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University of Wales
Trinity Saint David

Programme: BA Business Management

International Financial Management (LCBB6002)

Assessment 1

Investigated company: McKinsey & Company

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INTRODUCTION

The essay briefly discusses the importance of international financial management. There are multiple difficulties with financial policies at the international level. The challenges faced by organizations are discussed in the essay. The organization chosen for this essay is McKinsey and Company. The three policies discussed in the essay are dividend distribution policy efficient market hypothesis and stakeholder policy the essay also discusses methods of appraisal projects for the organization.

INTERNATIONAL FINANCIAL MANAGEMENT

International financial management is the management of a global enterprise's financial assets (MNE). It involves taking care of the financial dangers and conceivable outcomes that accompany carrying on with work in different countries and managing various monetary forms. Conversion scale risk, political gamble, and social contrasts are a few explicit subjects of stress in unfamiliar financial management. Swapping scale risk is the probability that adjustments of trade rates will impact the worth of an organization's unfamiliar money resources and liabilities. A political gamble is a risk that adjustments to the political environment of an unfamiliar nation will adversely affect an organization's tasks or ventures. Social varieties may likewise impact international financial management since different countries might have particular strategic approaches and social standards that should be thought of.

MNEs utilize various financial instruments and strategies, including supporting, broadening, and global financial management draws near, to deal with these dangers and open doors. To fence against cash rate risk, they may likewise utilize financial instruments like future agreements, choices, and trades (Madura, 2020).

Importance:

- **Globalization:** In the present globalized world, enterprises are progressively working in a few countries and utilizing various monetary standards. To deal with the dangers and potential outcomes that accompany working in a worldwide setting, a decent embrace of international financial management ideas is required.
- **Conversion standard gamble:** Trade rates can vacillate emphatically after some time, influencing the worth of an organization's unfamiliar cash resources and commitments. Conversion scale risk management is a significant piece of international financial management (Bhalla, 2020).
- **Political risk:** Changes in the political environment of an outside nation can impact an organization's tasks or speculations. Political gamble management is a significant piece of international financial management.
- **Contrasts in social standards and strategic approaches:** Particular countries might have different strategic policies and social standards that should be considered while directing business. Understanding these differentiations is basic for compelling international financial management.
- **Expanded seriousness:** As additional organizations create around the world, a contest for assets and markets escalates. In this serious market, effectively overseeing financial assets is significant for an organization's prosperity (Shapiro and Hanouna, 2019).

MCKINSEY & COMPANY

McKinsey and Company is a global management counseling business that gives vital and functional guidance to Fortune 500 firms, legislatures, and associations. Since its beginning in 1926, the business has advanced to become one of the world's most unmistakable and strong management counseling associations. McKinsey and Company give counseling administrations in various regions, including banking, medical services, energy, and innovation. Experts at the business team up with clients to lay out systems, improve activities, and carry out change management programs.

As well as exhorting, McKinsey and Company do investigate and distribute distributions on an assortment of business and management issues. The organization puts a significant accentuation on variety and manageability, and it urges its laborers to chip in for social effect exercises. McKinsey and Company have more than 130 workplaces in over 60 nations, and its experts work with clients in a scope of dialects and social circumstances. The business is perceived for its thorough and scientific critical thinking philosophy, and its specialists are extremely popular because of their ability and experience (Henderson, 2021).

CHALLENGES FACED BY MCKINSEY & COMPANY

DIVIDEND DISTRIBUTION POLICY:

- **Benefit level:** An organization's capacity to deliver profits is many times obliged by its degree of productivity. An enterprise will most likely be unable to deliver profits or may have to deliver lesser profits on the off chance that it needs more benefits.
- **Financial solidness:** Since profit installments exhaust the organization's money savings, they might unfavorably affect an organization's financial security. Organizations should decide whether they have sufficient money close by to cover proceeding with functional and financial commitments, as well as profit installments.
- **Future extension:** Organizations might have to strike a split the difference between the prerequisite to keep up with cash for future development and their longing to deliver profits. A company might have to deliver lesser profits or none by any stretch of the imagination on the off chance that it to a great extent depends on held income to back extension (Edwards, 1984).
- **Assumptions for investors:** While choosing how to circulate profits, organizations should consider their investors' assumptions. Others might be keener on the company's drawn-out development potential, while certain investors might put a higher need on gathering profits than different purposes of corporate pay.

- Economic situations: An organization's profit dissemination system may likewise be influenced by outside factors including the economy, industry patterns, and regulative changes. Organizations should consider what these factors might mean for their ability to deliver profits and financial achievement (Refer to Appendix 3) (Sneader and Singhal, 2020).

EFFICIENT MARKET HYPOTHESIS:

- An issue is data deviation, which happens when some market members approach more or preferred information over others. Therefore, it could be trying for evaluating to precisely mirror all suitable data since specific market players might have the option to exploit their better information.
- The impact of conduct inclinations, which can make market members make counter-intuitive or misguided decisions, is another issue. These predispositions might keep costs from precisely mirroring the genuine worth of resources, which can affect how exact costs are (Fama, 1970).
- Market control: Markets are periodically the objective of endeavors by some market players to influence costs in support of themselves purposefully. Due to this, it could be provoking at costs to mirror a security's worth precisely.
- Financial business sectors couldn't be full, and that implies that a few protections or resources probably won't be exchanged or may be trying to esteem. Along these lines, it very well may be provoking at costs to mirror a security's inborn worth precisely (Refer to Appendix 2) (Lund et al., 2019).

STAKEHOLDER POLICY:

- Partner recognizable proof: One troublesome errand is sorting out who could be impacted by an organization's activities. This could incorporate the climate, networks, shoppers, providers, workers, and investors. Since various partners might have different objectives and interests, distinguishing all appropriate stakeholders can challenge.
- Adjusting restricting interests: Since it probably won't have the option to fulfill all partners similarly, adjusting the interests of numerous partners presents another issue. To offer some incentive to the organization and prevail over the long haul,

organizations should track down techniques to adjust the interests of numerous partners (Laplume, Sonpar and Litz, 2008).

- Powerful partner correspondence can be troublesome since various partners might have different correspondence styles and might be situated in different areas (districts or countries). Organizations need to figure out how to effectively convey.
- Estimating the effect of an organization's exercises on its partners can be trying since such outcomes aren't immediate or self-evident. To more readily get it and resolve partners' interests, organizations might have to lay out procedures for observing the impact of their exercises.
- Answering moving partner assumptions: Organizations should be prepared to change when partner assumptions fluctuate after some time. To ensure that their partner strategy matches the advancing necessities and worries of partners, this could incorporate regularly assessing and reexamining it (Refer to Appendix 1) (Bernow, et al., 2019).

METHODS OF APPRAISING PROJECTS

McKinsey and Company might use various ways of assessing projects. Among the most successive methodologies are:

- A financial examination is deciding a venture's financial suitability by surveying financial measurements like profit from speculation (return for capital invested), net present worth (NPV), and inside the pace of return (IRR) (IRR). A financial examination is valuable in deciding whether a task is probably going to find success as well as recognizing the potential dangers and prizes of putting resources into the venture.
- The market examination incorporates evaluating the market interest for a task as well as planned contenders. Market concentration helps with deciding the planned market size and development capability of a venture, as well as deciding the feasibility of putting up the undertaking for sale to the public (Jaya, 2020).
- SWOT examination is the most common way of inspecting an undertaking's assets, shortcomings, potential open doors, and dangers. SWOT examination helps with recognizing critical components that might impact a task's prosperity or disappointment and in creating answers to address these issues.
- Risk evaluation is surveying the potential dangers associated with an undertaking, for example, financial, functional, and market gambles. Risk evaluation helps with

distinguishing conceivable task outcomes and creating ways of decreasing or dealing with these dangers (Karlibaeva, et al., 2022).

In synopsis, McKinsey and Company might assess projects utilizing a scope of approaches, including financial examination, market examination, SWOT examination, and chance assessment. These methodologies help in deciding the practicality of a task as well as its potential dangers and advantages.

CONCLUSION

McKinsey and Company is a global management counseling business that gives vital and functional guidance to Fortune 500 firms, legislatures, and associations. Profit installments exhaust the organization's money saves, they might unfavorably affect an organization's financial security. The organization should decide whether it has sufficient money close by to cover proceeding with functional and financial commitments, as well as profit installments. The impact of conduct inclinations, which can make market members make counter-intuitive or misguided decisions, is another issue. McKinsey and Company might use various ways of assessing projects. The financial examination is valuable in deciding whether a task is probably going to find successful. Risk evaluation helps with identifying conceivable task outcomes and creating ways of decreasing or dealing with these dangers. SWOT examination helps with recognizing critical components that might impact a task's prosperity.

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APPENDICES

Appendix 1:

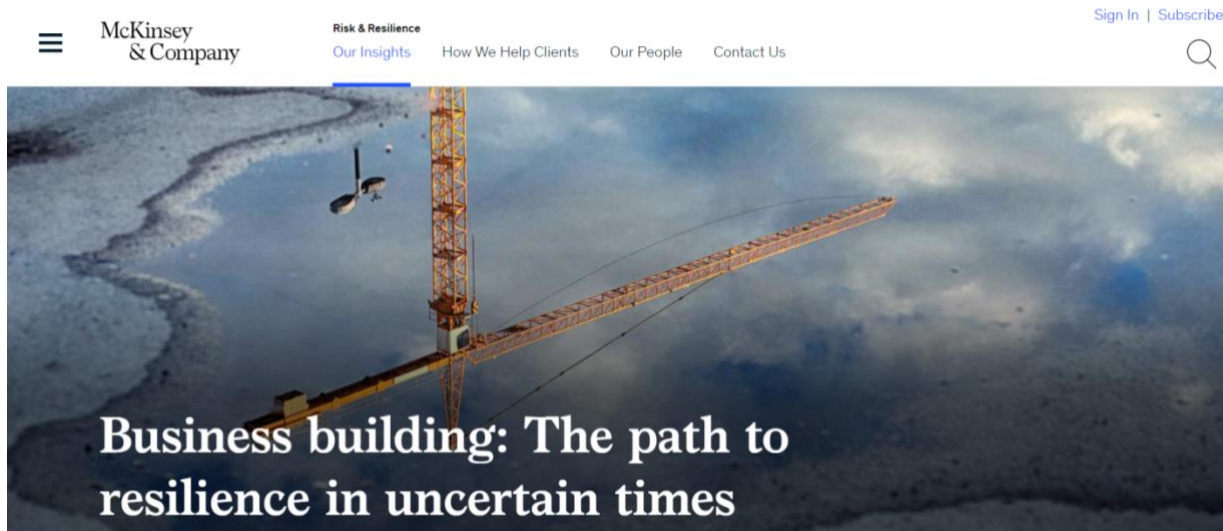


FIGURE 1(SOURCE: MCKINSEY&COMPANY, 2022)

Appendix 2:



FIGURE 2(SOURCE: THENEWREPUBLIC, 2022)

Appendix 3:

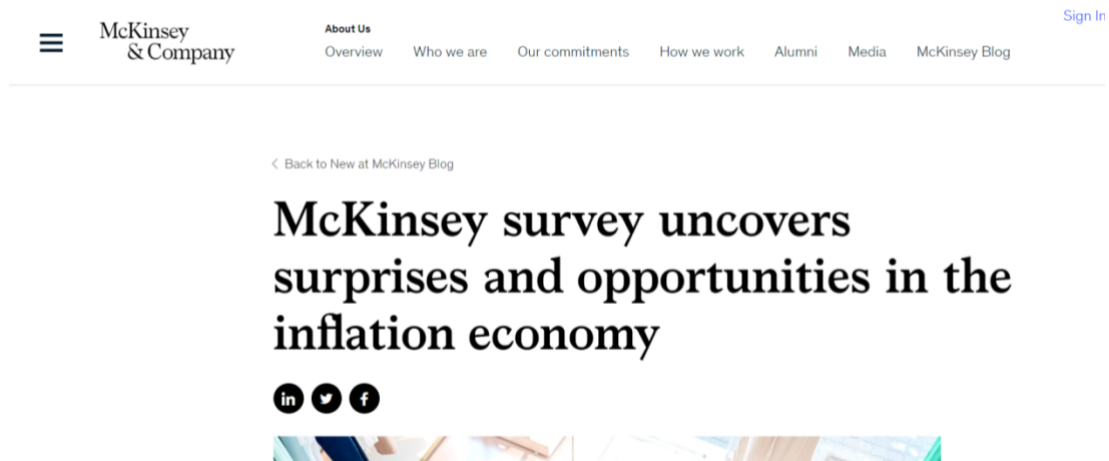


Figure 3(McK