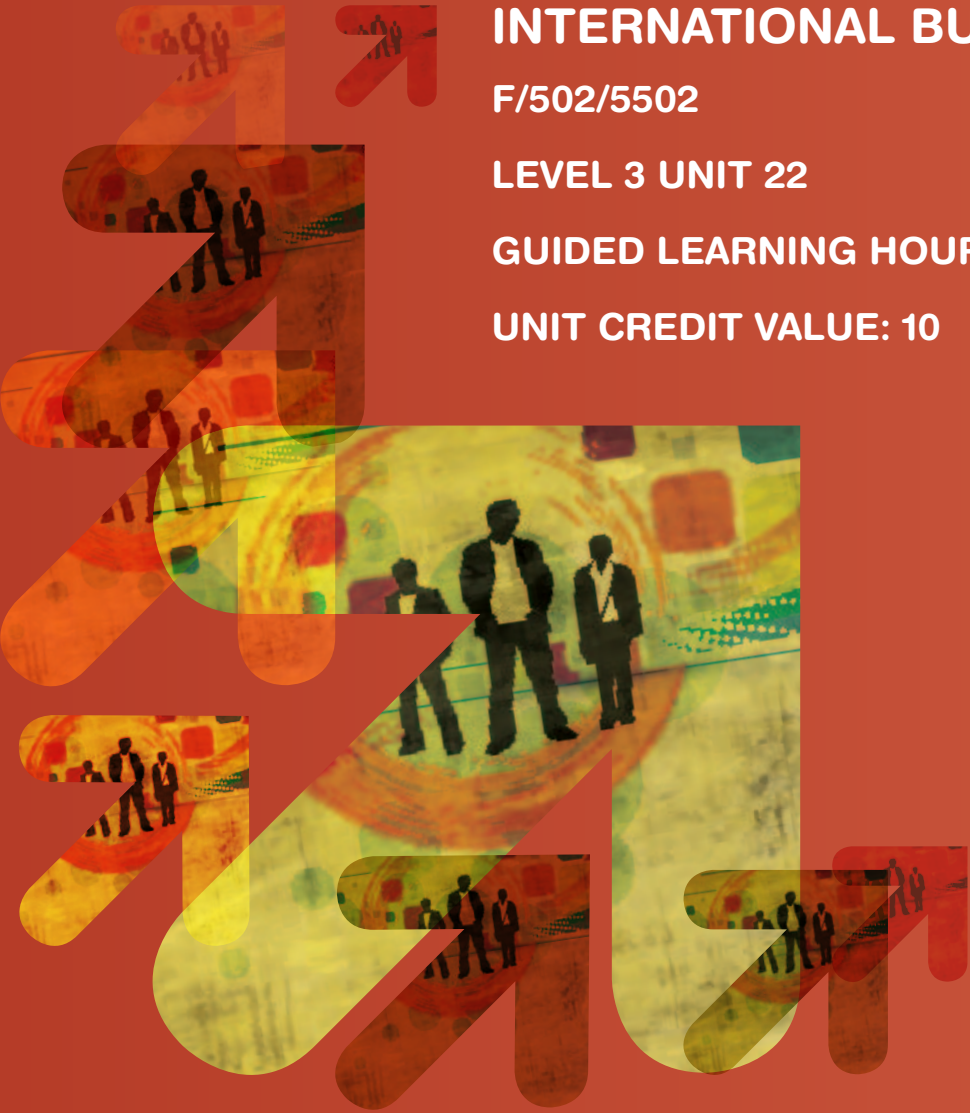




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# OCR LEVEL 3 CAMBRIDGE TECHNICAL CERTIFICATE/DIPLOMA IN BUSINESS



## INTERNATIONAL BUSINESS

F/502/5502

LEVEL 3 UNIT 22

GUIDED LEARNING HOURS: 60

UNIT CREDIT VALUE: 10



# INTERNATIONAL BUSINESS

F/502/5502

LEVEL 3 UNIT 22

## AIM OF THE UNIT

International business includes all business transactions that take place across national borders. Its growth is closely linked to globalisation and the increase of trade liberalisation and the development of the technologies that support international trade. International trade can be very different to the domestic environment: for example, different cultures will have different product preferences and will have different ways in which products are produced and distributed.

In this unit learners will gain an understanding of the international business environment, the mechanisms that control international trade, the environmental and cultural factors that businesses must consider when trading with another country and the financial support that can be provided by the institutions involved in international trade. This unit highlights the complexity and the difficulties faced by businesses wanting to trade on an international scale and the economic value of international trade for countries. This unit will also give learners an understanding of the reasons that encourage businesses to expand their international horizons and the strategies that are used when operating internationally.

## ASSESSMENT AND GRADING CRITERIA

| <b>Learning Outcome (LO)</b><br><br>The learner will:         | <b>Pass</b><br>The assessment criteria are the pass requirements for this unit.<br><br>The learner can:     | <b>Merit</b><br>To achieve a merit the evidence must show that, in addition to the pass criteria, the learner is able to: | <b>Distinction</b><br>To achieve a distinction the evidence must show that, in addition to the pass and merit criteria, the learner is able to: |
|---|---|---|---|
| 1 Understand the international business environment           | P1 explain the international business environment in which a selected organisation operates                 |   |   |
|   | P2 describe the mechanisms that regulate international trade  |   |   |
| 2 Know how cultural differences affect international business | P3 describe how the environment and culture of another country affects a business operating internationally |   |   |
| 3 Know how international business is financially supported    | P4 describe how the monetary environment affects businesses that operate internationally                    |   |   |
| 4 Understand the strategies used by international businesses  | P5 identify why businesses operate internationally  | M1 analyse the advantages and disadvantages for businesses of operating internationally                                   | D1 evaluate the reasons for and against a specified business operating internationally  |
|   | P6 explain the business strategies used by a business operating internationally                             | M2 explain the strengths and weaknesses of a business strategy used by a specified business operating internationally     | D2 evaluate the success or failure of a business strategy used by a business operating internationally  |

## TEACHING CONTENT

The unit content describes what has to be taught to ensure that learners are able to access the highest grade.

Anything which follows an i.e. details what must be taught as part of that area of content.

Anything which follows an e.g. is illustrative, it should be noted that where e.g. is used, learners must know and be able to apply relevant examples to their work though these do not need to be the same ones specified in the unit content.

### Learning Outcome 1 Understand the international business environment

- The international business environment: definition of international business environment
- Imports and exports, balance of trade (e.g. trade deficit, trade surplus), balance of payments
- Value of world trade (monetary; as a means to exchange goods, services and technologies; at national, business and individual level),
- Globalisation and the rise of multinational corporations, impact of international trade on developing countries, GATT agreement (General Agreement on Tariffs and Trade), WTO (World Trade Organisation), trade protectionism, foreign direct investment, trade blocs: European Union, Mercosur (South American countries), NAFTA (North American Free Trade Agreement)
- Mechanisms that regulate international trade: Tariffs, quotas, incoterms, free trade, embargoes, barriers to trade.

### Learning Outcome 2 Know how cultural differences affect international business

- Environmental factors: weather, time zone, environmental concerns, technology, infrastructure, political and economic instability, legislation and regulation, war and terrorism, corruption
- Cultural factors: language, religion, local customs, beliefs and values, work ethics, education, local preferences of product or service.

### Learning Outcome 3 Know how international business is financially supported

- The impact of the monetary environment: international payment methods (e.g. letters of credit, international clearance and banking, trade credit), foreign exchange, strength of the Pound Sterling, exchange rate fluctuations, trade insurance, UK and EU grants

- Institutions: ECGD (Export Credit Guarantee Department), UKTI (UK Trade and Investment), EMU (European Monetary Union).

### Learning Outcome 4 Understand the strategies used by international businesses

- Purpose of international operations for a business: revenue growth, increase profit, expand market share, spread business risk, reduce production costs, exploit economies of scale, acquire competitively priced products, increase reputation and image
- International business strategy: value creation (e.g. diversification, cost reduction), joint ventures, expansion: new markets, acquisition, increase market share, market growth, emerging markets; branding, benefit from a more lenient taxation system, outsourcing, standardisation, economies of scale, use of technology and the internet.

It is important to maintain focus on the current law and practice in this area. The list given above is neither prescriptive nor exhaustive. Where legislation has been revised learners will consider the most up to date version as that will reflect current industry practice.

## DELIVERY GUIDANCE

### Learning Outcome 1

This section provides an introduction to the topic and to key concepts of international trade. It is important to make learners aware of the increasing importance of international trade for business and for the economic welfare of the country. Learners could be encouraged to research their local supermarket or high street retailers to find out about imported products and if these are made by a UK company with an overseas subsidiary or by foreign suppliers. DVDs could help learners to understand the concepts of globalisation, free trade, etc. Group discussions could be used to encourage learners to discuss issues and voice their opinions. International trade can raise all sorts of contradictory issues: on one hand, cheaper goods available in the supermarkets are highly desirable; however, companies establishing manufacturing abroad for cost reasons have left many people in the manufacturing sector unemployed. Learners could also study organisations of different sizes to see the differences in the use of international trade.

This topic could be researched on the internet and findings presented to the group for discussion. Alternatively, a speaker from a UK trade agency, like Business Link or UKTI would be ideal to provide learners with the theoretical background. Also, speakers from larger organisations, particularly purchasing and selling functions could speak to learners for similar content. Discussions relating to factors which encourage and restrict international trade should be considered.

### Learning Outcome 2

Environmental and cultural factors could be discussed in a group, supported by a case study or video. The website GuruOnline has a range of short videos produced by organisations like UKTI, Institute of Export and Business Link. Learners could be encouraged to research different countries and cultures, selected by the tutor, where international business takes place and present their findings to the group. Learners could also be encouraged to research countries that are similar or different to the UK in terms of international trade.

### Learning Outcome 3

To introduce the topic, learners could be presented with international trade dilemmas such as how a business selling abroad could be paid and in what currency, what happens if the value of the currencies involved changes, what happens when sterling becomes stronger, etc. Learners could be encouraged to research the answers to these questions with tutor guidance.

### Learning Outcome 4

Learners could view corporate DVDs and access corporate websites to gain an understanding of the purpose of international operations for businesses. A case study could be used by the tutor to provide the necessary background to support the theoretical aspects of the topic. International trade agencies, like Business Link and UKTI are good sources of information for small and medium sized businesses.

Learners should be encouraged to research corporate and business websites to understand the business strategies behind their international activities. Investigation into large multinationals producing well-known and easily identifiable products such as consumer goods, clothing and sportswear will provide evidence of business strategies. This can be indicated by the nature of the markets, type and range of products produced and sold and the range of activities undertaken to support those products in different countries. Case studies and DVDs could also be used by the tutor. A simulation activity about a business considering international expansion could increase learners' awareness about the strategies that could be used by businesses to achieve their objectives. Consideration could also be given to news, articles and press features relating to organisations and international business.

## SUGGESTED ASSESSMENT SCENARIOS AND TASK PLUS GUIDANCE ON ASSESSING THE SUGGESTED TASKS

### **P1, P2, P3, P4**

Scenario: An organisation wanting to expand into international trade orders a report on the international business environment.

Task: Learners could produce a report where they describe the international business environment, the mechanisms that regulate international trade, the environmental and cultural factors that affect an organisation trading internationally and the financial mechanisms available to support the organisation.

### **P5, P6, M1, M2, D1, D2**

Scenario: You work for an UK international trade development agency that researches the reasons why businesses operate internationally and the strategies they use.

Task: Learners could research various businesses and produce a report with their findings. They are expected to illustrate their claims with examples of international businesses and the various products they sell into different markets.

### **Guidance on assessing the suggested tasks:**

#### **P1**

For this task, learners could select an organisation with tutor supervision; alternatively, a case study provided by the tutor could be used. Learners need to explain the business environment where the organisation operates abroad. It is important for learners to briefly research the country or countries where the organisation operates internationally. Consideration could be given to the importance of international trade to the business as well as looking at both importing and exporting.

#### **P2**

Learners are required to describe the mechanisms that regulate international trade, including enabling and restricting factors. They could achieve this by facilitating a discussion in relation to the organisation used in P1 and the countries where it operates.

#### **P3**

Learners need to research the environmental and cultural factors of a country where an organisation operates internationally and describe how these factors affect the business. The same organisation researched in P1 and P2 could be used.

#### **P4**

In this task, learners will describe the monetary mechanisms that affect an international business. This may include the financial guidance and support provided by national and international agencies. Consideration should be given to importing and exporting. The business could be selected by the tutor or by the learners, with tutor supervision.

#### **P5**

Learners could research three different businesses (e.g. small, medium and large multinational or import, export and manufacturing abroad) and identify the reasons why they trade internationally.

#### **P6**

In this task, learners will describe the strategies used by a business operating internationally to make it successful. This could be one of the businesses researched previously in P5.

#### **M1**

To satisfy this criterion, learners need to analyse the benefits and drawbacks of international operations for businesses, drawing on the knowledge gained studying all of the previous topics in this unit, i.e. culture, monetary mechanisms, etc. Learners are expected to illustrate their analysis with examples from actual businesses. These could be the same that were researched in P5. Learners could illustrate their analysis could go into detail in terms of the effects that these benefits and drawbacks have on the business.

#### **M2**

Learners will analyse by examining the strengths and weaknesses of a strategy used by a business operating internationally. Learners will look at similarities and differences in terms of area of operation, type of activity, importance of the international activity on the business,

#### **D1**

Learners will evaluate the reasons for and against businesses operating internationally. Learners should use contrasting businesses to illustrate the point that different circumstances and situations can result in different conclusions

D2

Learners will evaluate the strategies adopted by a business operating internationally and will reach a judgement or conclusion as to their validity and suitability for the international environment where the business operates. Learners could use the business previously researched in P5.

## LINKS to NOS

**CfA BAD322** Analyse and report data (Partial)

**CfA MKT621** Assess marketing opportunities within international and or diverse markets (Partial)



## **CONTACT US**

Staff at the OCR Customer Contact Centre are available to take your call between 8am and 5.30pm, Monday to Friday.

We're always delighted to answer questions and give advice.

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