



GLOBAL
EDITION

International Business

The Challenges of Globalization

SEVENTH EDITION

John J. Wild • Kenneth L. Wild

ALWAYS LEARNING

PEARSON



International Business

THE CHALLENGES OF GLOBALIZATION

SEVENTH EDITION
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Dear Friends and Colleagues,

As we roll out the new edition of *International Business: The Challenges of Globalization*, we thank each of you who provided suggestions to enrich this textbook. This seventh edition reflects the advice and wisdom of many dedicated reviewers and instructors. Together, we have created the most readable, concise, and innovative international business book available today.

As teachers, we know how important it is to select the right book for your course. Instructors say that this book's clear and lively writing style helps students to learn international business. And this book's streamlined and clutter-free design is a competitive advantage that will never be sacrificed.

This book's leading-edge technology package also helps students to better understand international business. MyManagementLab is an innovative set of course-management tools for delivering all or part of your course online. MyManagementLab makes it easier for you to add meaningful assessment to your course. Whether you're interested in testing your students on simple recall of concepts and theories or you'd like to gauge how well your students can apply their newly minted knowledge to real-world scenarios, MyManagementLab offers a variety of assessment questions to fit your needs. You and your students will find these and other components of this book's learning system fun and easy to use.

We owe the success of this book to our colleagues and our students who keep us focused on their changing educational needs. In this time of rapid global change, we must continue to instill in our students a passion for international business and to equip them with the skills and knowledge they need to compete. Please accept our heartfelt thanks and know that your input is reflected in everything we write.

John J. Wild
Kenneth L. Wild

Preface

Welcome to the seventh edition of *International Business: The Challenges of Globalization*. As in previous editions, this book resulted from extensive market surveys, chapter reviews, and correspondence with scores of instructors and students. We are delighted that an overwhelming number of instructors and students agree with our fresh approach to international business. The reception of this textbook in the United States and across the world has exceeded all expectations.

This book presents international business in a comprehensive yet concise framework. Real-world examples and engaging features bring the concepts of international business to life and make international business accessible for all students. A main goal in this seventh edition is to continue to deliver the most readable, current, and concise international business textbook available. And this book's paperback format ensures that its price matches a student's budget.

This book is our means of traveling on an exciting tour through the study of international business. It motivates the reader by making international business challenging yet fun. It also embraces the central role of people and their cultures in international business. Each chapter is infused with real-world discussion, while underlying theory appears in the background where it belongs. Terminology is used consistently, and theories are explained in direct and concise terms. This book's visual style is innovative yet subtle and uses photos, illustrations, and features sparingly. The result is an easy-to-read and clutter-free design.

What's New in This Edition

- This seventh edition of *International Business* updates the influence of the global credit crisis and recent recession on international business. For example, Chapter 7 presents data showing that businesses continue to shift their foreign investments away from slow-growth developed nations and toward emerging markets, such as China and India.
- A completely upgraded and redesigned Marketing Entry Strategy Project (MESP) is now integrated into and available only through MyManagementLab. The MESP asks students to work as a team to research a country market and recommend a course of action to MES-Sim Corporation.
- This edition more fully embraces the crucial role that sustainability plays in the global economy and international business. For example, the Global Sustainability feature box in Chapter 1, titled "Three Markets, Three Strategies," discusses how companies tailor their product offerings and strategies to the sustainability needs of particular markets.
- Balance of payments coverage in Chapter 7 has been simplified to improve understanding. The numbers are removed from Table 7.1 showing the balance of each U.S. Balance of Payments account. The table now shows only positive (+) or negative (–) signs depending on whether changes in an account increase or decrease its balance.
- Coverage of foreign exchange in Chapter 9 is further streamlined and made less complicated. Instructors and students appreciated the removal of extended cross rate calculations and of discounts and premiums from the last edition. We again listened to feedback and moved the section on calculating percentage change in exchange rates to an end-of-chapter appendix.
- All chapters contain the latest available data and reference sources as of the date of printing. For example, Table 5.1 in Chapter 5 presents the latest ranking of the world's top merchandise and service exporters, and Table 5.2 provides updated figures on the amount of trade that flows between different world regions.
- This edition keeps pace with current events around the world. Wherever possible, we integrate recent events into chapter-opening company profiles, tables and figures, feature boxes, in-text examples, and end-of-chapter mini cases.

Hallmark Features of International Business

Culture Early and Often

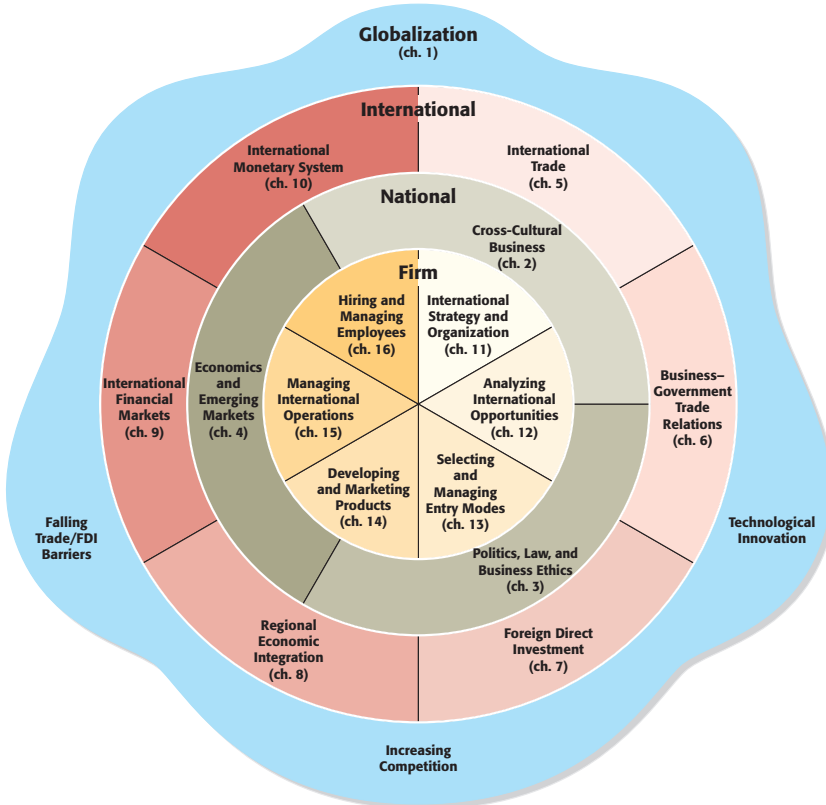
Culture is a fundamental element of all international business activity. This book's presentation of culture sensitizes students to the lives of people in other nations. Culture appears early (Chapter 2) and is integrated throughout the text using culture-rich chapter openers and lively examples of how culture affects international business. Covering culture in this way gets students interested in chapter material because it illustrates how concepts relate to the real world.

Highly Readable

A successful book for the first course in international business must be accessible to students. We describe conceptual material and specialized business activities in concrete, straightforward terms and illustrate them appropriately. For example, we introduce the concepts of absolute and comparative advantage in Chapter 5 by discussing whether a highly paid CEO should install her own hot tub or let a professional installer perform the job. This approach—presenting complex material in an accessible manner—helps students to better master the material.

Uniquely Integrative

International business is not simply a collection of separate business functions and environmental forces. The model shown here (and detailed in Chapter 1) is a unique organizing framework that helps students to understand how the elements of international business are related. It depicts a dynamic, integrated system that weaves together national business environments, the international business environment, and international business management. It also shows that characteristics of



globalization (new technologies and falling barriers to trade and investment) are causing greater competition.

Market Entry Strategy Project

Completely upgraded and redesigned, this interactive simulation is now available through MyManagementLab. The MESP simulation asks students to research a country as a future market for a new video game system, the M-Box. Working as part of a team, students research and analyze a country, and then recommend a course of action to the producer of the M-Box, MES-Sim Corporation. Four activities that build on one another give instructors flexibility in the time and intensity that they wish to devote to it:

- *Market Intelligence Report (MIR)* asks students to gather market data on a nation's people, economy, government, and technological status from online sources over a one- to two-week period.
- *Business Environment Analysis Report (BEAR)* gives students the opportunity to analyze a selected country as a potential market over a four- to six-week period.
- *Report on Opportunities for Market Entry (ROME)* asks students to identify potential import and export prospects for a firm in the chosen national market over a six- to eight-week period.
- *Market Entry Strategy Assignment (MESA)* is a course-long, critical- and creative-thinking exercise that allows students to develop a market-entry strategy for launching a new product in a selected country.



Innovative Pedagogy

This book’s pedagogy stands apart from the competition:

- *NEW Global Sustainability* boxes present special topics related to economic, social, and environmental sustainability. Today, businesses know that flourishing markets rely on strong economies, thriving societies, and healthy environments. Topics include the factors that contribute to sustainable development, ending civil wars that destroy fragile societies, and how companies make their supply chains more environmentally friendly.
- *Chapter-opening company profiles* are brief, easy-to-read introductions to each chapter’s content filtered through the lens of a real-world example. Instructors say these profiles of high-interest firms motivate students to turn the page and get reading the chapters. Companies profiled are on the leading edge of their industries and are inherently interesting to students, including Rovio, Infosys, Nintendo, Ryanair, Marvel, and McDonald’s.
- *Manager’s Briefcase* boxes address issues facing companies active in international business. Issues presented can be relevant to entrepreneurs and small businesses or to the world’s largest global companies. Topics include obtaining capital to finance international activities, getting paid for exports, and how to be mindful of personal security while abroad on business.
- *Culture Matters* boxes present the relation between culture and a key chapter topic. For example, Chapter 2 presents the importance of businesspeople developing a global mindset and avoiding cultural bias. Another chapter presents the debate over globalization’s influence on culture, and still another box shows how entrepreneurs succeed by exploiting their knowledge of local cultures.
- *Bottom Line for Business* sections conclude chapters and explain the impact of the chapter’s topics on managers and their firms’ policies, strategies, and activities abroad.
- *Quick Study* concept checks help students to verify that they have learned the section’s key terms and important concepts before moving on.
- *Full-Color World Atlas*, which appears as an appendix to Chapter 1, is a primer for students to test their knowledge of world geography and acts as a reference tool throughout the course.

CULTURE MATTERS Creating a Global Mindset

In this era of globalization, companies need employees who function without the blinders of ethnocentricity. Here are some ways managers can develop a *global mindset*.

- **Cultural Adaptability.** Managers need the ability to alter their behavior when working with people from other cultures. The first step in doing this is to develop one’s knowledge of unfamiliar cultures. The second step is to act on that knowledge to alter behavior to suit cultural expectations. The manager with a global mindset can evaluate others in a culturally unbiased way and can motivate and lead multicultural teams.
- **Bridging the Gap.** A large gap can emerge between theory and practice when Western management ideas are applied in Eastern cultures. Whereas U.S. management principles are often accepted at face value in businesses throughout the world, U.S. business customs are not. In Asia, for example, Western managers might try implementing “collective leadership” practices more in line with Asian management styles.
- **Building Global Mentality.** Companies can apply personality-testing techniques to measure the global aptitude of managers. A global-mindset test evaluates an individual’s openness and flexibility, understanding of global principles, and strategic implementation abilities. It can also identify areas in which training is needed and generate a list of recommended programs.
- **Flexibility Is Key.** The more behavioral the issues, the greater the influence of local cultures. Japanese and Korean managers are more likely than U.S. managers to wait for directions and consult peers on decisions. Western managers posted in the Middle East must learn to work within a rigid hierarchy in order to be successful. And although showing respect for others is universally valued, respect is defined differently from country to country.
- **Want to Know More?** Visit the Center for Creative Leadership (www.ccl.org), The Globalist (www.theglobalist.com), and Transnational Management Associated (www.tmaworld.com).

- *Learning Objectives* focus on the main lessons students should take away from the material and are summarized in bullet-point format at the end of the chapter.
- *Beacons* provide students with a “road map” of how chapters relate to one another. These beacons appear at the start of each chapter and are appropriately titled, “A Look Back,” “A Look at This Chapter,” and “A Look Ahead.”
- *PowerPoint slides* for instructors contain both written and verbal teaching notes and include question slides to use as in-class comprehension checks. Updated student PowerPoint slides contain written study notes.
- *Videos* are available to accompany this text and cover topics such as globalization, culture’s impact on business, international business ethics, foreign direct investment, emerging markets, and entry modes.

Tools for Active Learning

Feedback on previous editions shows that this book has more—and more useful—end-of-chapter assignment material than any other international business book. Well-planned assignment materials span the full range of complexity in order to test students’ knowledge and ability to apply key principles. Assignment materials are often experiential in nature to help students develop international business skills and make business decisions. Assignment materials include the following:

- *Talk It Over* questions can be used for in-class discussion or as homework assignments. These exercises raise important issues currently confronting entrepreneurs, international managers, policy makers, consumers, and others.
- *Teaming Up* projects go beyond the text and require students to collaborate in teams to conduct interviews, research other countries, or hold in-class debates and role-playing exercises. Projects expose students to different perspectives when they bring together students who have different cultural backgrounds.
- *Take It to the Web* assignments ask students to conduct research using the Internet. *Website Report* exercises send students to specific websites to research a single company or ask students to locate information using the Web.
- *Video Report* exercises ask students to view and report on brief YouTube videos on a channel maintained by the authors (www.youtube.com/myibvideos). Videos are kept up to date with a variety of international business videos gathered from other YouTube users’ videos that may or may not always be available.
- *Ethical Challenges* exercises (in a “You are the ...” format) ask students to assume the role of a manager, government official, or someone else and to make a decision based on the facts presented to them.
- *Practicing International Management* cases ask students to analyze the responses of real-world companies to the issues, problems, and opportunities discussed in each chapter.

Practicing International Management Case

A Tale of Two Cultures

Many cultures in Asia are in the midst of an identity crisis. In effect, they are being torn between two worlds. Pulling in one direction is a traditional value system derived from agriculture-based communities and extended families—that is, elements of a culture in which relatives take care of one another and state-run welfare systems are unnecessary. Pulling from the opposite direction is a new set of values emerging from manufacturing- and finance-based economies—elements of a culture in which workers must often move to faraway cities to find work, sometimes leaving family members to fend for themselves.

For decades, Western multinational corporations set up factories across Southeast Asia to take advantage of relatively low-cost labor. Later, local companies sprang up and became competitive global players in their own right. Spectacular rates of economic growth in a few short decades elevated living standards beyond what was thought possible. Young people in Malaysia and Thailand felt the lure of “Western” brands. Gucci handbags (www.gucci.com), Harley-Davidson motorcycles (www.harley-davidson.com), and other global brands became common symbols of success. Many parents felt that brand-consciousness among their teenage children signaled familywide success.

Despite the growing consumer society, polls of young people show them holding steadfast to traditional values such as respect for family and group harmony. Youth in Hong Kong, for example, overwhelmingly believe that parents should have a say in how hard they study, in how they treat family members and elders, and in their choice of friends.

Now globalization is washing over India. An explosion in outsourcing jobs is causing a social revolution among India’s graduates of technical colleges and universities. Unlike in India’s traditional high-tech service jobs, young call-center staffers are in direct contact with Western consumers, answering inquiries on items such as tummy crunchers and diet pills. For these young, mostly female staffers, the work means money, independence, and freedom—sometimes far away from home in big cities such as Bangalore and Mumbai. But in addition to the training in American accents and geography, these workers are learning new ideas about family, materialism, and relationships.

Parents are suspicious of call-center work because it must typically be performed at night in India, when consumers are awake in Canada, Europe, or the United States. When her parents objected, Binitha Venugopal quit her call-center job in favor of a “regular” daytime job. Binitha says her former coworkers’ values are changing and that dating and live-in relationships among them are common. Indian tradition dictates that young adults live with their parents at least until they get married (typically to someone their parents choose). Perhaps facilitating shifting values in India is an

influx of Western professionals, such as lawyers, who accepted good-paying jobs there that could not be found back home during the global recession.

Roopa Murthy works for an Indian company that offers call-center and back-office services. Roopa moved to Bangalore from her native Mysore in 2002 armed with an accounting degree. She now earns \$400 per month, which is several times what her father earned before he retired from his government job. Roopa cut her hair short and tossed aside her *salwar kameez*, the traditional loose-fitting clothing she wore back home, in favor of designer-labeled Western attire.

Although she once shunned drinking and her curfew at home was 9 p.m., Roopa now frequents a pub called Geoffrey’s, where she enjoys dry martinis and rum, and The Club, a suburban disco. Roopa confesses that she is “seeing someone” but that her parents would disapprove, adding, “It is difficult to talk to Indian parents about things like boyfriends.” She said she sometimes envies her callers’ lives but that she hopes her job will help her succeed. “I may be a small-town girl, but there is no way I’m going back to Mysore after this,” she said. Many observers wonder whether Asia can embrace modernization and yet retain traditional values.

Thinking Globally

1. If your international firm were doing business in Asia, is there anything that your company could do to ease the tensions these cultures are experiencing? Be specific.
2. In your opinion, is globalization among the causes of the increasing incidence of divorce, crime, and drug abuse in Asia? Why or why not?
3. Broadly defined, Asia comprises more than 60 percent of the world’s population—a population that practices Buddhism, Confucianism, Hinduism, Islam, and numerous other religions. Thus, do you think it is possible to carry on a valid discussion of “Asian” values? Why or why not?
4. Consider the following statement: “Economic development and capitalism require a certain style of doing business in the twenty-first century. The sooner Asian cultures adapt the better.” Do you agree or disagree? Explain.

Source: Heather Timmons, “Outsourcing to India Draws Western Lawyers,” *New York Times* (www.nytimes.com), August 4, 2010; Lisa Tsering, “NBC Picks up Series ‘Outsourced’ for Fall 2010,” *Indiawest.com* website (www.indiawest.com), May 27, 2010; Saniha Rai, “India Outsourcing Workers Stressed to The Limit,” *Silicon.com* website (www.silicon.com), now www.techrepublic.com, August 26, 2009; Sol E. Solomon, “Vietnam’s IT Way to Social Progress,” *Bloomberg Businessweek* (www.businessweek.com), May 19, 2008.

Faculty Resources

Instructor’s Resources

At www.pearsonglobaleditions.com/wild, instructors can access a variety of print, digital, and presentation resources available with this text in downloadable format. Registration is simple and gives you immediate access to new titles and new editions.

This textbook's extensive array of supplements includes test-generating software containing thousands of multiple-choice, true/false, fill-in, and essay questions. The book's instructor's resource manual is a complete instruction toolkit containing a wealth of teaching aids.

If you ever need assistance, our dedicated technical support team is ready to help with media supplements that accompany this text. Visit <http://247.pearsoned.com> for answers to frequently asked questions.

The following supplements are available to adopting instructors (for detailed descriptions and to download the supplements, please visit www.pearsonglobaleditions.com/wild):

- **Instructor's Manual**
- **Test Item File**
- **TestGen: Test Generating Software**
- **PowerPoint Slides**
- **Video Library:**

Videos illustrating the most important subject topics are available in two formats:

DVD – available for in classroom use by instructors, includes videos mapped to Pearson textbooks.

MyLab – available for instructors and students, provides round the clock instant access to videos and corresponding assessment and simulations for Pearson textbooks.

Contact your local Pearson representative to request access to either format.

Student Resources

Market Entry Strategy Project

Originally designed by David C. Wyld of Southeastern Louisiana University, this online, interactive project is available only through www.mymanagementlab.com.

CourseSmart

CourseSmart is an exciting new choice for students looking to save money. As an alternative to purchasing the print textbook, students can purchase an electronic version of the same content and save up to 50 percent off the suggested list price of the print text. With a CourseSmart e-textbook, students can search the text, make notes online, print out reading assignments that incorporate lecture notes, and bookmark important passages for later review. For more information, or to purchase access to the CourseSmart e-textbook version of this text, visit www.coursesmart.co.uk.

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John J. Wild and Kenneth L. Wild provide a blend of skills uniquely suited to writing an international business textbook. They combine award-winning teaching and research with a global view of business gained through years of living and working in cultures around the world. Their writing makes the topic of international business practical, accessible, and enjoyable.

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The author of more than 60 publications, in addition to 5 best-selling textbooks, Professor Wild conducts research on a wide range of topics, including corporate governance, capital markets, and financial analysis and forecasting. He is an active member of several national and international organizations, including the Academy of International Business, and has served as associate editor and editorial board member for several prestigious journals.

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Dr. Wild's research covers a range of international business topics, including market entry modes, country risk in emerging markets, international growth strategies, and globalization of the world economy.



International Business

THE CHALLENGES OF GLOBALIZATION

GLOBAL EDITION



Globalization

LEARNING OBJECTIVES

After studying this chapter, you should be able to

1. Identify the types of companies that participate in international business.
2. Describe the process of globalization and how it affects markets and production.
3. Describe the two forces causing globalization to increase.
4. Summarize the evidence for each main argument in the globalization debate.
5. Describe the global business environment and identify its four main elements.

A Look at This Chapter

This chapter defines the scope of international business and introduces us to some of its most important topics. We begin by identifying the key players in international business today. We then present globalization, describing its influence on markets and production and the forces behind its growth. Next, we analyze each main argument in the debate over globalization in detail. This chapter closes with a model that depicts international business as occurring within an integrated global business environment.

A Look Ahead

Part 2, encompassing Chapters 2, 3, and 4, introduces us to different national business environments. Chapter 2 describes important cultural differences among nations. Chapter 3 examines different political and legal systems. And Chapter 4 presents the world's various economic systems and issues surrounding economic development.

EMIRATES' GLOBAL IMPACT

DUBAI, United Arab Emirates—The Emirates Group, founded in 1985 and headquartered in Dubai, is one of the world's leading commercial air transportation service providers. Emirates has built up a strong brand name as a leader in the aviation industry, particularly in terms of its excellent customer service and its very rapid growth. It provides passenger, cargo, and postal carriage services to approximately 100 destinations worldwide. The company is also involved in the wholesale and retail of consumer goods, in-flight and institutional catering, holiday services, and hotel operations in Europe, the Middle East, the Far East, Africa, Asia, Australasia, and North America.

The Group's operations are global in many ways. Emirates is renowned for its excellent customer service, but how does it attract new customers and keep current customers happy when it operates worldwide in many different countries and cultures? The answer is that global customers need global services too. If you visit Emirates' Web site (see www.emirates.com) you will see it has multi-language booking services, customized in-flight entertainment, and provides international food and drink during the flight. Furthermore, Emirates Group employs about 50,000 people, and it's interesting to note that its cabin crew is highly diverse in terms of nationality, religion, and languages. In fact, the group operates a global recruitment process, and its staff, from cabin crew to engineers, comes from all over the world. As you read this chapter, consider how globalization is reshaping our personal lives and altering the activities of international companies.¹



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By knitting the world more tightly together, globalization is altering our private lives and transforming the way companies do business. We are increasingly exposed to the traits and practices of other cultures as technology drives down the cost of global communication and travel. Globalization is forcing industries to grow more competitive as countries reduce barriers to trade and investment. And competition is intensifying as large firms from advanced countries and emerging markets seek out new customers on a global scale.

For example, Apple (www.apple.com) is an undisputed global success story. Its spectacular rise illustrates the opportunities that globalization creates for entrepreneurs and businesses everywhere. In addition, technology products like Apple's iPhone and other smartphones are changing how we interact through social media. Many of these changes are positive and generate all sorts of efficiencies. For example, people anywhere in the world can tune in to what is happening in their Facebook friends' lives in real time.

But are all the changes positive ones? Larry Rosen, a psychologist and professor, says the desire to stay connected and following through on persistent urges to check for messages on smartphones delivers little satisfaction. "The relief is not pleasurable," he says. "That's the sign of an obsession." Rosen says the best and worst thing about a smartphone today "is that we carry it with us all day long."² Yet, this is the world in which we now live and work. The more we embrace technology, the faster paced our lives seem to grow.

International Business Involves Us All

Each of us experiences the results of international business transactions as we go about our daily routines. The General Electric (www.ge.com) alarm clock/radio that woke you this morning was likely made in *China*. The breaking news buzzing in your ears was produced by *Britain's* BBC radio (www.bbc.co.uk). You slip on your Adidas sandals (www.adidas.com) that were made in *Indonesia*, an Abercrombie & Fitch T-shirt (www.abercrombie.com) made in the *Northern Mariana Islands*, and American Eagle jeans (www.ae.com) made in *Mexico*. As you head out the door, you pull the battery charger off your Apple iPhone (www.apple.com), which was designed in the *United States* and assembled in *China* with parts from *Japan*, *South Korea*, *Taiwan*, and several other nations. You hop into your *Korean* Hyundai (www.hmmausa.com) that was made in *Alabama*, grab your iPod, and play a song by the *English* band Coldplay (www.coldplay.com). You drive into the local Starbucks (www.starbucks.com) to charge your own batteries with coffee brewed from beans harvested in *Colombia* and *Ethiopia*. Your day is just one hour old, but in a way, you've already taken a virtual trip around the world. A quick glance at the "Made in" tags on your jacket, backpack, watch, wallet, or other items with you right now will demonstrate the pervasiveness of international business transactions.

International business is any commercial transaction that crosses the borders of two or more nations. You don't have to set foot outside a small town to find evidence of international business. No matter where you live, you'll be surrounded by **imports**—goods and services purchased abroad and brought into a country. Your counterparts around the world will undoubtedly spend some part of their day using your nation's **exports**—goods and services sold abroad and sent out of a country. Every year, all the nations of the world export goods and services worth \$18 trillion. This figure is around 40 times the annual global revenue of Walmart Stores (www.walmart.com).³

Technology Makes It Possible

Technology is a primary driver of societal and commercial change today. Consumers use technology to reach out to the world on the Internet—gathering and sending information and purchasing all kinds of goods and services. Companies use technology to acquire materials and products from distant lands and to sell goods and services abroad.

When businesses or consumers use technology to conduct transactions, they engage in **e-business (e-commerce)**—the use of computer networks to purchase, sell, or exchange products; to service customers; and to collaborate with partners. E-business is making it easier for companies to make their products abroad, not simply to import and export finished goods.

Consider how Hewlett-Packard (HP; www.hp.com) designed and built a computer server for small businesses. Once HP identified the need for a new low-cost computer server, it seized the rewards of globalization. HP dispersed its design and production activities throughout a specialized

international business

Commercial transaction that crosses the borders of two or more nations.

imports

Goods and services purchased abroad and brought into a country.

exports

Goods and services sold abroad and sent out of a country.

e-business (e-commerce)

Use of computer networks to purchase, sell, or exchange products; to service customers; and to collaborate with partners.



We see the result of embracing globalization in this photo of skyscrapers in the Lujiazui Financial and Trade Zone of the Pudong New Area in Shanghai, China. After years of stunning economic growth and expansion, Shanghai has emerged as a key city for companies entering China's marketplace. Pudong was developed to reinvigorate Shanghai as an international trade and financial center. Pudong is now a modern, cosmopolitan district. How has globalization changed the economic landscape of your city and state?

Source: Amanda Hall/Robert Harding/Newscom

manufacturing system across five Pacific Rim nations and India. This helped the company minimize labor costs, taxes, and shipping delays yet maximize productivity when designing, building, and distributing its new product. Companies use such innovative production and distribution techniques to squeeze inefficiencies out of their international operations and boost their competitiveness.

Global Talent Makes It Happen

Firms can tap a global pool of talent in preparing their products for distribution. For example, Fox and NBC Universal created Hulu (www.hulu.com) as a cool venue for fans to watch movies and TV shows online. Hulu engages in a global relay race by employing two technical teams—one in the United States and one in China—to manage its website. Members of the team in Santa Monica, California, work late into the night detailing code specifications that they send to the team in Beijing, China. The Chinese team then writes the code and sends it back to Santa Monica before the U.S. team gets to work in the morning.

Some innovative companies use online competitions to attract innovative ideas worldwide. InnoCentive (www.innocentive.com) connects companies and institutions seeking solutions to difficult problems by using a global network of 250,000 creative thinkers. These engineers, scientists, inventors, and businesspeople with expertise in life sciences, engineering, chemistry, math, computer science, and entrepreneurship compete to solve some of the world's toughest problems in return for significant financial awards. InnoCentive is open to anyone, is available in seven languages, and pays cash awards that range from as little as \$500 to more than \$1 million.⁴

This chapter begins by examining the key players in international business. Then, we describe globalization's powerful influence on markets and production and explain the forces behind its expansion. Next, we cover each main point in the debate over globalization. We also explain why international business is special by presenting the dynamic, integrated global business environment. Finally, the appendix at the end of this chapter contains a world atlas to be used as a primer for this chapter's discussion and as a reference throughout the remainder of the book.

Key Players in International Business

Companies of all types and sizes and in all sorts of industries become involved in international business, yet they vary in the extent of their involvement. A small shop owner might only import supplies from abroad, whereas a large company may have dozens of factories located around the world. Large companies from the wealthiest nations still dominate international business. But firms from emerging markets (such as Brazil, China, India, and South Africa) now vigorously