

<i>List of figures</i>	x
<i>List of tables</i>	xii
<i>List of case studies</i>	xiii
<i>List of maps</i>	xiv
<i>Preface to the second edition</i>	xv
<i>Acknowledgements</i>	xvi
<i>List of acronyms</i>	xvii
<i>Maps</i>	xviii
Introduction	xxiii
Themes and plan of the book	xxiv
Part 1: The business in its environment	xxv
Part 2: Dimensions of the international environment	xxv
Part 3: Global forces	xxv
Part 4: Issues and challenges	xxvi
Features	xxvi
Part 1 The Business in its Environment	1
1 The internal business environment	3
Introduction	4
What is business?	5
MINIFILE Amazon.com	7
Classification of businesses	7
Forms of business ownership	7
Classification of businesses by size	11
MINIFILE Picxel technologies	12
Business organization	13
Functional approach	13
Divisional structure	14
Matrix structure	16

Organizations and change: business strategy	18
Hierarchies and networks	21
Corporate governance	23
Governance structures	23
Governance issues in the contemporary environment	28
Tools for formulating business strategy	30
PEST analysis	30
SWOT analysis	31
Conclusions	33
Review questions	34
Assignments	34
Further reading	35

2 Functional dimensions which shape the organization and its strategy	36
Introduction	37
Operations	38
Operations strategy and performance	41
Operations in the international environment	43
Marketing	43
The marketing concept	44
Elements of marketing	45
Marketing in the international environment	48
Human resource management	51
Elements of HRM	52
HRM in the international environment	54
Accounting and finance	56
Elements of management accounting and financial reporting	56
Accounting and finance in the international environment	58
Innovation	59
New product development	60
Innovation strategy	61

	Conclusions	63
	Review questions	63
	Assignments	64
	Further reading	64
3	The national economic environment	65
	Introduction	66
	The macroeconomic environment: flows of economic resources	66
	Gross national income and gross domestic product	67
	Industrial structure	70
	Inflation and unemployment	71
	Inflation	71
	Unemployment	74
	Balance of payments	75
	Economic growth	76
	The business cycle	79
	The role of governance in the economy	81
	Institutional framework of economic policy	81
	Fiscal policy	82
	Monetary policy	85
	European Monetary Union (EMU)	86
	Maastricht convergence criteria	87
	Conclusions	91
	Review questions	92
	Assignments	92
	Further reading	92
4	Major economic systems	93
	Introduction	94
	Overview of world economic systems	94
	Capitalism: elements of the market economy	95
	The United States economy	95
	Freedom of enterprise	95
	Competitive markets: supply and demand	97
	The British economy	101
	Private property	101
	Market structures	102
	Porter's five-forces model	103
	Monopoly and oligopoly	105
	Competition policy	106
	Social market capitalism	109
	The French economy	109
	The German economy	111
	Asian capitalism	112
	Japan	112
	The Japanese economy	113

The late industrializing economies of Asia	113
MINIFILE The two Koreas	114
An Asian model of capitalism?	116
The planned economy	117
The Soviet Union	117
From state plan to market: the example of China	117
MINIFILE The Chinese economy	118
Transition economies in Central and Eastern Europe	119
The transition process	121
Impact of EU enlargement on European economies	123
Divergence and regionalization	126
Conclusions	127
Review questions	128
Assignments	128
Further reading	129
End of Part 1 case study	130

Part 2 Dimensions of the International Environment 135

5 The global economy and globalization processes	137
Introduction	138
Globalization	138
Internationalization vs. globalization: the role of FDI	140
Transnational or multinational corporations	141
The growth of TNCs as drivers of the global economy	144
International business in the context of postwar shifts in international power	145
Trends in globalization processes	148
Globalization of the firm	152
Industrial production: the legacy of Fordism	154
Post-Fordist organizations	156
MINIFILE Kaizen	157
Organizational changes and TNCs	158
Global and local markets	159
Transnationality of the firm	161
The globalization debate	163
Conclusions	164
Review questions	165
Assignments	165
Further reading	165

6	The cultural environment: diversity and globalization	167
	Introduction	168
	What is culture and how is it relevant to business?	168
	National cultures	172
	Languages	174
	Linguistic diversity	175
	English: the global language?	178
	Religions	179
	Christianity	181
	Muslims: The megachurch as big business	182
	Islam	182
	Asian religions	186
	Western values and Asian values: the debate	187
	Multicultural societies	189
	Cultural theories	191
	Organizational culture	195
	Culture change	198
	Cultural globalization: myth or reality?	199
	Role of the media in cultural globalization	199
	Multilingual websites	200
	Global culture and national culture	201
	Conclusions	201
	Review questions	202
	Assignments	203
	Further reading	203
7	Society and business	204
	Introduction	204
	Types of society: the development of modern industrial societies	204
	Stratification in societies	206
	Rigid social stratification	208
	Social class	210
	Changes in capitalist society	213
	Changing populations	217
	Ageing societies and implications for business	217
	International migration	218
	Recent patterns of migration	219
	Urbanism	221
	Urbanization in Western economies	222
	Urbanization in the developing world	224
	Labour relations	225
	Gender and work	227
	Families	230
	Conclusions	232
	Review questions	233

Assignments	233
Further reading	233

8 The changing political environment: national, regional and international forces	234
Introduction	235
The political sphere and civil society: how political factors affect business	235
Nation-states and political framework	237
Territoriality and the state	238
Sovereignty	240
Political risk and national security	242
EUROPEAN UNION	243
Sources of authority in the state	246
Democracy and authoritarianism contrasted	247
Democratic government: the criteria	248
Unitary and federal states	250
Legislative assemblies	252
Elections	253
Africa: The reformation of democratic systems	255
Political parties	256
Systems of government: presidential, parliamentary and 'hybrid' systems	260
Transitional democracies	262
Regional divergence in democratic transition	263
Transitional democracies and international business	266
Global politics	267
The United Nations	268
The Organisation for Economic Co-operation and Development	270
The European Union	274
Conclusions	275
Review questions	275
Assignments	275
Further reading	275

9 The international legal environment of business: moving towards harmonization	276
Introduction	276
How legal systems affect business	276
National legal systems	277
Civil law tradition	277
Common law tradition	281
Non-Western legal systems	282
Legal framework of the European Union	286
International business transactions	289
International codification	289

Cultural factors in international contracts	290
Resolution of disputes in international business	291
Contractual disputes	291
Negligence and product liability	293
MINIFILE Global companies under fire	295
Crime, corruption and law	298
The growing impact of international law on business	299
Treaties and conventions	300
Settlement of disputes in international law	300
Human rights	301
MINIFILE Implications for business of the Human Rights Act 1998	304
Conclusions	305
Review questions	306
Assignments	306
Further reading	306
End of Part 2 case study	307
Part 3 Global Forces	311
10 World trade and the international competitive environment	313
Introduction	314
International trade theories	316
The theory of comparative advantage	316
Newer trade theories	318
Porter's theory of competitive advantage	318
MINIFILE Global competitiveness rankings	322
Product life cycle theory	323
Trade policy and national priorities	324
Promoting industrialization	325
Protecting employment	325
Protecting consumers	326
Promoting national interests	326
Tools of governmental trade policy	327
International regulation of trade	330
GATT principles	331
WTO and the regulation of world trade	332
Trade liberalization: the Doha Round	334
Labour standards and environmental protection	335
International competition policy	336
Regionalism	337
The European Union	340
NAFTA	341
Regionalism in Asia	343
Developing countries and world trade	344

Globalization and the world trading system	346
Conclusions	347
Review questions	347
Assignments	348
Further reading	348
11 Technology and innovation	349
Introduction	350
Concepts and processes	351
Technological innovation theories	353
Schumpeter's industrial waves theory	353
Product life cycle theory reconsidered	355
National innovation systems	357
Education and training	358
Science and technology capabilities	359
Industrial structure	360
Science and technology strengths and weaknesses	361
Interactions within the innovation system	361
Some conclusions on national innovation systems	362
Patents and innovation	364
MINIFILE Where would we be without...?	365
What is a patentable invention?	365
Patent rights	366
The Trade-related Aspects of Intellectual Property agreement	369
Technology transfer	370
Channels for international technology transfer	370
Technology diffusion and innovation	372
Information and communications technology (ICT)	373
The technology revolution	373
The internet and e-commerce	375
Biotechnology	380
Globalization and technological innovation	383
Conclusions	383
Review questions	384
Assignments	385
Further reading	385
12 International financial markets	386
Introduction	387
International capital markets	387
Stock exchanges	388
MINIFILE The UK Financial Services Authority	391
Bond markets	391
Development of the international monetary system	392
The gold standard	393

The Bretton Woods agreement	393
Foreign exchange in the contemporary environment	395
Exchange rate systems	395
Money markets	396
The International Monetary Fund (IMF) and the World Bank	397
The Asian financial crisis	401
Genesis of the crisis	401
Aftermath of the crisis	402
Global markets for corporate control	406
Mergers and acquisitions	406
Trends in cross-border mergers	407
Regulation and TNCs	411
The global financial environment and developing countries	412
Conclusions	414
Review questions	414
Assignments	415
Further reading	415
End of Part 3 case study	416
Part 4 Issues and Challenges	421
13 Environmental challenges: global and local perspectives	423
Introduction	424
Environmental degradation	425
Climate change	427
Transboundary pollution and implications for energy policies	431
International legal frameworks	433
CASE 13 The Rio Declaration on Environment and Development, 1992	434
Challenges of environmental protection for business	435
Sustainable development in the business context	435
Environmental management	437
EU initiatives on the environment	439
CASE 14 Protecting the environment: the UK Budget 2000	441
Green consumerism	442
Environmental protection and changing values	443
Conclusions	444
Review questions	446
Assignments	446
Further reading	446

14 Global challenges and the responsible business	447
Introduction	448
Global and national environments: an overview	448
Change in the business environment	449
Left behind? The least developed nations	451
Poverty: its many dimensions	452
Development prospects for Africa	457
Social responsibility of the firm	460
Theories of corporate social responsibility	463
Raising corporate standards	466
Reaching for international standards	467
Challenges of the new information age	468
Globalization and national diversity: the way ahead	470
Conclusions	471
Review questions	472
Assignments	472
Further reading	473
End of Part 4 case study	474
<i>Glossary</i>	479
<i>References</i>	494
<i>Index</i>	506

1.1	The business organization in its environment	4
1.2	Contrasting perceptions of self-employment	8
1.3	Percentage of enterprises, employment and turnover in micro, small, medium and large firms in the UK, at the start of 2002	12
1.4	Organization based on functional departments	14
1.5	The multidivisional structure	15
1.6	The global matrix	16
1.7	Corporate governance structure typical of an American or UK company	24
1.8	Shareholder and stakeholder perspectives on corporate governance	29
1.9	PEST analysis in the international business environment	31
1.10	SWOT analysis	32
1.11	SWOT analysis for a business selling wine online	32
2.1	Business functions in the organizational environment	37
2.2	The transformation process	38
2.3	Brand share of the US passenger car market	46
2.4	Marketing mix	47
2.5	Consumer perceptions of brand portfolios as healthy	50
2.6	Strategic HRM	54
2.7	The digital photography revolution	59
3.1	Circular flows of income in the economy	67
3.2	Changes in GNI in selected economies 1998–2002	68
3.3	Employment by industry in the UK, 2004	71
3.4	UK current account 2001–3	76
3.5	Trends in world GDP growth	77
3.6	Breakdown of UK government spending	83
3.7	Government budget balance as percentage of GDP	85

4.1	Total entrepreneurial activity by country	96
4.2	Supply and demand: the determination of equilibrium price	98
4.3	Porter's five forces model: forces driving industry competition	103
4.4	Accession 10 states as a percentage of the European Union's population	124
4.5	Accession 10 states as a percentage of European Union GDP	124
4.6	Share of agriculture as a percentage of employment in 10 new EU member and 3 applicant countries	126
5.1	World inflows of foreign direct investment	149
5.2	Comparisons in ownership of FDI outward stock	149
5.3	National regulatory changes, 1992–2002	150
5.4	Internationalizing production by the TNC	153
6.1	Online language populations	179
6.2	World Christianity by denomination	181
7.1	World population in 2003	212
7.2	World population estimates for 2050	213
7.3a	Proportion of total population aged 0–14 and 60 and over, for more developed regions	213
7.3b	Proportion of total population aged 0–14 and 60 and over, for less developed regions	214
7.4	Ageing populations	215
7.5	Migration 2000–2050: major sending and receiving countries of migrants	218
7.6	Flows of remittances to home countries	219
7.7	Remittances as percentage of GDP	219
7.8	Projected growth in urban populations, 2003–2030	222
7.9	Trade union density in the UK	226
7.10	Women in the workforce	227

7.11	Women's average hourly pay as a percentage of men's, for UK full-time employees	228
8.1	United Nations member states	238
8.2	US military spending compared to the rest of the world	243
8.3a	The German general election 2002: percentage of the vote	254
8.3b	The German general election 2002: composition of the Bundestag	255
8.4	Shifting priorities of voters	259
8.5	Parties' share of votes in UK general election, 2005	261
8.6	Parties' share of seats in House of Commons after UK general election, 2005	261
8.7	Freedom survey among the world's independent states	263
8.8	Voter turnout in European Parliament elections	272
9.1	The three interlocking spheres of the international legal environment	276
9.2	County Court claims in England and Wales	280
9.3	Businesses' lack of confidence in courts	281
9.4	Cost of the tort system as percentage of GDP	294
9.5	Firms reporting bribes: regional variations	298
9.6	Breakdown of counterfeit goods seized in the EU, 2003	299
10.1	Shares of merchandise exports of the major exporting regions	314
10.2a	World merchandise trade: leading exporters	315
10.2b	World merchandise trade: leading importers	315
10.3	Porter's diamond: the determinants of national advantage	319
10.4	International product life cycle	324
10.5	Agricultural subsidies in selected economies	329
10.6	Export flows within and between major regions (merchandise flows)	337
10.7	Increase in numbers of regional trade agreements notified to GATT/WTO, 1950–2002	338
10.8	Shares of world merchandise exports by region	345
11.1	The innovation process for intellectual property	351
11.2	Student performance in science in selected OECD countries	358
11.3	University graduates with science and engineering degrees	359
11.4	Expenditure on R&D in selected OECD countries	360
11.5	R&D expenditure as a percentage of GDP	360

11.6a	PCT applications from the three top-ranking countries	369
11.6b	PCT applications from other key countries	369
11.7	Growth in EU internet use by individuals and enterprises	375
11.8	Internet usage by individuals, compared according to educational level	375
11.9	Breakdown of global internet use by region	376
11.10	Online retail sales in Europe, 2004	377
12.1	European IPOs, 1997 to June 2004	388
12.2	The FTSE all-world index	389
12.3	Number of shares listed on major stock exchanges	390
12.4	Corporate bond issues in the US, 2000 to June 2004	392
12.5	Dollar fluctuation against Western European and Asian currencies	395
12.6	Exchange rates of Asian currencies against the US dollar	402
12.7	Foreign bank lending and FDI flows for Indonesia and five Asian economies	403
12.8	Cross-border mergers and acquisitions by economy of purchaser	408
13.1	Greenhouse gas emissions per capita	427
13.2	Percentage share of world greenhouse gas emissions	427
13.3	Gap between emissions in 2000 and Kyoto targets	429
13.4	World coal consumption by region	432
13.5	Share of nuclear power in electricity generation	433
13.6	UK greenhouse gas emissions in 1990 and projections for 2010	440
14.1	GDP per capita in the poorest and richest countries	452
14.2	People living on less than US\$1 per day	453
14.3	OECD agricultural subsidies in perspective	458
14.4	US and EU agricultural subsidies contrasted with development aid	458
14.5	Carroll's pyramid of corporate social responsibility	464
14.6	Prevalence of internet use in different regions	469

3.1	Size of the economy in selected countries	69
3.2	International comparisons of unemployment, 2004	74
3.3	Corporation tax rates in selected countries	84
4.1	Productivity gains in formerly nationalized industries	108
4.2	Economic profiles of the European Union's 10 new member states acceding in 2004	125
4.3	Economic indicators for selected transition economies in the wider Europe	126
5.1	Globalization: two schools of thought	139
5.2	The world's top ten non-financial TNCs by foreign assets, 2002	145
5.3	The world's top TNCs by degree of transnationality, 2002	162
6.1	The world's top ten languages	175
6.2	Web content by language	179
6.3	Growth of major world religions	180
6.4	Ranks of selected countries on four dimensions of national culture, based on research by Hofstede	193
6.5	Growth in television ownership	199
7.1	UK socioeconomic classification scheme	209
7.2	Population in major areas of the world, 1950, 2000 and 2003	212
7.3	Distribution of the world's population in urban and rural areas	222
7.4	The world's ten largest cities	224
8.1	Military commitment in selected states	242
8.2	Women in national legislatures in selected EU countries	253
8.3	Summary of systems of government	262

8.4	The Council and Parliament of the European Union	271
9.1	Summary of major areas of law affecting business and relevant authorities	277
9.2	Outline of civil law and criminal law	278
9.3	Legal protection of foreign investors in China	279
9.4	Selected civil law and common law countries	282
9.5	Summary of civil law and common law traditions	285
10.1	Regional trade groupings	339
11.1	Declining costs of transport and communications	350
11.2	Summary of long waves of technical change	354
11.3	Patent applications to the European Patent Office	368
11.4	PCs and internet users across the world	374
12.1	Global acquisitions, 1999–2000	408
14.1	Global and national environments	449
14.2	Rich countries' policies towards the least-developed countries	459
14.3	Economic activity of children in different regions, 2000	466

1.1	Has restructuring paid off at Procter & Gamble?	17
1.2	Honda and the US motorcycle market	19
1.3	Disney Corporation: it all started with a mouse	26
2.1	Ryanair and the revolution in low-cost air travel	39
2.2	Nike becomes a fan of football	48
2.3	The Apple iPod sets the standard	60
3.1	The ups and downs of manufacturing in Wales	73
3.2	Is Germany back on track for economic growth?	78
3.3	Sweden says 'no' to the euro	87
4.1	Changing global demand for mobile phones	99
4.2	Microsoft takes on the antitrust authorities	106
4.3	National champions in France	110
4.4	IKEA branches out in Russia	119
	End of Part 1: A bright future for Coca-Cola?	130
5.1	FDI bonanza in China	142
5.2	Formula for FDI success in the Czech Republic	146
5.3	Finding the right strategy for setting up shop in Japan	160
6.1	Image change at McDonald's	170
6.2	Winning over Hispanic consumers in the US	176
6.3	Islam under strain in Saudi Arabia	184
6.4	Can DaimlerChrysler turn an amalgam of corporate cultures to its advantage?	196
7.1	New era of the flexible friend in Asia	206
7.2	The growing power of the older consumer	216
7.3	Call centre jobs migrate to India	229
8.1	Testing times for democracy in Nigeria	239
8.2	Challenging times for Spain's politicians	250
8.3	The voices of Indian democracy	257

8.4	Costa Rican democracy reaps FDI rewards	264
9.1	Legal reforms win business in Turkey	283
9.2	Legal battle between Tesco and Levi Strauss	287
9.3	Asbestos: liability goes global	296
9.4	Firestone recalls 6.5 million tyres	297
	End of Part 2: Fiat: Italian champion struggles to compete globally	307
10.1	The impact of oil in world trade	316
10.2	Two cheers for Australia's wine exporters	320
10.3	Trade war averted over steel tariffs	332
10.4	Brazil's trading relations: signalling shifts in global trade	342
11.1	Sony aims to keep a step ahead	356
11.2	New start for South Korea's GM Daewoo	362
11.3	Feeling lucky with Google	378
11.4	Food for thought in the debate on genetically modified organisms	381
12.1	Argentina tests international financial institutions	398
12.2	The lessons of financial crisis in Indonesia	403
12.3	Vodafone's takeover of Mannesmann: a turning point for European takeovers?	409
	End of Part 3: GE seeks growth in a globalized environment	416
13.1	Global water resources become precarious	430
13.2	Ecover cleans up with green consumers	439
14.1	The worldwide garment industry: winners and losers	455
14.2	Vibrant coffee culture contrasts with woes for producers	461
	End of Part 4: GlaxoSmithKline and what the world expects from a big pharmaceutical company	474