## Contents

Maps 19  
Preface 21  
Acknowledgments 24  
About the Authors 25  

**PART 1 The World's Marketplaces 26**  

**Chapter 1 An Overview of International Business 26**  

The Business of the Olympics 27  

What is International Business? 28  
- BRINGING THE WORLD INTO FOCUS: Borders Do Matter 29  

Why Study International Business? 29  

International Business Activities 31  
- BRINGING THE WORLD INTO FOCUS: The Early Era of International Business 31  

Exporting and Importing 32  
International Investments 32  
Other Forms of International Business Activity 33  

The Contemporary Causes of Globalization 34  

Strategic Imperatives 36  

The Environmental Causes of Globalization 37  

- VENTURING ABROAD: Manchester City in Dubai 37  

Globalization and Emerging Markets 38  

An Overview of the Contents of This Book 40  

Chapter Review 42  
- Summary 42  
- Questions for Discussion 42  
- Building Global Skills 43  
- CLOSING CASE: Demography Is Destiny 43  

Endnotes 46  

**Chapter 2 Global Marketplaces and Business Centers 48**  

The Northwest Passage 49  

The Marketplaces of North America 50  

The United States 50  
Canada 52  

- EMERGING OPPORTUNITIES: Classifying Countries by Income Levels 53  

Mexico 54  
Central America and the Caribbean 54  

- BRINGING THE WORLD INTO FOCUS: The Canals of Commerce 54  

The Marketplaces of Western Europe 55  

- BRINGING THE WORLD INTO FOCUS: The EU's Growth Engine 57  

The Marketplaces of Eastern Europe and Central Asia 58  

The Marketplaces of Asia 61  

Japan 61  
Australia and New Zealand 61  
The Four Tigers 63  
China 65  
India 67  
Southeast Asian Countries 67
Chapter 5  Ethics and Social Responsibility in International Business  142

Foxconn: Managing 1.5 Million Employees  143

The Nature of Ethics and Social Responsibility in International Business  144

Ethics in Cross-Cultural and International Contexts  146

How an Organization Treats Its Employees  146
How Employees Treat the Organization  148
How Employees and the Organization Treat Other Economic Agents  148

Managing Ethical Behavior Across Borders  149

Guidelines and Codes of Ethics  149

VENTURING ABROAD: Siemens Pays—and Pays and Pays  150

Ethics Training  150
Organizational Practices and the Corporate Culture  151

Corporate Social Responsibility in Cross-Cultural and International Contexts  151

The Economic Mission  152
Sustainability and the Natural Environment  152

PEOPLE, PLANET, AND PROFITS: Lions and Tigers and Bears, oh My!  153
General Social Welfare  154

Managing Social Responsibility Across Borders  156

Approaches to Social Responsibility  156
Managing Compliance  157

PEOPLE, PLANET, AND PROFITS: e-Waste  158
Informal Dimensions of Social Responsibility  159
Evaluating Social Responsibility  160

Difficulties of Managing CSR Across Borders  161

The Anglo-Saxon Approach  161
The Asian Approach  161
The Continental European Approach  161

Regulating International Ethics and Social Responsibility  162

EMERGING OPPORTUNITIES: Conflict Diamonds  163

Chapter Review  164  •  Summary  164  •  Questions for Discussion  165
Building Global Skills  165

CLOSING CASE: BP: Safety First or Profits First?  166

Endnotes  167

PART 1: CLOSING CASES: KFC in China  169
A Pipeline of Good Intentions  171
The Oil Curse  173

PART 2  The International Environment  176

Chapter 6  International Trade and Investment  176

Trade Is Blossoming  177
International Trade and the World Economy  178
Regional Economic Integration 297
Forms of Economic Integration 297
The Impact of Economic Integration on Firms 298

The European Union 299
Governing the EU 301
The Struggle to Create a Common Market 305
VENTURING ABROAD: Lobbying the European Union 306
From Common Market to European Union 306
VENTURING ABROAD: The Tobin Tax 310

Other Regional Trading Blocs 310
The North American Free Trade Agreement 310
Other Free Trade Agreements in the Americas 311
Trade Arrangements in the Asia-Pacific Region 313
African Initiatives 315

Other Regional Trading Blocs 310
The North American Free Trade Agreement 310
Other Free Trade Agreements in the Americas 311
Trade Arrangements in the Asia-Pacific Region 313
African Initiatives 315
Chapter Review 316 • Summary 316 • Questions for Discussion 317
Building Global Skills 317
CLOSING CASE: The European Union’s Challenges 318

Endnotes 320
PART 2: CLOSING CASES: Twenty-First Century Pirates 321
Jumbo Battle over Jumbo Jets 322
Will Whirlpool Clean Up in Europe? 323

PART 3 Managing International Business 326

Chapter 11 International Strategic Management 326
Global Mickey 327
The Challenges of International Strategic Management 328
EMERGING OPPORTUNITIES: How Does a Japanese Firm Compete in China? ... Act More American 331
Strategic Alternatives 332
VENTURING ABROAD: Master of the Furniture Universe 334
Components of an International Strategy 336
Distinctive Competence 336
Scope of Operations 337
Resource Deployment 337
Synergy 337
Developing International Strategies 338
Mission Statement 338
Environmental Scanning and the SWOT Analysis 338
Strategic Goals 341
Tactics 341
E-WORLD: Nokia: No Longer King of the Hill 342
Control Framework 342
Levels of International Strategy 343
Corporate Strategy 343
Business Strategy 345
Functional Strategies 347
Chapter Review 348 • Summary 348 • Questions for Discussion 348
Building Global Skills 349
CLOSING CASE: The New Conquistador 349
Endnotes 352

Chapter 12 Strategies for Analyzing and Entering Foreign Markets 354
The Business of Luxury 355
Foreign Market Analysis 356
Assessing Alternative Foreign Markets 356
EMERGING OPPORTUNITIES: The Bottom of the Pyramid 358
Evaluating Costs, Benefits, and Risks 359

Choosing a Mode of Entry 360

Exporting to Foreign Markets 364
Forms of Exporting 365
Additional Considerations 367

VENTURING ABROAD: Dnata – Global Growth Strategy 368
Export Intermediaries 369

International Licensing 370
Basic Issues In International Licensing 373
Advantages and Disadvantages of International Licensing 374

International Franchising 375
Basic Issues in International Franchising 375
Advantages and Disadvantages of International Franchising 375

Specialized Entry Modes for International Business 376
Contract Manufacturing 376
Management Contract 376
Turnkey Project 376

EMERGING OPPORTUNITIES: Business Process Outsourcing 377

Foreign Direct Investment 378
The Greenfield Strategy 378
The Acquisition Strategy 379
Joint Ventures 380

Chapter Review 380 • Summary 380 • Questions for Discussion 381

Building Global Skills 381

CLOSING CASE: The House of Tata 382

Endnotes 384

Chapter 13 International Strategic Alliances 386
The European Cereal Wars 387

International Corporate Cooperation 388

Benefits of Strategic Alliances 389
Ease of Market Entry 389
Shared Risk 390
Shared Knowledge and Expertise 390
Synergy and Competitive Advantage 391

Scope of Strategic Alliances 391
Comprehensive Alliances 391
Functional Alliances 392

VENTURING ABROAD: Alliances in the Sky 393

Implementation of Strategic Alliances 395
Selection of Partners 395
Form of Ownership 396

VENTURING ABROAD: Learning by Doing 396

PEOPLE, PLANET, AND PROFITS: Alliances for Good 398
Joint Management Considerations 399

Pitfalls of Strategic Alliances 400
Incompatibility of Partners 400

EMERGING OPPORTUNITIES: Xi’s in Charge 401
Access to Information 402
Conflicts over Distributing Earnings 402
Loss of Autonomy 402
Changing Circumstances 403
Chapter 14  International Organization Design and Control 408

Lenovo Spreads Its Global Wings 409

The Nature of International Organizational Design 410

Global Organization Designs 411
- Global Product Design 412
- Global Area Design 413
- Global Functional Design 414
- Global Customer Design 416
- Global Matrix Design 416

- VENTURING ABROAD: Alshaya’s Matrix Design 418

Hybrid Global Designs 418

Related Issues in Global Organization Design 420
- Centralization versus Decentralization 420
- Role of Subsidiary Boards of Directors 420
- Coordination in the Global Organization 421

The Control Function in International Business 422
- Strategic Control 422
- Organizational Control 425
- Operations Control 427

- PEOPLE, PLANET, AND PROFITS: Toward Zero Waste? 427

Managing the Control Function in International Business 428
- Establishing International Control Systems 428
- BRINGING THE WORLD INTO FOCUS: Ford Aims High 429
- Essential Control Techniques 432
- Behavioral Aspects of International Control 433

Chapter Review 434  •  Summary 434  •  Questions for Discussion 435
- Building Global Skills 435
- CLOSING CASE: Mining a New Organization Design 436

Endnotes 438

Chapter 15  Leadership and Employee Behavior in International Business 440

Leadership Issues at Toyota 441

Individual Behavior in International Business 442
- Personality Differences Across Cultures 442
- Attitudes Across Cultures 445
- Perception Across Cultures 446
- Stress Across Cultures 447

- BRINGING THE WORLD INTO FOCUS: Stressing Out in the Call Centers 447

Motivation in International Business 448
- Needs and Values Across Cultures 448
- Motivational Processes Across Cultures 449
- Need-Based Models Across Cultures 449
- Process-Based Models Across Cultures 450
- The Reinforcement Model Across Cultures 451

Leadership in International Business 451
- Contemporary Leadership Theory 451
- The GLOBE Leadership Project 454

Decision Making in International Business 455
- Models of Decision Making 455