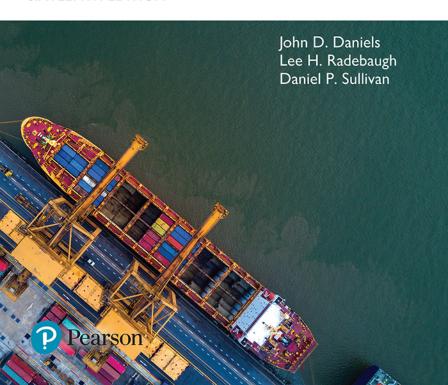


INTERNATIONAL BUSINESS

Environments & Operations

SIXTEENTH EDITION



International Business

Environments & Operations

Sixteenth Edition
Global Edition

John D. Daniels

University of Miami

Lee H. Radebaugh

Brigham Young University

Daniel P. Sullivan

University of Delaware



Vice President, Business Publishing: Donna Battista Director of Portfolio Management: Stephanie Wall

Portfolio Manager: Daniel Tylman

Associate Acquisitions Editor, Global Edition: Ishita Sinha Associate Project Editor, Global Edition: Paromita Banerjee

Assistant Editor, Global Edition: Tahnee Wager

Editorial Coordinator: Linda Albelli

Vice President, Product Marketing: Roxanne McCarley

Director of Strategic Marketing: Brad Parkins **Strategic Marketing Manager:** Deborah Strickland

Product Marketer: Becky Brown

Field Marketing Manager: Lenny Ann Kucenski Product Marketing Assistant: Jessica Quazza Vice President, Production and Digital Studio,

Arts and Business: Etain O'Dea

Director of Production, Business: Jeff Holcomb **Managing Producer, Business:** Ashley Santora

Operations Specialist: Carol Melville

Senior Manufacturing Controller, Global Edition: Jerry Kataria

Content Producer, Global Edition: Sudipto Roy

Creative Director: Blair Brown

Manager, Learning Tools: Brian Surette

Content Developer, Learning Tools: Lindsey Sloan

Managing Producer, Digital Studio, Arts

and Business: Diane Lombardo

Digital Studio Project Manager: Darren Cormier Digital Studio Project Manager: Alana Coles

Manager, Media Production, Global Edition: Vikram Kumar Full-Service Project Management and Composition: Integra

Software Services Pvt. Ltd.

Interior Designer: Integra Software Services Pvt. Ltd.

Cover Designer: Lumina Datamatics. **Cover Art:** Avigator Thailand / Shutterstock

Acknowledgments of third-party content appear on the appropriate page within the text.

PEARSON, ALWAYS LEARNING, and MYMANAGEMENTLAB® are exclusive trademarks owned by Pearson Education, Inc. or its affiliates in the U.S. and/or other countries.

Pearson Education Limited KAO Two KAO Park Harlow CM17 9NA United Kingdom

and Associated Companies throughout the world

Visit us on the World Wide Web at: www.pearsonglobaleditions.com

© Pearson Education Limited 2019

The rights of John D. Daniels, Lee H. Radebaugh, and Daniel P. Sullivan to be identified as the authors of this work have been asserted by them in accordance with the Copyright, Designs and Patents Act 1988.

Authorized adaptation from the United States edition, entitled International Business: Environments & Operations, 16th Edition, ISBN 978-0-13-420005-7 by John D. Daniels, Lee H. Radebaugh, and Daniel P. Sullivan, published by Pearson Education © 2018.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without either the prior written permission of the publisher or a license permitting restricted copying in the United Kingdom issued by the Copyright Licensing Agency Ltd, Saffron House, 6–10 Kirby Street, London EC1N 8TS.

All trademarks used herein are the property of their respective owners. The use of any trademark in this text does not vest in the author or publisher any trademark ownership rights in such trademarks, nor does the use of such trademarks imply any affiliation with or endorsement of this book by such owners.

ISBN 10: 1-292-21473-2 ISBN 13: 978-1-292-21473-3

British Library Cataloguing-in-Publication Data

A catalogue record for this book is available from the British Library

10987654321

Typeset in Times NR MT Pro by Integra Software Services Pvt. Ltd. Printed and bound by Vivar in Malaysia

Brief Contents

Preface 22 About the Authors 29
PART ONE: Introduction 45 1 International Business and Globalization 45
PART TWO: National Environmental Differences 69 2 Culture 69 3 Governmental and Legal Systems 101 4 Economic Systems and Market Methods 137
 PART THREE: Connecting Countries through Trade and Factor Movements 173 5 Trade and Factor Mobility Theory 173 6 Trade Protectionism 203 7 Economic Integration and Cooperation 227
PART FOUR: The Global Monetary Environment 255 8 Markets for Foreign Exchange 255 9 Factors That Influence Exchange Rates 277 10 Global Debt and Equity Markets 299 11 Ethics and Social Responsibility 321
PART FIVE: Corporate Policy and Strategy 345 12 Strategies for International Business 345 13 Evaluation of Countries for Operations 379 14 Modes of Trading Internationally 405 15 Forms and Ownership of Foreign Production 441 16 The Organization and Governance of Foreign Operations 471
PART SIX: Functional Management and Operations 505 17 Global Marketing 505 18 Global Production and Supply Chains 537 19 Global Accounting and Financial Management 561 20 Global Management of Human Resources 589

Contents

Preface 22 About the Authors 29
• PART ONE: INTRODUCTION 45
1 International Business and Globalization 45
CASE: The Globalized Business of Sports 46
Introduction 48
Why Study About Globalization, IB, and Their Relationship? How Does IB Fit In? The Study of IB 49
The Forces Driving Globalization and IB 50 Factors in Increased Globalization 51
The Criticisms of Globalization 54 Threats to National Sovereignty 54 Environmental Stress 55 Growing Income Inequality and Personal Stress 55
Point-Counterpoint Is Offshoring of Production a Good Strategy? 56
Why Companies Engage in IB 58 Sales Expansion 58 Resource Acquisition 58 Risk Reduction 58
IB Operating Modes 59 Merchandise Exports and Imports 59 Service Exports and Imports 59 Investments 60 Types of International Organizations 60
Why do Companies' External Environments Affect How They May Best Operate Abroad? 60 Physical Factors 61 Institutional Factors 61 The Competitive Environment 62
Looking to the Future Three Major Scenarios on Globalization's Future 63
CASE: Transportation and Logistics: Dubai Ports World 65
Endnotes 68

• PART TWO: NATIONAL ENVIRONMENTAL DIFFERENCES 69
2 Culture 69
CASE: Saudi Arabia's Dynamic Culture 70
Culture's Importance in IB and Trickiness to Assess National Cultures as a Point of Reference 73 The People Factor 74 Building Cultural Awareness 75 Shortcomings in Cultural Assessments 75
Influences on Cultural Formation and Change 76 Sources of Change 76 Language as Both a Diffuser and Stabilizer of Culture 76 Religion as a Cultural Stabilizer 78
Major Behavioral Practices Affecting Business 79 Issues in Social Stratification 79 Work Motivation 81 Relationship Preferences 84 Risk-Taking Behavior 84 Information and Task Processing 85
Problems in Communicating Across Cultures 86 Translation of Spoken and Written Language 86 Silent Language 87
Guidelines for Cultural Adjustment Host Society Acceptance 89 Degree of Cultural Differences 89 Ability to Adjust: Culture Shock 90
Company and Management Orientations 90 Strategies for Instituting Change 91
Point-Counterpoint Does IB Lead to Cultural Imperialism? 92
Looking to the Future Scenarios on The Evolvement of National Cultures 94
CASE: Tesco PLC: Leveraging Global Knowledge 96
Endnotes 99
3 Governmental and Legal Systems 101
CASE: China: Big Opportunities, Complicated Risks 102
Politics, Laws, and Operating Internationally 104
The Political Environment 106 Individualism 106

Collectivism 106 Political Ideology 107 Democracy 108 Totalitarianism 109
The State of Political Freedom 111 The Prevalence of Political Freedom 112 The Struggles of Political Freedom 112 The Allure of Authoritarianism 115
Looking to the Future Political Ideology and MNEs' Actions 116
Political Risk 118 Classifying Political Risk 118
Point-Counterpoint Proactive Political Risk Management: The Superior Approach 120
The Legal Environment 122 Types of Legal Systems 123 The Foundation of Legality 124 Mapping the Basis of Law 125 Which Rule When? 126 Implications to Managers 128
Legal Issues Facing International Companies 128 Operational Concerns 129 Strategic Concerns 130
Politics, Law, and the Business Environment 132
CASE: It's a Knockoff World 133
Endnotes 135
4 Economic Systems and Market Methods 137
CASE: Emerging Economies: Comeback or Collapse? 138
International Economic Analysis 139 Navigating Challenges 140
Who's Who in the Global Business Environment 141 Developed Economies 141 Developing Economies 142 Economies in Transition 144 The Issue of Different Degrees of Development 145
Economic Freedom 147 The Value of Economic Freedom 149 The Prevalence of Economic Freedom 150 Economic Freedom and Type of Economic Environment 151 The Paradox of Promise Versus Prevalence 151

187

State Capitalism: Detour or Destination? 154
Types of Economic Systems 155 The Market Economy 155 The Command Economy 156 Mixed Economy 157
Assessing Economic Development, Performance, and Potential 158 Monetary Measures 158 Improving Economic Analytics 160 The Wildcard: The Shadow Economy 162 Sustainability and Stability 163 Sustainability 163 Stability 164 Point-Counterpoint Growth: Positive and Productive? 165
Growth: Positive and Productive? 165
Elements of Economic Analysis 167 Integrating Economic Analysis 167 Economic Freedom, Innovation, and Competitiveness 169 CASE: The BRICs: Vanguard of the Revolution 170 Endnotes 172
PART THREE: CONNECTING COUNTRIES THROUGH TRADE AND FACTOR MOVEMENTS 173
5 Trade and Factor Mobility Theory 173 CASE: South Korea's Success Story in the Post-WWII International Economy 174
Introduction: Why Do Policymakers Rely on International Trade and Factor Mobility Theories? 176
Interventionist and Free Trade Theories 178 Mercantilism 178 Neomercantilism 178 Free Trade Theories 179 Theory of Absolute Advantage 179 Theory of Comparative Advantage 181 Theories of Specialization: Some Assumptions and Limitations 182
Theories to Explain National Trade Patterns 184 How Much Does a Country Trade? 184 What Types of Products Does a Country Trade? 186

With Whom Do Countries Trade?

The Dynamics of Export Capabilities 188 Product Life Cycle (PLC) Theory 188 The Diamond of National Competitive Advantage 190
The Theory and Major Effects of Factor Mobility 192
Point-Counterpoint Should Nations Use Strategic Trade Policies? 192 Why Production Factors Move 194 Effects of Factor Movements 195
The Relationship Between Trade and Factor Mobility 196 Substitution 196 Complementarity 196 Looking to the Future
Scenarios That May Change Trade Patterns 197
CASE: LUKOIL: Foreign Trade and Investment 199
Endnotes 202
6 Trade Protectionism 203
CASE: The Case of REEs: Trade Disputes and Protectionist Measures for Strategic Materials 204
Conflicting Outcomes of Trade Protectionism 206 The Role of Stakeholders 207
Economic Rationales for Governmental Trade Intervention and Outcome Uncertainties 207 Fighting Unemployment 207 Protecting "Infant Industries" 208 Developing an Industrial Base 209 Economic Relationships with Other Countries 210
Governments' Noneconomic Rationales and Outcome for Trade Intervention 212 Maintaining Essential Industries 212 Promoting Acceptable Practices Abroad 213
Point-Counterpoint Should Governments Impose Trade Sanctions? 213
Maintaining or Extending Spheres of Influence 215 Preserving National Culture 215
Major Instruments of Trade Control 215 Tariffs: Direct Price Influences 215 Nontariff Barriers: Direct Price Influences 216 Nontariff Barriers: Quantity Controls 218
How Companies Deal with Governmental Trade Influences 221

Tactics for Dealing with Import Competition 221 Convincing Decision-Makers Involving the Industry and Stakeholders 221 Preparing for Changes in the Competitive Environment Looking to the Future Dynamics and Complexity of Future World Trade 222 **CASE:** Doing Business in Singapore 223 **Endnotes** 225 227 **Economic Integration and Cooperation** CASE: Regional Integration and the Different Modalities of a **Custom Union Divorce** 228 Forms of Economic Integration The World Trade Organization—Global Integration 230 GATT: Predecessor to the WTO 230 What Does the WTO Do? 230 **Regional Economic Integration** 231 Bilateral Agreements 231 231 Geography Matters 232 The Effects of Integration Major Regional Trading Groups 233 The European Union 234 The North American Free Trade Agreement (NAFTA) 238 Regional Economic Integration in the Americas 241 Regional Economic Integration in Asia 243 Regional Economic Integration in Africa 245 Point-Counterpoint Is Regional Economic Integration a Good Idea? 246 The United Nations and Other NGOs 247 **Commodity Agreements** 249 Commodities and the World Economy 249 Consumers and Producers The Organization of the Petroleum Exporting Countries (OPEC) 250 Looking to the Future Will the WTO Overcome Bilateral and Regional Integration Efforts? **CASE:** Unilever Goes East 252

7

254

Endnotes

• PART FOUR: THE GLOBAL MONETARY ENVIRONMENT 255	5
8 Markets for Foreign Exchange 255	
CASE: Going Down to the Wire in the Money-Transfer Market 256	
What Is Foreign Exchange and Who Are the Major Players in the Market? 257	
Some Aspects of the Foreign-Exchange Market 258 How to Trade Foreign Exchange 258 Global OTC Foreign-Exchange Instruments 259 Size, Composition, and Location of the Foreign-Exchange Market Foreign-Exchange Trades and Time Zones 261	259
Major Foreign-Exchange Markets 263 The Spot Market 263 The Forward Market 264 Options 264 Futures 265	
The Foreign-Exchange Trading Process 265 Banks and Exchanges 265 Top Exchanges for Trading Foreign Exchange 266	
How Companies Use Foreign Exchange 267 Cash Flow Aspects of Imports and Exports 267 Other Financial Flows 268	
Point-Counterpoint Is It OK to Speculate on Currency? 269	
Looking to the Future Where Are Foreign-Exchange Markets Headed? 271 CASE: Do Yuan to Buy Some Renminbi? 272	
Endnotes 275	
9 Factors That Influence Exchange Rates 277 CASE: Venezuela's Rapidly Changing Currency 278	
Introduction 279	
The International Monetary Fund 280 Origin and Objectives 280 The IMF Today 280 The Role of the IMF in Global Financial Crises 281	
Evolution to Floating Exchange Rates 281	
Exchange-Rate Arrangements 282 Three Choices: Hard Peg, Soft Peg, or Floating Arrangement 282	

Hard Peg

283

283 Floating Arrangement The Euro 283 Point-Counterpoint Should Africa Develop a Common Currency? 285 **Determining Exchange Rates** 286 Nonintervention: Currency in a Floating-Rate World Intervention: Currency in a Fixed-Rate or Managed Floating-Rate World 288 Black Markets 288 Foreign-Exchange Convertibility and Controls 289 Exchange Rates and Purchasing Power Parity Exchange Rates and Interest Rates 292 Other Factors in Exchange-Rate Determination Forecasting Exchange-Rate Movements 292 Fundamental and Technical Forecasting 292 Fundamental Factors to Monitor 293 **Business Implications of Exchange-Rate Changes** Marketing Decisions 294 **Production Decisions** Financial Decisions 294 Looking to the Future Changes in the Relative Strength of Global Currencies 294 CASE: Welcome to the World of Sony—Unless the Falling Yen Rises (or Falls) Again **Endnotes** 298 10 Global Debt and Equity Markets 299 CASE: Tax Wars: Pfizer Versus the U.S. Government 300 The Finance Function 301 The Role of the CFO 301 Capital Structure 302 Leveraging Debt Financing 302 Factors Affecting the Choice of Capital Structure 302 **Global Debt Markets** 304 Eurocurrencies and the Eurocurrency Market 304 International Bonds 305 Global Equity Markets 306 The Size of Global Stock Markets 307 Taxation of Foreign-Source Income 309 International Tax Practices 309

Soft Peg

283

Transfer Prices 312 Double Taxation and Tax Credit 313 314 **Dodging Taxes** Offshore Financing and Offshore Financial Centers 314 What Is an OFC? 314 Point-Counterpoint Should Offshore Financial Centers and Aggressive Tax Practices Be Eliminated? Looking to the Future The Growth of Capital Markets and the Drive by Governments to Capture More Tax Revenues by MNEs **CASE:** Does the Devil Really Wear Prada? 318 **Endnotes** 320 **Ethics and Social Responsibility** 321 CASE: Ecomagination and the Global Greening of GE 322 Introduction 324 Stakeholder Trade-Offs 324 325 The Economic Impact of the MNE Balance-of-Payments Effects 326 Growth and Employment Effects 327 The Foundations of Ethical Behavior 328 Why Do Companies Care About Ethical Behavior? 329 The Cultural Foundations of Ethical Behavior 329 Relativism Versus Normativism 329 The Legal Foundations of Ethical Behavior 330 Legal Justification: Pro and Con 330 Corruption and Bribery 331 Petrobras: Corruption in Brazil with a Global Twist 332 The Consequences of Corruption What's Being Done About Corruption? 333 Ethics and the Environment 334 What Is "Sustainability"? 334 Global Warming and the Paris Agreement on Climate Change 335 **Ethical Dilemmas of Labor Conditions** 336 Point-Counterpoint
Should MNEs Accept Full Responsibility for the Unethical Behavior of Their Employees? 336

310

Taxing Branches and Subsidiaries

The Problem of Child Labor 338 What MNEs Can and Can't Do 339 Corporate Codes of Ethics: How Should a Company Behave? 339 Motivations for Corporate Responsibility Developing a Code of Conduct 339 Looking to the Future Dealing with Ethical Dilemmas in the Global Economy 340 CASE: Anglo American PLC in South Africa: What Do You Do When Costs Reach Epidemic Proportions? **Endnotes** 343 PART FIVE: CORPORATE POLICY AND STRATEGY 345 12 Strategies for International Business 345 CASE: Zara's Disruptive Vision: Data-Driven **Fast-Fashion** 346 Strategy in the MNE 348 Getting Started: Vision and Mission 349 Moving Onward: Strategic Planning 351 Making Sense to Make Strategy The Role of Resources, Capabilities, and Competencies 352 The Quest to Create Value 354 354 The Cost Leadership Strategy 355 The Differentiation Strategy The Integrated Cost Leadership/Differentiation Strategy 356 Point-Counterpoint Is Strategic Planning Productive? 357 Organizing Value Creation: The Value Chain 358 Configuring the Value Chain 359 Looking to the Future Digits, Widgets, and Changing Location Advantages 363 Global Integration Versus Local Responsiveness 365 The Potential for Standardization 366 The Characteristics of Consumer Preferences 367 The Effect of Institutional Agents Global Integration and Local Responsiveness: Mapping Their Interaction 368 370 **International Corporate-Level Strategies** The International Strategy

The Localization Strategy 372 Global Strategy 373 374 Transnational Strategy **CASE:** The Multinational Enterprise of the Future: **Leading Scenarios** 376 **Endnotes** 378 379 13 Evaluation of Countries for Operations **CASE:** Burger King 380 382 The Importance of Location **Comparing Countries Through Scanning** 382 Why Is Scanning Important? 383 Scanning Versus Detailed Analysis Opportunity and Risk Variables 384 384 Opportunities: Sales Expansion Opportunities: Resource Acquisition 385 Risks Analyzing and Relating the Opportunity and Risk Variables Sources and Shortcomings of Comparative Country Information 394 Some Problems with Research Results and Data 394 395 External Sources of Information 396 Internally Generated Data Point-Counterpoint Should Companies Operate in and Send Employees to Violent Areas? 396 Alternatives for Allocating Resources Among Locations 397 Alternative Gradual Commitments Geographic Diversification Versus Concentration 398 Reinvestment and Harvesting 399 Noncomparative Location Decisions 400 Looking to the Future Conditions That May Cause Prime Locations to Change 400 **CASE:** The Lego Group Case 401 403 Endnotes 14 Modes of Trading Internationally 405 **CASE:** SpinCent: The Decision to Export 406 Introduction 408

Exporting: Principles and Practices 409 Who Are Exporters? 410 The Matter of Advantages 410 Characteristics of Exporters 411
Characteristics of Exporters 411 Exporting: Motivation and Methods 412 Profitability 412 Productivity 413 Diversification 413
Export: Start-Up and Expansion 414 Incremental Internationalization 414 The Born-Global Phenomenon 415 The Influence of Time and Place 415 The Wildcard of Serendipity 416 Approaches to Exporting 416 Which Approach When? 417
Point-Counterpoint Exporting E-waste: A Fair Solution? 418
Importing: Principles and Practices 422 Characteristics of Importers 422
Importing: Motivation and Methods 423 Import Drivers 423 Who Are Importers? 424
Importing and Exporting: Problems and Pitfalls 424 Financial Risks 425 Customer Management 425 International Business Expertise 426 Marketing Challenges 426 Top Management Commitment 426 Government Regulation 427 Trade Documentation 428
Importing and Exporting: Resources and Assistance 429 Public Agencies 430 Private Agents 431
Reconciling Opportunity and Challenge: An Export Plan 434
Looking to the Future Technology Transforms International Trade 435
Countertrade 437 Costs 437 Benefits 438

CASE: The Borderfree Option: Going Global—Simplified 438

Endnotes 440

15 Forms and Ownership of Foreign Production 441

CASE: Meliá Hotels International 442

Introduction 445

Why Export and Import May Not Suffice 446

When It's Cheaper to Produce Abroad 447

When Transportation Costs Too Much 447

When Domestic Capacity Isn't Enough 447

When Products and Services Need Altering 447

When Trade Restrictions Hinder Imports 447

When Country of Origin Becomes an Issue 448

Why and How do Companies Make Wholly Owned FDI 448

Reasons for Wholly Owned Foreign

Direct Investment 448

Acquisition Versus Greenfield 449

Why Companies Collaborate 450

General Motives for Collaborative Arrangements 450
International Motives for Collaborative Arrangements 452

Forms of and Choice of Collaborative Arrangements 453

Some Considerations in Choosing a Form 453



Point-Counterpoint

Should Countries Limit Foreign Control of Key Industries? 454

Licensing 455

Franchising 456

Management Contracts 457

Turnkey Operations 457

Joint Ventures (JVs) 458

Equity Alliances 459

Why Collaborative Arrangements Fail or Succeed 459

Reasons for Failure 460

Helping Collaborative Operations Succeed 461



Looking to the Future

Growth in Project Size and Complexity 464

CASE: The oneworld Airline Alliance 465

Endnotes 469

16 The Organization and Governance of Foreign Operations 471

CASE: Organizing Global Operations: The "Gore Way" 472

Introduction 474

Changing Times, Changing Organizations 474

Expanding Scope of IB 475

The Internet as a Design Standard 475

Managerial Standards 475

Social Contract 476

Change and Challenge: MNEs Respond 476

Classical Organization Structures 477

Vertical Differentiation 477

Horizontal Differentiation 479

The Functional Structure 479

Divisional Structures 480

Global Matrix Structure 483

Mixed Structure 484

Neoclassical Structures 484

The Challenge of Boundaries 484

The Goal of Boundarylessness 485

The Network Structure 486

Virtual Organization 487

Neoclassical Structures in Action 488

Pitfalls of Neoclassical Structures 488



Point-Counterpoint

The Hierarchical Structure: The Superior Format 489

Coordination Systems 491

Coordination by Standardization 492

Coordination by Plan 493

Coordination by Mutual Adjustment 494

Control Systems 495

Bureaucratic Control 495

Market Control 495

Clan Control 496

Control Mechanisms 496

Which Control System When? 497

Organizational Culture 497

A Key Piece of the Performance Puzzle 497

The Power of Common Cause 498

Developing an Organizational Culture 499



Looking to the Future

The Rise of Corporate Universities 500

CASE: Hyundai Motor Company: Expanding through Organizational Excellence 502

Endnotes 504

PART SIX: FUNCTIONAL MANAGEMENT AND OPERATIONS 505

17 Global Marketing 505

CASE: Tommy Hilfiger 506

International Marketing Strategies: Orientations, Segmentation, and Targeting 507

Marketing Orientations 508

Segmenting and Targeting Markets 510

Product Policies: Country Adaptation Versus Global

Standardization 511

Why Firms Adapt Products 511

Alteration Costs 512

The Product Line: Extent and Mix 513

International Pricing Complexities 513

Potential Obstacles in International Pricing 513

Should Promotion Differ Among Countries? 516

The Push-Pull Mix 516

Some Problems in International Promotion 517

International Branding Strategies 519

Global Brand Versus Local Brands 520



Point-Counterpoint

Should Home Governments Regulate Their Companies'
Marketing in Developing Countries? 521

Distribution Practices and Complications 523

Deciding Whether to Standardize 523

Internalization or Not? 524

Distribution Partnership 524

Distribution Challenges and Opportunities 525

Gap Analysis: A Tool for Helping to Manage the International Marketing Mix 526

Usage Gaps 527

Product-Line Gaps 528

Distribution and Competitive Gaps 528

Aggregating Countries' Programs 528



Looking to the Future

How Might International Market Segmentation Evolve? 529

CASE: Grameen Danone Foods in Bangladesh 530

Endnotes 535

18 Global Production and Supply Chains 537

CASE: Apple's Global Supply Chain 538

Global Supply-Chain Management 540

What Is Supply-Chain Management? 540

Global Supply-Chain and Operations Management Strategies 541

Operations Management Strategy 541

Global Sourcing 543

Why Global Sourcing? 545

Major Sourcing Configurations 545

The Make-or-Buy Decision 546



Point-Counterpoint

Should Firms Outsource Innovation? 546

Supplier Relations 548

Conflict Minerals 548

The Purchasing Function 548

Information Technology and Global Supply-Chain Management 549

Electronic Data Interchange (EDI) 549

Enterprise Resource Planning/Material Requirements

Planning 549

Radio Frequency ID (RFID) 549

E-commerce 550

Quality 551

Zero Defects 551

Lean Manufacturing and Total Quality

Management (TQM) 552

Six Sigma 553

Quality Standards 553



Looking to the Future

Uncertainty and the Global Supply Chain 555

CASE: Nokero: Lighting the World 555

Endnotes 560

19 Global Accounting and Financial Management 561
CASE: Parmalat: Europe's Enron 562
The Crossroads of Accounting and Finance 565 What Does the Controller Control? 565 Differences in Financial Statements Internationally 565 Differences in the Content of Financial Information 566
Factors Affecting Accounting Objectives, Standards, and Practices Cultural Differences in Accounting 567
International Standards and Global Convergence 568 Mutual Recognition Versus Reconciliation 568 The First Steps in Establishing IFRS 569 The International Accounting Standards Board 570
Point-Counterpoint Should U.S. Companies Be Allowed to Use IFRS? 571
Transactions in Foreign Currencies 572 Recording Transactions 572 Correct Procedures for U.S. Companies 573
Translating Foreign-Currency Financial Statements 573 Translation Methods 573
International Financial Issues 576 Capital Budgeting in a Global Context 576 Internal Sources of Funds 578 Global Cash Management 579
Foreign-Exchange Risk Management 581 Types of Exposure 581 Exposure-Management Strategy 582
Looking to the Future Will IFRS Become the Global Accounting Standard? 584
CASE: H&M: The Challenges of Global Expansion and the Move to Adopt International Financial Reporting Standards 586
Endnotes 588
20 Global Management of Human Resources 589
CASE: Globalizing Your Career 590
International Human Resource Management 592 The Strategic Role of IHRM 594 IHRM's Mission 595
The Perspective of the Expatriate 595 Who's Who? 595