List of Figures, Tables, and Maps  xv  
Preface  xix  
About the Authors  xx  
Guide to the Case Studies  xxiii  
Guided Tour of the Book  xxviii  
Guided Tour of the Companion Website  xxx  
Acknowledgments  xxxii  

Part One  THE WORLD OF INTERNATIONAL BUSINESS  
Chapter 1  Regional and Global Strategy  3  
Chapter 2  The Multinational Enterprise  36  
Chapter 3  The Triad and International Business  67  

Part Two  THE ENVIRONMENT OF INTERNATIONAL BUSINESS  
Chapter 4  International Politics  99  
Chapter 5  International Culture  127  
Chapter 6  International Trade  157  
Chapter 7  International Financial Markets and Institutions  191  

Part Three  INTERNATIONAL BUSINESS STRATEGIES  
Chapter 8  Multinational Strategy  225  
Chapter 9  Organizing Strategy  252  
Chapter 10  Production Strategy  278  
Chapter 11  Marketing Strategy  310  
Chapter 12  Human Resource Management Strategy  339  
Chapter 13  Political Risk and Negotiation Strategies  370  
Chapter 14  International Financial Management  404  

Part Four  INTERNATIONAL BUSINESS STRATEGIES IN ACTION  
Chapter 15  Corporate Strategy and National Competitiveness  441  
Chapter 16  European Union  470  
Chapter 17  Japan  501  
Chapter 18  North America  539  
Chapter 19  Emerging Economies  568  
Chapter 20  Ethics and the Natural Environment  606  

Glossary  631  
Subject Index  643  
Company Index  654  
Name Index  657
Part One

Chapter 1

Regional and Global Strategy

Objectives of the chapter

 ACTIVE LEARNING CASE
 Coke goes worldwide with a local strategy

Introduction

World business: a brief overview

Exports and imports
Foreign direct investment
The triad

Today’s international environment

International trade regulation
Technology
Small and medium-sized enterprises (SMEs)

INTERNATIONAL BUSINESS STRATEGY IN ACTION
Amazon.com

Globalization and strategic management

Regional triad strategies
Maintaining economic competitiveness
Multinationals in action

INTERNATIONAL BUSINESS STRATEGY IN ACTION
The Italian tile industry

The study of international business

From general to strategic emphasis

Framework for this book

Key points
Chapter 3

The Triad and International Business

Objectives of the chapter

Introduction

Reasons for foreign direct investment
- Increase sales and profits
- Enter rapidly growing markets
- Reduce costs

INTERNATIONAL BUSINESS STRATEGY IN ACTION
- Aflac

INTERNATIONAL BUSINESS STRATEGY IN ACTION
- Lafarge and Cemex: concrete multinationals
- Gain a foothold in economic blocs
- Protect domestic markets
- Protect foreign markets
- Acquire technological and managerial know-how

Foreign direct investment and trade by triad members
- The triad’s domination of FDI and trade
- Triad FDI clusters

Multinationals in action: regional business strategy
- The world’s regional automotive industry
- Mergers and acquisitions

Key points

Key terms

Review and discussion questions

REAL CASES
- Matsushita and Philips
- Toys "R" Us in Europe and Japan

Endnotes

Additional bibliography

Appendix to Chapter 3
Part Two

Chapter 4

International Politics

Objectives of the chapter

ACTIVE LEARNING CASE
How risky is investment in Russia?

Introduction

Political ideologies and economics
Political systems
Economic systems

INTERNATIONAL BUSINESS STRATEGY IN ACTION
Softwood lumber: not-so-free trade
Government control of assets
Government–business cooperation

Economic integration

Trade creation and trade diversion
Levels of economic integration
Economic integration: an overall perspective
Ethics, environment, MNEs, and the civil society

INTERNATIONAL BUSINESS STRATEGY IN ACTION
Non-governmental organizations and political power
The European Union (EU)
Other examples of economic integration

Economic integration and strategic management

Strategic alliances and acquisitions
Localization of business operations

Key points
Key terms

Review and discussion questions

REAL CASES
How environmental regulations can be used as trade barriers
Embracer vs. Bombardier

Endnotes
Additional bibliography

Chapter 5

International Culture

Objectives of the chapter

ACTIVE LEARNING CASE
Culture clash at Pharmacia and Upjohn
Foreign exchange markets 194
Foreign exchange markets in the United States 195

Determination of the exchange rate 200
Purchasing power parity 200
International Fisher effect 201
Combined equilibrium relationships 201

INTERNATIONAL BUSINESS STRATEGY IN ACTION
The Wall Street crash of 2001 203

Protecting against exchange risk 203
Alternatives to minimize exchange risk 204

Foreign money and capital markets 205
MNEs and national money markets 206
MNEs and national capital markets 206

Regional money and capital markets 207
The eurocurrency market 207
Eurocurrency interest rates 209
Other market characteristics 209
Criticisms of the euromarkets 210
Eurobonds and euroequities 211

INTERNATIONAL BUSINESS STRATEGY IN ACTION
AngloGold Ashanti 212

The IMF system 213
Unresolved problems with the IMF system 215

MNEs and international financial markets and institutions

Key points 216
Key terms 217
Review and discussion questions 217

REAL CASES
HSBC 218
World financial crises 219

Endnotes 220
Additional Bibliography 221

Part Three
INTERNATIONAL BUSINESS STRATEGIES

Chapter 8
Multinational Strategy 225

Objectives of the chapter 225

ACTIVE LEARNING CASE
Vodafone and the triad telecom market 226

Introduction 227
Strategic orientations 228
Chapter 10

Production Strategy 278

Objectives of the chapter 278

ACTIVE LEARNING CASE
The GE production process and Six Sigma 279

Introduction 280

Research, development, and innovation 281

INTERNATIONAL BUSINESS STRATEGY IN ACTION
When the rubber hits the road: Michelin, Ford, and Firestone 284
Speed-to-market 285

Generation of goods and services 287
Global sourcing 287
Manufacturing of goods 288

INTERNATIONAL BUSINESS STRATEGY IN ACTION
Greening the supply chain 289
Inventory control 293
Developing a strong service orientation 293

International logistics 295
Transportation 295
Choice criteria 296
Packaging 297

Different kinds of global production systems 298

Strategic management and production strategy 299
Technology and production design 300
Continuous improvement 300
Alliances and acquisitions 301

Key points 303
Key terms 304
Review and discussion questions 304

REAL CASES
Flextronics 305
Nike 306

Endnotes 307
Additional bibliography 308

Chapter 11

Marketing Strategy 310

Objectives of the chapter 310

ACTIVE LEARNING CASE
Volkswagen in the United States 311
Introduction

International market assessment
  Initial screening: basic need and potential
  Second screening: financial and economic conditions
  Third screening: political and legal forces
  Fourth Screening: sociocultural forces
  Fifth screening: competitive environment
  Final selection

Product strategies
  Little or no modification
  Moderate to high moderation

INTERNATIONAL BUSINESS STRATEGY IN ACTION
  Kola Real Group

Promotion
  Nature of the product
  Advertising

INTERNATIONAL BUSINESS STRATEGY IN ACTION
  IKEA in international markets

Personal selling

Pricing
  Government controls
  Market diversity
  Currency fluctuations
  Price escalation forces

Place
  Different distribution systems
  Choosing the best distribution system

Strategic management and marketing strategy
  Ongoing market assessment
  New product development
  Effective pricing

Key points

Key terms

Review and discussion questions

REAL CASES
  Citigroup in China
  Brazilian soap operas: a world market

Endnotes

Additional bibliography

Chapter 12

Human Resource Management Strategy

Objectives of the chapter

ACTIVE LEARNING CASE
  The Coca-Cola Company thinks local
# Chapter 13

## Political Risk and Negotiation Strategy

### Objectives of the chapter

### ACTIVE LEARNING CASE

Kodak in China: changing the rules of the game

### Introduction

Generic PEST analysis

### Political risk

Deregulation and political risk

The nature of political risk

Sources of political risk

### Country analysis and political risk assessment

Online risk information resources
Contents

Quantifying risk vulnerability 380
Accounting for country risk 383

Negotiation strategies 384

INTERNATIONAL BUSINESS STRATEGY IN ACTION
Political risk for De Beers 387

Transparency and corruption: politically sensitive political risk 388
Behavioral characteristics of the participants in negotiations 390

INTERNATIONAL BUSINESS STRATEGY IN ACTION
Dell goes to Brazil 391

Strategic management and political risk 393
Use of integrative and protective/defensive techniques 394

Key points 396
Key terms 397
Review and discussion questions 398

REAL CASES
Yukos and the Russian oligarchs 398
Problems with ports 400

Endnotes 401
Additional bibliography 402
WWW resources 403

Chapter 14
International Financial Management 404

Objectives of the chapter 404

ACTIVE LEARNING CASE
British Airways 405

Introduction 406

Determining parent–subsidiary relationships 408
Polycentric solution 408
Ethnocentric solution 408
Geocentric solution 408

Managing global cash flows 409
Internal funds flows 409
Funds positioning techniques 410
Transfer pricing 410
Use of tax havens 413
Fronting loans 413
Multilateral netting 413

INTERNATIONAL BUSINESS STRATEGY IN ACTION
Tax havens 414
Managing cash 416

INTERNATIONAL BUSINESS STRATEGY IN ACTION
News Corp 418
Contents

Exchange risk management 419
Transaction risk 419
Translation risk 419
Economic risk 420
An example of exchange risk management 421
Developing forecasting and reporting systems 423
Capital budgeting in the multinational enterprise 424
Use of net present value 425
Institutional features 427
International financing in the MNE 428
Financial structure 428
Control: Identifying objectives, evaluating affiliate performance, and making performance consistent with goals 430
Strategic international finance 430
Establishing overseas operations 431
Reducing financial risk 432
Alliances 432
Cost-cutting 432
Key points 433
Key terms 434
Review and discussion questions 434
REAL CASES 435
Skandia 435
Repsol’s acquisition of YPF 436
Endnotes 437
Additional bibliography 437

Part Four

International Business Strategies in Action

Chapter 15

Corporate Strategy and National Competitiveness 441

Objectives of the chapter 441

ACTIVE LEARNING CASE
Worldwide operations and local strategies of ABB 442

Introduction 443

Porter’s diamond 443
Determinants and external variables 444
Critique and evaluation of the model 444
Other “diamond” models: two case examples 447
Canada and the double diamond 447
Chapter 16

European Union 470

Objectives of the chapter 470

ACTIVE LEARNING CASE 471
France Telecom

The EU environment 472
Emergence of a single European market 472
The competitive status of the EU 477

Conducting a strategic analysis 479
Using competitive analysis 480
Evaluating locations 480

INTERNATIONAL BUSINESS STRATEGY IN ACTION 481
Ford and Volvo

Strategy issues 484
Overall strategic analysis for the European Union 484
Exporting 486
Strategic acquisitions and alliances 487

INTERNATIONAL BUSINESS STRATEGY IN ACTION 488
Kingfisher as a European Retailer
Marketing considerations 489
Manufacturing considerations 490
Management considerations 493
Barriers to EU market access 493

Key points 495
Key terms 496
Review and discussion questions 496
Chapter 17

Japan 501

Objectives of the chapter 501

ACTIVE LEARNING CASE 502
Doing business in Japan

Introduction 504

Political, social, and cultural characteristics 504
A traditionally strong government role in the economy 504
Distinctive cultural characteristics 505

Economic characteristics 507
Japan and China: the new Asian powerhouse? 510

Business characteristics 511
Manufacturing strengths 511
Strong applied R&D 512
Keiretsu 512

INTERNATIONAL BUSINESS STRATEGY IN ACTION 516
Kirin beer goes international
Distribution, retailing, and customer orientation 517

Japanese corporations 517

A changing nation 520
Restructuring capital markets 521
Deregulation, increased M&A, and inward FDI 522

INTERNATIONAL BUSINESS STRATEGY IN ACTION 525
Wal-Mart takes Seiyu

Restructuring corporations 527
The decline of manufacturing and distribution keiretsu 528
The growth of outward FDI and off-shore manufacturing 528
The decline of lifetime employment and changing HR management practices 528
Diversification strategies 529

Conclusions 530

Key points 531
Key terms 531

REAL CASES 532
Nissan-Renault: no pain, no gain 532
Canon Group 535
Chapter 18
North America

Objectives of the chapter

ACTIVE LEARNING CASE
The free trade area of the Americas builds on NAFTA

Introduction

Canada
Canada's economy

INTERNATIONAL BUSINESS STRATEGY IN ACTION
Bombardier
Differences in the business environment
Canada's multinationals
Multilateral agreement on investment (MAI)
Business opportunities in Canada
Franchising

Mexico
Mexico's economy
Mexico and NAFTA
Regional trade agreements
Doing business in Mexico

INTERNATIONAL BUSINESS STRATEGY IN ACTION
Mexico and NAFTA

Key points

Key terms

Review and discussion questions

REAL CASES
Jurimex of Mexico: fruit juices for the United States
GlaxoSmithKline in the United States

Endnotes
Additional bibliography

Chapter 19
Emerging Economies

Objectives of the chapter

ACTIVE LEARNING CASE
Acer Taiwan goes international

Introduction

Triad firms and emerging economy firms: why the mutual interest?

An overview of emerging economies, by region
Asia-Pacific and the Middle-East

Endnotes
Additional bibliography
Central and Eastern Europe 575
Latin America and the Caribbean 579
Africa 580

INTERNATIONAL BUSINESS STRATEGY IN ACTION 581
From Oserian to Tesco: The Kenya cut flower industry

Shifting patterns of comparative and competitive advantage 583
Flying Geese model 584

Market access to the triad 586

China 587
MNE investment into China 589
Getting into China 591
Outward investment and the new multinationals from China 592

INTERNATIONAL BUSINESS STRATEGY IN ACTION 593
Oxford Instruments in China

Key points 598
Key terms 599
Review and discussion questions 599

REAL CASES 599
Korean chaebols: different paths for Hyundai and Samsung
The Indian IT, software, and services industry 601

Endnotes 603
Additional bibliography 604

Chapter 20 606

Ethics and the Natural Environment 606

Objectives of the chapter 606

ACTIVE LEARNING CASE 607
The environment, NGOs, and MNEs
9.3 An international division structure 258
9.4 A global product structure 258
9.5 A global area structure 260
9.6 A global functional structure 261
9.7 Geographic matrix structure 261
9.8 A multinational matrix structure 262
9.9 A mixed structure 264
9.10 Transnational network structure 265
9.11 Organizational epigrams 271
10.1 Global R&D: markets and hierarchies 282
10.2 Cost reduction approaches: the United States versus Japan 290
10.3 Product- and service-dominated businesses 294
10.4 Global production systems: where is the value added? 299
11.1 Selected examples of product modification in the international arena 316
11.2 Product life cycles: two different approaches 320
12.1 The management of multinational enterprises 342
12.2 Cost of expatriate managers 352
12.3 Labor unions worldwide, 1995 (% of labor force that is unionized) 353
13.1 Kodak's structure in China 372
13.2 PEST framework for country analysis 374
13.3 Types and levels of political risk 377
13.4 FDI drivers: the strategic objectives of MNEs, host country attractiveness, and host government requirements 385
13.5 Zones of acceptance in the negotiating process (in millions of US $) 392
13.6 Select examples of the use of protective/defensive techniques 395
14.1 Financial management in the MNE 407
14.2 Common examples of internal sources and flows of funds 410
14.3 Multilateral dollar flows between subsidiaries 415
14.4 Centralized netting process in action 416
15.1 Porter's single diamond framework 443
15.2 The four stages of national development and the current position of select nations 445
15.3 The single diamond view 448
15.4 Canadian-US double diamond 448
15.5 The shape of North America 453
15.6 US-Mexican double diamond 453
LIST OF FIGURES, TABLES, AND MAPS

15.7 Integration and national responsiveness 457
16.1 Productivity: percentage increase in output per hour, 1992–2000 478
16.2 Business strategies for the EU 484
16.3 Pan-European manufacturing systems 492
16.4 Competition and shelter-based strategies 494
17.1 Japan: Major exports (%) 509
17.2 Japan: Major imports (%) 509
17.3 Destination of Japanese overseas business investment, 2002–2004 511
17.4 Company spending on R&D: Japan compared 513
17.5 International patenting output: Japan compared 513
17.6 The Fuyo-keiretsu group before restructuring 514
17.7 Bank group consolidation in Japan 522
17.8 Declining cross-shareholding in Japan 522
17.9 Increasing foreign ownership in Japan 523
17.10 Number of Japan-related M&A transactions 524
17.11 Renault-Nissan alliance basics 534

Tables

1.1 World trade, 2002 7
1.2 Intra-regional trade in the triad, 1980–2002 8
1.3a Foreign direct investment in the United States, 2002 8
1.3b Foreign direct investment by the United States, 2002 9
1.4 Comparative differences in the study of international business, 1950–2010 23
1A The top 25 importers in the world, 2002 31
1B The top 25 exporters in the world, 2002 32
1C Direction of world trade flows, 1993–2002 33
1D World trade flows by major countries and regions, 2002 33
1E Inward stocks of world foreign direct investment 34
1F Outward stocks of world foreign direct investment 35
2.1 The world’s largest 500 multinational enterprises, 2003 39
2.2 The international expansion of four MNEs 46
2.3 The top 100 economies and MNEs, 2003 56
2A The 25 largest US MNEs, 2003 63
2B The 25 largest European MNEs, 2003 64
2C The 25 largest Japanese MNEs, 2003 65
2D The 25 largest Canadian MNEs, 2003 65

xvi
16.3 The world’s most competitive nations, 1989 and 2005 479
16.4 Comparison of investment incentives in selected EU countries based on an actual project evaluation 482
16.5 Comparison of location factors: one example 483
16.6 Direction of EU trade, 1994–2003 486
16.7 EU antidumping cases by sector, 1998–2002 494
17.1 Economic and trade data for Japan 507
17.2 Japan’s FDI imbalance 507
17.3 Japan’s FDI inflows and outflows by source and destination 508
17.4 The top 40 Japanese firms 519
17.5 Out-in M&As in major developed countries and value of inward FDI 524
17.6 Main “out-in” M&A in Japan in 2002 526
17.7 The global distribution of Renault and Nissan Sales, 2002 533
18.1 Direction of US trade 540
18.2 Direction of Canada's trade 540
18.3 Direction of Mexico's trade 540
18.4 The largest Canadian-owned companies, by revenues 550
18.5 The largest foreign-owned companies in Canada, by size 551
18.6 The largest Canadian-based firms, by degree of multinationality 552
19.1 FDI inflows, by host region and economy, 1980–2003 573
19.2 FDI from developing countries, 1980–2003 574
19.3 The top 50 non-financial TNCs from developing economies 576
19.4 China: key economic indicators 588
19.5 China: key trade indicators 589
19.6 Selected inbound foreign acquisitions in China, 2004 590
19.7 China’s top 10 import-export traders 594
19.8 Chinese firms in the Forbes 2000 list, 2005 597
20.1 The world’s major trade agreements 616

17.1 Japan 2003 508
18.1 North America, Canada, Mexico, and United States 543
19.1 South and East Asia (including China) 588