

GLOBAL
EDITION



INTERNATIONAL BUSINESS

Environments & Operations

SEVENTEENTH EDITION

John D. Daniels • Lee H. Radebaugh
Daniel P. Sullivan • Reid W. Click



International Business

Environments & Operations

Seventeenth Edition

Global Edition

John D. Daniels

University of Miami

Lee H. Radebaugh

Brigham Young University

Daniel P. Sullivan

University of Delaware

Reid W. Click

George Washington University



Pearson

Acknowledgments of third-party content appear on the relevant page, which constitutes an extension of this copyright page.

PEARSON, ALWAYS LEARNING, and MYLAB 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
Hockham Way
Harlow
Essex
CM17 9SR
United Kingdom

and Associated Companies throughout the world

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

© Pearson Education Limited, 2022

The rights of John D. Daniels, Lee H. Radebaugh, Daniel P. Sullivan, and Reid W. Click to be identified as the author 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, International Business: Environments & Operations, 17th edition, ISBN 978-0-13-589991-5, by John D. Daniels, Lee H. Radebaugh, Daniel P. Sullivan, and Reid W. Click, published by Pearson Education © 2022.

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. For information regarding permissions, request forms, and the appropriate contacts within the Pearson Education Global Rights and Permissions department, please visit www.pearsoned.com/permissions/.

This eBook may be available as a standalone product or integrated with other Pearson digital products like MyLab and Mastering. This eBook may or may not include all assets that were part of the print version. The publisher reserves the right to remove any material in this eBook at any time.

ISBN 10: 1-292-40327-6

ISBN 13: 978-1-292-40327-4

eBook ISBN: 978-1-292-40339-7

British Library Cataloguing-in-Publication Data

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

1 21

Cover Photo: Smile-Sky Zstudio/Shutterstock
Typeset in Palatino LT Pro 10pt by Integra Software Services Pvt. Ltd.
eBook formatted by B2R Technologies Pvt. Ltd.

Brief Contents

Preface	20
About the Authors	31
PART ONE: Background for International Business	47
1 Globalization and International Business	47
PART TWO: Comparative Environmental Frameworks	71
2 The Cultural Environments Facing Business	71
3 The Political and Legal Environments Facing Business	100
4 The Economic Environments Facing Businesses	135
5 Globalization and Society	169
PART THREE: Theories and Institutions: Trade and Investment	191
6 International Trade and Factor Mobility Theory	191
7 Governmental Influence on Trade	221
8 Cross-National Cooperation and Agreements	243
PART FOUR: World Financial Environment	269
9 Global Foreign-Exchange Markets	269
10 The Determination of Exchange Rates	289
11 Global Capital Markets	310
PART FIVE: Global Strategy, Structure, and Implementation	332
12 The Strategy of International Business	332
13 Country Evaluation and Selection	366
14 Export and Import	391
15 Direct Investment and Collaborative Strategies	425
16 The Organization of International Business	452
PART SIX: Managing International Operations	488
17 Marketing Globally	488
18 Global Operations and Supply-Chain Management	515
19 International Accounting and Finance Issues	538
20 International Human Resource Management	563
Endnotes	597
Glossary	635
Company and Trademark Index	645
Name Index	651
Subject Index	669

Contents

Preface	20
About the Authors	31
PART ONE: Background for International Business	47
1 Globalization and International Business	47
CASE: The Globalized Business of Sports	47
The Why, What, and How of Studying International Business (IB)	50
Why Study IB?	50
What to Study in IB	50
How to Study IB to Develop a Critical Set of Skills	51
The Relationship Between Globalization and IB	52
How Does IB Fit In?	52
The Forces Driving Globalization and IB	52
Factors in Increased Globalization	53
The Criticisms of Globalization	56
Threats to National Sovereignty	56
Environmental Stress	57
Growing Income Inequality and Personal Stress	57
Point-Counterpoint	
<i>Is Offshoring of Production a Good Strategy?</i>	59
Why Companies Engage in IB	60
Sales Expansion	61
Resource Acquisition	61
Risk Reduction	61
IB Operating Modes	61
Merchandise Exports and Imports	62
Service Exports and Imports	62
Investments	62
Types of International Business Organizations	63
Why Do Companies' External Environments Affect How They May Best Operate Abroad?	63
Physical Factors	63
Institutional Factors	64
The Competitive Environment	65
Looking to the Future	
Three Major Scenarios on Globalization's Future	66
CASE: Transportation and Logistics: Dubai Ports World	67

PART TWO: Comparative Environmental Frameworks 71

2 The Cultural Environments Facing Business 71

CASE: Saudi Arabia's Dynamic Culture	71
Culture's Importance in IB and Trickiness to Assess	74
National Cultures as a Point of Reference	74
The People Factor	75
Building Cultural Awareness	76
Shortcomings in Cultural Assessments	76
Influences on Cultural Formation and Change	77
Sources of Change	77
Language as Both a Diffuser and Stabilizer of Culture	78
Religion as a Cultural Stabilizer	79
Major Behavioral Practices Affecting Business	80
Issues in Social Stratification	80
Work Motivation	82
Relationship Preferences	84
Risk-Taking Behavior	85
Information and Task Processing	85
Problems in Communicating Across Cultures	87
Translation of Spoken and Written Language	87
Silent Language	88
Guidelines for Cultural Adjustment	89
Host Society Acceptance	89
Degree of Cultural Differences	90
Ability to Adjust: Culture Shock	90
Company and Management Orientations	91
Strategies for Instituting Change	91
Point-Counterpoint	
<i>Does IB Lead to Cultural Imperialism?</i>	92
Looking to the Future	
Scenarios on the Evolvement of National Cultures	94
CASE: International Students and International Business	95

3 The Political and Legal Environments Facing Business 100

CASE: China: Big Opportunities, Complicated Risks	100
Politics, Laws, and Operating Internationally	103
The Political Environment	105
Individualism	105
Collectivism	105
Political Ideology	106
Democracy	107
Totalitarianism	108

The State of Freedom	109
The Prevalence of Political Freedom	110
Freedom Struggles	111
The Allure of Authoritarianism	114
Looking to the Future	
Political Ideology and MNEs' Actions	116
Political Risk	117
Classifying Political Risk	118
Point-Counterpoint	
<i>Proactive Political Risk Management: The Superior Approach</i>	120
The Legal Environment	121
Types of Legal Systems	122
The Context of Legality	124
The Basis of Rule: Legacies and Trends	126
Implications to Managers	127
Legal Issues Facing International Companies	128
The Legality of Business Practices	128
The Legality of Business Strategies	129
Politics, Law, and Business	131
CASE: It's a Knockoff World	132
4 The Economic Environments Facing Businesses	135
CASE: Emerging Economies: Comeback or Collapse?	135
International Economic Analysis	138
Making Choices, Navigating Challenges	139
Who's Who in the Global Business Environment	140
Developed Economies	140
Developing Economies	141
Emerging Economies	142
Economic Freedom	144
The Value of Economic Freedom	145
The Prevalence of Economic Freedom	147
Economic Freedom by Type of Economic Environment	148
The Paradox of Promise Versus Prevalence	149
Looking to the Future	
State Capitalism: Detour or Destination?	150
Types of Economic Systems	151
The Market Economy	151
The Command Economy	152
The Mixed Economy	153
Assessing Economic Development, Performance, and Potential	154
Monetary Measures	154
Improving Economic Analytics	156

The Wildcard: The Shadow Economy	157
Sustainability and Stability	158
Sustainability	159
Stability	160
Point-Counterpoint	
<i>Growth: Positive and Productive?</i>	161
Elements of Economic Analysis	163
Integrating Economic Analysis	164
Economic Freedom, Innovation, and Competitiveness	165
CASE: The European Union's Green Deal and Blueprint for a Circular Economy	166
5 Globalization and Society	169
CASE: The Battle of the Clothing Giants for Sustainable Manufacturing	169
Stakeholder Trade-Offs	172
The Economic Impact of the MNE	172
Balance-of-Payments Effects	173
Growth and Employment Effects	175
The Foundations of Ethical Behavior	176
Why Do Companies Care About Ethical Behavior?	177
The Cultural Foundations of Ethical Behavior	177
Relativism Versus Normativism	177
The Legal Foundations of Ethical Behavior	178
Legal Justification: Pro and Con	178
Corruption and Bribery	179
Corruption with a Global Twist	179
The Consequences of Corruption	180
What's Being Done About Corruption?	180
Ethics and the Environment	182
What Is "Sustainability"?	182
Global Warming and the Paris Agreement on Climate Change	182
Ethical Dilemmas of Labor Conditions	183
Point-Counterpoint	
<i>Should MNEs Accept Full Responsibility for the Unethical Behavior of Their Employees?</i>	184
What MNEs Can and Can't Do	186
Corporate Codes of Ethics: How Should a Company Behave?	187
Motivations for Corporate Responsibility	187
Developing a Code of Conduct	187
Looking to the Future	
Dealing with Ethical Dilemmas in the Global Economy	187
CASE: Anglo American PLC in South Africa: How Can You Make a Difference in the Fight Against HIV/AIDS?	188

PART THREE: Theories and Institutions: Trade and Investment	191
6 International Trade and Factor Mobility Theory	191
CASE: South Korea's Success Story in the Post-WWII International Economy	191
Why Do Policymakers and Managers Rely on International Trade and Factor Mobility Theories?	194
Interventionist and Free Trade Theories	195
Mercantilism	196
Neomercantilism	196
Free Trade Theories	196
Theory of Absolute Advantage	197
Theory of Comparative Advantage	198
Free Trade Theories: Some Assumptions and Limitations	200
Theories to Explain National Trade Patterns	201
How Much Does a Country Trade?	201
What Types of Products Does a Country Trade?	202
With Whom Do Countries Trade?	205
The Dynamics of Export Capabilities	205
Product Life Cycle (PLC) Theory	206
The Diamond of National Competitive Advantage	207
The Theory and Major Effects of Factor Mobility	209
Point-Counterpoint	
<i>Should Nations Use Strategic Trade Policies?</i>	209
Why Production Factors Move	211
Effects of Factor Movements	213
The Relationship Between Trade and Factor Mobility	214
Substitution	214
Complementarity	215
Looking to the Future	
Scenarios That May Change Trade Patterns	215
CASE: The Australian Beef Industry	217
7 Governmental Influence on Trade	221
CASE: Trade Disputes and Protectionist Measures for Strategic Materials: The Case of REEs	221
Conflicting Outcomes of Trade Protectionism	224
The Role of Stakeholders	224
Economic Rationales for Governmental Trade Intervention and Outcome Uncertainties	225
Fighting Unemployment	225
Protecting "Infant Industries"	226
Developing an Industrial Base	226
Improving Comparative Economic Positions	228

Noneconomic Rationales for Governmental Trade Intervention and Outcome Uncertainties	230
Maintaining Essential Industries	230
Promoting Acceptable Practices Abroad	231
Point-Counterpoint	
<i>Should Governments Impose Trade Sanctions?</i>	231
Maintaining or Extending Spheres of Influence	232
Preserving National Culture	233
Major Instruments of Trade Control	233
Tariffs: Direct Price Influences	233
Nontariff Barriers: Direct Price Influences	234
Nontariff Barriers: Quantity Controls	236
How Companies Deal with Import Competition	238
Convincing Decision-Makers	239
Preparing for Changes in the Competitive Environment	239
Looking to the Future	
Dynamics and Complexity of Future World Trade	239
CASE: Doing Business in Singapore	240
8 Cross-National Cooperation and Agreements	243
CASE: Regional Integration and the Different Modalities of a Custom Union Divorce	243
Forms of Economic Integration	245
The World Trade Organization—Global Integration	245
GATT: Predecessor to the WTO	245
What Does the WTO Do?	246
Regional Economic Integration	246
Bilateral Agreements	246
Geography Matters	247
The Effects of Integration	248
Major Regional Trading Groups	249
The European Union	249
The U.S.-Mexico-Canada Agreement (USMCA)	254
Regional Economic Integration in the Americas	256
Regional Economic Integration in Asia	258
Regional Economic Integration in Africa	259
Point-Counterpoint	
<i>Is Regional Economic Integration a Good Idea?</i>	261
The United Nations and Other NGOs	262
Commodity Agreements	264
Commodities and the World Economy	264
Consumers and Producers	264
The Organization of the Petroleum Exporting Countries (OPEC)	265

Looking to the Future	
Will the WTO Overcome Bilateral and Regional Integration Efforts?	265
CASE: Unilever Goes East	266
PART FOUR: World Financial Environment	269
9 Global Foreign-Exchange Markets	269
CASE: The Rise of Cryptocurrencies in Asia Pacific: The Philippines Case	269
What Is Foreign Exchange, and Who Are the Major Players in the Market?	271
Aspects of the Foreign-Exchange Market	272
How to Trade Foreign Exchange	272
Global OTC Foreign-Exchange Instruments	272
Size, Composition, and Location of the Foreign-Exchange Market	273
Foreign-Exchange Trades and Time Zones	275
Major Foreign-Exchange Markets	275
The Spot Market	275
Forwards	277
Options	278
Futures	278
The Foreign-Exchange Trading Process	278
Banks and Exchanges	279
Top Exchanges for Trading Foreign Exchange	280
How Companies Use Foreign Exchange	280
Cash Flow Aspects of Imports and Exports	280
Other Financial Flows	281
Point-Counterpoint	
<i>Is It OK to Speculate on Currency?</i>	282
Looking to the Future	
Where Are Foreign-Exchange Markets Headed?	284
CASE: Do Yuan to Buy Some Renminbi?	284
10 The Determination of Exchange Rates	289
CASE: Venezuela's Rapidly Changing Currency	289
The International Monetary Fund	291
Origin and Objectives	292
The IMF Today	292
The Role of the IMF in Global Financial Crises	293
Evolution to Floating Exchange Rates	293
Exchange-Rate Arrangements	294
Three Choices: Hard Peg, Soft Peg, or Floating	294
Hard Peg	294
Soft Peg	295

Floating	295
The Euro	295
Point-Counterpoint	
<i>Should Africa Develop a Common Currency?</i>	296
Determining Exchange Rates	298
Nonintervention: Currency in a Floating-Rate World	298
Intervention: Currency in a Fixed-Rate or Managed Floating-Rate World	299
Black Markets	300
Foreign-Exchange Convertibility and Controls	300
Exchange Rates and Purchasing Power Parity	301
Exchange Rates and Interest Rates	302
Other Factors in Exchange-Rate Determination	303
Forecasting Exchange-Rate Movements	303
Fundamental and Technical Forecasting	303
Fundamental Factors to Monitor	304
Business Implications of Exchange-Rate Changes	305
Marketing Decisions	305
Production Decisions	305
Financial Decisions	305
Looking to the Future	
Changes in the Relative Strength of Global Currencies	306
CASE: Welcome to the World of Sony—Unless the Falling Yen Rises (or Falls) Again	306
11 Global Capital Markets	310
CASE: The E-Giants and the European Union: New Economy Models and Traditional State Sovereignty	310
The Finance Function	312
The Role of the CFO	312
Capital Structure	313
Leveraging with Debt Financing	313
Factors Affecting the Choice of Capital Structure	313
Global Capital Markets	314
Eurocurrencies and the Eurocurrency Market	314
International Bonds	316
Global Equity Markets	317
Taxation of Foreign-Source Income	319
International Tax Practices	319
Taxing Branches and Subsidiaries	320
Transfer Prices	323
Double Taxation and Tax Credits	323
Dodging Taxes	324
Offshore Financing and Offshore Financial Centers	325
What Is an OFC?	325

Point-Counterpoint

Should Offshore Financial Centers and Aggressive Tax Practices Be Eliminated? 326

Looking to the Future

The Growth of Capital Markets and the Drive by Governments to Reform Corporate Taxes 328

CASE: Open Sesame: Alibaba Isn't Poor Anymore 328

PART FIVE: Global Strategy, Structure, and Implementation 332**12 The Strategy of International Business 332**

CASE: Zara's Disruptive Vision: Data-Driven Fast Fashion 332

Strategy in the MNE 335

Getting Started: Vision and Mission 336

Moving Onward: Strategic Planning 337

Making Sense to Make Strategy 338

The Role of Resources, Capabilities, and Competencies 339

The Quest to Create Value 341

The Cost Leadership Strategy 341

The Differentiation Strategy 342

The Integrated Cost Leadership-Differentiation Strategy 343

Point-Counterpoint

Is Strategic Planning Productive? 343

Organizing Value Creation: The Value Chain 345

Configuring the Value Chain 347

Looking to the Future

Digits, Widgets, and Changing Location Advantages 349

Global Integration Versus Local Responsiveness 351

The Potential for Standardization 352

The Context of Consumer Behavior 353

The Agenda of Institutional Agents 354

Global Integration and Local Responsiveness: Mapping Their Interaction 355

International Corporate-Level Strategies 356

The International Strategy 358

The Localization Strategy 359

Global Strategy 360

Transnational Strategy 361

CASE: The Multinational Enterprise of the Future: Leading Scenarios 362

13 Country Evaluation and Selection	366
CASE: Airbus: An Aerospace Giant Born International	366
The Importance of Location	369
Comparing Countries Through Scanning	369
Why Is Scanning Important?	369
Scanning Versus Detailed Analysis	370
Opportunity and Risk Variables	371
Opportunities: Sales Expansion	371
Opportunities: Resource Acquisition	372
Risks	373
Analyzing and Relating the Opportunity and Risk Variables	379
Sources and Shortcomings of Comparative Country Information	381
Some Problems with Research Results and Data	381
External Sources of Information	382
Internally Generated Data	382
Point-Counterpoint	
<i>Should Companies Operate in and Send Employees to Violent Areas?</i>	382
Allocating Resources Among Locations	383
Alternative Gradual Commitments	383
Geographic Diversification Versus Concentration	385
Reinvestment Versus Harvesting	385
Noncomparative Location Decisions	386
Looking to the Future	
Conditions That May Cause Prime Locations to Change	387
CASE: The LEGO Group Case	387
14 Export and Import	391
CASE: SpinCent: The Decision to Export	391
Exporting: Principles and Practices	396
Who Are Exporters?	397
The Matter of Advantages	397
Characteristics of Exporters	398
Exporting: Motivation and Methods	399
Profitability	399
Productivity	400
Diversification	400
Export: Startup and Expansion	400
Incremental Internationalization	401
The Born-Global Phenomenon	401

The Influence of Time and Place	402
The Wildcard of Serendipity	403
Approaches to Exporting	404
Which Approach When?	405
Point-Counterpoint	
<i>Exporting E-waste: A Just Solution?</i>	405
Importing: Principles and Practices	408
Characteristics of Importers	409
Importing: Motivation and Methods	409
Import Drivers	410
Types of Importers	410
Exporting and Importing: Problems and Pitfalls	411
Operations Management	411
Strategic Management	412
Financial Management	412
Government Regulation	413
Trade Documentation	414
Importing and Exporting: Resources and Assistance	415
Public Agencies	416
Private Agents	416
Reconciling Opportunity and Challenge: An Export Plan	419
Looking to the Future	
Technology Transforms International Trade	420
Countertrade	421
Costs	422
Benefits	422
CASE: Amazon in India: Eyeing an Enormous Potential Market	423
15 Direct Investment and Collaborative Strategies	425
CASE: Meliá Hotels International	425
Why Export and Import May Not Suffice	430
When It's Cheaper to Produce Abroad	431
When Transportation Costs Too Much	431
When Domestic Capacity Isn't Enough	431
When Products and Services Need Altering	431
When Trade Restrictions Hinder Imports	431
When Country of Origin Becomes an Issue	432
Why and How Do Companies Make Wholly Owned FDI	432
Reasons for Wholly Owned Foreign Direct Investment	432
Acquisition Versus Greenfield	433

Why Companies Collaborate	434
General Motives for Collaborative Arrangements	434
International Motives for Collaborative Arrangements	435
Forms of and Choice of Collaborative Arrangements	436
Some Considerations in Choosing a Form	437
Point-Counterpoint	
<i>Should Countries Limit Foreign Control of Key Industries?</i>	437
Licensing	439
Franchising	440
Management Contracts	440
Turnkey Operations	440
Joint Ventures (JVs)	442
Equity Alliances	442
Why Collaborative Arrangements Fail or Succeed	443
Reasons for Failure	443
Helping Collaborative Operations Succeed	444
Looking to the Future	
Growth in Project Size and Complexity	447
CASE: The oneworld Airline Alliance	448
16 The Organization of International Business	452
CASE: From the Bamboo Network to the Technology-Driven Unicorns: Chinese Corporations in Southeast Asia	452
The Idea of an Organization	456
Classical Organization Structures	457
Vertical Differentiation	457
Horizontal Differentiation	459
The Functional Structure	460
Divisional Structures	461
The Matrix Structure	464
The Mixed Structure	466
Neoclassical Structures	466
The Challenge of Boundaries	467
The Quest for Boundarylessness	468
The Network Structure	469
The Virtual Structure	471
Neoclassical Structures: Practical Problems	472
Point-Counterpoint	
<i>The Hierarchical Structure: The Superior Format</i>	473
Coordination Systems	475
Coordination by Standardization	476
Coordination by Plan	477
Coordination by Mutual Adjustment	478

Control Systems	479
Bureaucratic Control	479
Market Control	479
Clan Control	479
Control Methods	479
Which Control System When?	480
Organizational Culture	480
A Key Piece of the Performance Puzzle	481
The Power of Common Cause	482
Developing an Organizational Culture	482
Looking to the Future	
Changing Times, Changing Skills, and Changing Organizations	484
CASE: Hyundai Motor Company: Expanding Through Organizational Excellence	485
PART SIX: Managing International Operations	488
17 Marketing Globally	488
CASE: Svendsen Sport: Marketing Globally for Healthy Business Development	488
International Marketing Strategies: Orientations, Segmentation, and Targeting	490
Marketing Orientations	490
Segmenting and Targeting Markets	492
Product Policies: Country Adaptation Versus Global Standardization	493
Why Firms Adapt Products	493
Alteration Costs	495
The Product Line: Extent and Mix	495
International Pricing Complexities	495
Potential Obstacles in International Pricing	495
Should Promotion Differ Among Countries?	498
The Push–Pull Mix	498
Some Problems in International Promotion	498
International Branding Strategies	501
Global Brand Versus Local Brands	501
Point-Counterpoint	
<i>Should Home Governments Regulate Their Companies' Marketing in Developing Countries?</i>	503
Distribution Practices and Complications	504
Deciding Whether to Standardize	504
Internalization or Not?	505

Distribution Partnership	505
Distribution Challenges and Opportunities	506
Gap Analysis: A Tool for Helping to Manage the International Marketing Mix	507
Usage Gaps	508
Product-Line Gaps	509
Distribution and Competitive Gaps	509
Aggregating Countries' Programs	509
Looking to the Future	
How Might International Market Segmentation Evolve?	509
CASE: Grameen Danone Foods in Bangladesh	510
18 Global Operations and Supply-Chain Management	515
CASE: Apple's Global Supply Chain	515
Global Supply-Chain Management	517
What Is Supply-Chain Management?	518
Global Supply-Chain and Operations Management Strategies	518
Operations Management Strategy	519
Global Sourcing	520
Why Global Sourcing?	522
Major Sourcing Configurations	523
The Make-or-Buy Decision	523
Point-Counterpoint	
<i>Should Firms Outsource Innovation?</i>	524
Supplier Relations	525
Conflict Minerals	525
The Purchasing Function	526
Information Technology and Global Supply-Chain Management	526
Electronic Data Interchange (EDI)	526
Enterprise Resource Planning/Material Requirements Planning	527
Radio Frequency ID (RFID)	527
E-commerce	527
Quality	528
Zero Defects	528
Lean Manufacturing and Total Quality Management (TQM)	529
Six Sigma	530
Quality Standards	531
Looking to the Future	
Uncertainty and the Global Supply Chain	532
CASE: Nokero: Lighting the World	532

19 International Accounting and Finance Issues	538
CASE: Parmalat: Europe's Enron	538
The Crossroads of Accounting and Finance	540
What Are the Responsibilities of the Controller?	541
Differences in Financial Statements Internationally	541
Differences in the Content of Financial Information	542
Factors Affecting Accounting Objectives, Standards, and Practices	542
Cultural Differences in Accounting	543
International Standards and Global Convergence	544
Mutual Recognition Versus Reconciliation	544
The First Steps in Establishing IFRS	545
The International Accounting Standards Board	545
Point-Counterpoint	
<i>Should U.S. Companies Be Allowed to Use IFRS?</i>	547
Transactions in Foreign Currencies	548
Recording Transactions	548
Correct Procedures for U.S. Companies	549
Translating Foreign-Currency Financial Statements	549
Translation Methods	549
International Financial Issues	552
Capital Budgeting in a Global Context	552
Internal Sources of Funds	553
Global Cash Management	554
Foreign-Exchange Risk Management	556
Types of Exposure	557
Exposure-Management Strategy	558
Looking to the Future	
The Impact of Global Economic Forces on Accounting and Finance	559
CASE: H&M: The Challenges of Global Expansion and the Move to Adopt International Financial Reporting Standards	560
20 International Human Resource Management	563
CASE: Globalizing Your Career	563
International Human Resource Management	566
The Strategic Role of IHRM	567
IHRM's Mission	569
The Perspective of the Expatriate	569
Who's Who?	570
Trends in Expatriate Assignments	570

The Economics of Expatriates	572
The Enduring Constant	573
Staffing Frameworks in the MNE	573
The Ethnocentric Framework	573
The Polycentric Framework	575
The Regiocentric Staffing Framework	576
The Geocentric Staffing Framework	577
Which Staffing Framework When?	578
Expatriate Selection	579
Technical Competence	580
Self-Orientation	580
Other-Orientation	581
Resourcefulness	581
Global Mindset	581
Expatriate Preparation and Support	582
Pre-Departure Preparation Programs	583
In-Country Support Programs	583
Family Matters	583
Point-Counterpoint	
<i>English: Destined to Be the Global Language?</i>	584
Expatriate Compensation	586
Types of Compensation Plans	587
Compensation Components	587
Compensation Complications	588
Expatriate Repatriation	589
Repatriation Challenges	589
Managing Repatriation	590
Expatriate Failure	590
The Costs of Failure	591
The Wildcard	592
Looking to the Future	
I'm Going Where? The Changing Geography of International Assignments	592
CASE: Tel-Comm-Tek: Selecting the Managing Director of Its Indian Subsidiary	593
Endnotes	597
Glossary	635
Company and Trademark Index	645
Name Index	651
Subject Index	669

Preface

The 17th edition of *International Business: Environment and Operations*, besides the latest, we believe is the greatest version of our work. It is a best-selling international business (IB) textbook—both in the United States and worldwide. The long-running choice in many international business studies and MBA programs, it is used around the globe in undergraduate and graduate education. To date, it has been translated into Albanian, Chinese, Korean, Macedonian, Russian, Spanish, and Thai. Its first edition in 1976, according to many professors, defined the intellectual structure of the IB domain. The subsequent 16 editions have fortified its status as the global standard for studying the environments and operations of IB.

For nearly half a century, students, teachers, scholars, managers, and officials have praised our text for insightfully integrating authoritative theory with meaningful practice within the context of rigorous analysis of trends and circumstances in IB. Commanding a sharper sense of the political, legal, technological, competitive, and cultural factors sharpens decision-making and improves performance. The standards of success that inspire our efforts, we believe, make this edition the best yet. Our collective efforts result in a textbook that provides instructors and students a powerful, productive, and meaningful understanding of the dimensions and dynamics that define the world of business.

NEW TO THE SEVENTEENTH EDITION

The changing business world calls on us to change our understanding and interpretation, aspiring to make sense of the environments and operations of IB. This edition shares our latest views on a wide variety of topics, issues, challenges, and opportunities in IB. Throughout, we strive to help readers interpret what it all means for professional and personal choices. To that end, we have aggressively revised the text to reflect current research and best practices, both academic and practitioner. We have updated and added countless examples of managers and companies around the world, relying on reports from many sources. Specific features and changes include:

- Reid Click of George Washington University joined the author team. Reid brings a wealth of experience and expertise in the areas of international economics, global financial markets, international business finance, and business in emerging markets. His analyses and insights greatly improve the rigor and relevance of the text.
- The chapter structure of the text replicates that used in the 16th edition. However, we've revised and, in some cases, revamped materials, given dramatic political, economic, social, and institutional changes, let alone the unfolding consequences of the COVID-19 pandemic.
- Coverage of recent developments has been added throughout the text to put a spotlight on the dynamic nature of IB. For example, new content on the COVID-19 pandemic focuses attention on changes in the environments and operations of IB, with special emphasis on institutions, supply chains, and trade.
- The expanding migration of the text into digital delivery formats, in conjunction with the MyLab platform, spurred us to address the concerns of all users, no matter their preferred format.
- Discussion of new legislation and regulation underscores the need for reevaluation of corporate policies and strategies, such as those brought on by the overhaul of multinational corporate taxation in the United States enacted by the Tax Cuts and Jobs Act and recent rounds of trade negotiations by nations worldwide.

- Nearly all figures, tables, and maps are updated to track the changing context of globalization and the conduct of IB. Several new figures, tables, and maps are added to enrich analysis.
- All new photographs provide contemporary illustrations of traditional and expanded topics.
- Eleven new cases address contemporary issues in IB.
 - International Students and International Business in Chapter 2
 - The European Union’s Green Deal and Blueprint for a Circular Economy in Chapter 4
 - The Battle of the Clothing Giants for Sustainable Manufacturing in Chapter 5
 - The Australian Beef Industry in Chapter 6
 - The Rise of Cryptocurrencies in Asia Pacific: The Philippines Case in Chapter 9
 - The E-Giants and the European Union: New Economy Models and Traditional State Sovereignty in Chapter 11
 - Open Sesame: Alibaba Isn’t Poor Anymore in Chapter 11
 - Airbus: An Aerospace Giant Born International in Chapter 13
 - Amazon in India: Eyeing an Enormous Potential Market in Chapter 14
 - From the Bamboo Network to the Technology-Driven Unicorns: Chinese Corporations in Southeast Asia in Chapter 16
 - Svendsen Sport: Marketing Globally for Healthy Business Development in Chapter 17
- All other chapter opening and closing cases, 29 in total, have been revised to provide fully up-to-date analysis of issues, institutions, countries, and companies.

CHAPTER-BY-CHAPTER UPDATES

Part One: Background for International Business

Chapter 1 | Globalization and International Business

- Updated material on the downside of globalization, including new examples of corruption and cheating in sports.
- Enhanced presentation of the role of technology in global production with discussion of China becoming the world’s workshop.
- Added material on the escalation of US-China trade restrictions.
- Expanded coverage of reasons for anti-globalization, including the concern for becoming a minority in one’s own country.
- Added discussion on the effect of stress from globalization, using French protests as an example.
- Added material on the COVID-19 pandemic, covering how it negatively affects supply chains and the cruise business, but also provides a reason for global cooperation to fight pandemics.
- Updated the “Why Study IB?” section.
- Added coverage of de-globalization.
- Updated closing case on transportation and logistics in Dubai Ports World

Part Two: Comparative Environmental Frameworks

Chapter 2 | The Cultural Environments Facing Business

- Extended discussion of cultural dynamics, including recent gains of women’s rights in Saudi Arabia.
- Added content on the concept of the Anglosphere.
- Extended discussion on how the meaning of gestures can change, using the example of the U.S. OK sign being used for white supremacy.
- Added information on how people adjust abroad by degree, such as accepting some foods but not others.
- New closing case on international students’ effects on themselves, organizations, and nations.

Chapter 3 | The Political and Legal Environments Facing Business

- Streamlined interpretation of political freedom and continuing tension between democracy and totalitarianism.
- Added profile and assessment of populism and the challenges it poses to political freedom.
- Updated profile of intellectual property regulation, piracy, and counterfeiting within the political context of IB.

Chapter 4 | The Economic Environments Facing Businesses

- Updated profile of emerging economies, highlighting long-running trends as well as recent developments, both pro and con, notably on the One Belt, One Road initiative.
- Revised profiles of developed, developing, and emerging economic systems.
- Updated and streamlined discussion of economic freedom in light of the ongoing changes in different types of economic systems, and revised discussion of the relationship between economic freedom and standard of living, strengthening the connection between the concepts.
- Modified discussion of the mixed economic system given political trends in developed countries, most notably expanding socialism and populism.
- Expanded discussion of the shadow economy as a key component of national and global economies.
- Refined coverage of key economic indicators and expanded discussion of indicators used to integrate economic analysis.
- New closing case on the European Union's effort to transform Europe into the first carbon neutral continent through its Green Deal and its plan to develop a circular economy.

Chapter 5 | Globalization and Society

- New opening case on the battle of the clothing giants Inditex, H&M, and Uniqlo for sustainable manufacturing.
- Added discussion on the interaction between the Corporate Ethical Values (CEV) set by a company and the degree of corruption (using the Corruption Perceptions Index) in a country where the company is operating.
- Added material on how companies and governments have to deal with greenhouse gas emissions and air and water pollution in their overall environmental strategy.
- Updated presentation of the Paris Agreement on Climate Change and what countries are doing to deal with greenhouse gas emissions.

Part Three: Theories and Institutions: Trade and Investment

Chapter 6 | International Trade and Factor Mobility Theory

- Updated opening case on South Korea's success story in the post-WWII international economy.
- Improved coverage of international migration with new data and discussion of contemporary issues.
- Expanded discussion of international capital movement, and its effects, within the context of foreign direct investment.
- Enhanced material on domestic labor mobility in the context of trade effects, including discussion of the immobility of labor in sectors shrinking due to competition from imports to move into sectors that are expanding.
- New closing case on the Australian beef industry.

Chapter 7 | Governmental Influence on Trade

- Updated opening case on trade disputes and protectionist measures involving rare earth elements (REEs), important strategic materials for many countries in terms of production of advanced technologies.
- Added analysis of the 2018 tariffs on U.S. imports, including expanded attention to the effects on prices and the question of who pays.
- Expanded discussion of "comparable access" and "fairness" in trade given the discourse in the United States during 2018–2019.
- Added coverage of the effects of the coronavirus pandemic on trade by highlighting examples of export restrictions designed to keep medical supplies at home.
- Revised closing case on doing business in Singapore.

Chapter 8 | Cross-National Cooperation and Agreements

- Updated opening case on the issue of Post-Brexit regional integration, and the challenges and opportunities that ensue.
- Updated discussion on the European Union reflecting the exit of the United Kingdom (Brexit) and its impact on global trade.
- Added coverage of changes in the North American Free Trade Agreement resulting in the new United States–Mexico–Canada Agreement (USMCA) and policies designed to increase manufacturing production in North America.
- Added discussion of how political changes and a move to stronger nationalism can result in national self-interest and greater reliance on bilateral rather than multilateral trade agreements.
- Added analysis on how, even though the U.S. is no longer actively involved in the Trans-Pacific Partnership, some of the trade rules developed in the agreement are incorporated in the USMCA.
- Updated closing case on Unilever’s success story of expanding into the ASEAN region.

Part Four: World Financial Environment

Chapter 9 | Global Foreign-Exchange Markets

- New opening case on the rise of cryptocurrencies in Asia Pacific, especially in the Philippines.
- Revised discussion of foreign exchange trading capturing institutional and technological changes.
- Expanded “Looking to the Future” including recent developments regarding the rise of the Chinese yuan as a global currency and the new landscape of cryptocurrencies, including Facebook’s Libra.
- Extended closing case on the Chinese yuan renminbi highlighting the importance of the 2015 reforms, the U.S. declaration of China as a currency manipulator, and the slow movement away from a fixed exchange rate regime toward a floating exchange rate regime.

Chapter 10 | The Determination of Exchange Rates

- Revised discussion of the International Monetary Fund, including its response to the COVID-19 pandemic.
- Updated Point/Counterpoint on a common currency for Africa incorporating recent developments.
- Improved content on the breakdown of Zimbabwe’s financial system and the rise of a black market for foreign exchange, covering recent developments including introduction of an electronic currency and subsequent introduction of a new paper currency.
- Expanded presentation of the Big Mac Index conveying the concept of Purchasing Power Parity and extending analysis to include price changes.
- Modified discussion of the “flight to safety” in currency markets using the COVID-19 pandemic as a new example.
- Revised “Looking to the Future” on changes in the relative strength of global currencies capturing recent developments with China and the yuan, as well as Brexit.
- Updated closing case on Sony and the Japanese yen introducing recent events in Japan, developments with the yen, and current company data.

Chapter 11 | Global Capital Markets

- New opening case on disputes over tax matters between the European Union and e-giants such as Apple, Google, and Amazon.
- Added examples of recent international cross-listings and de-listings.
- Revised discussion of corporate tax rates updating data and highlighting the effects of the Tax Cuts and Jobs Act of 2017.
- Modified discussion of worldwide and territorial taxation accounting for changes in the U.S. engendered by the Tax Cuts and Jobs Act of 2017.
- Added coverage of the new global intangible low tax income (GILTI) in the U.S. and the complexity of its implementation.
- Revised “Looking to the Future” on capital markets and taxes covering recent developments.

- New closing case on Alibaba's record-breaking initial public offering on the NYSE in 2014 and its cross-listing on the Hong Kong exchange in 2019, featuring discussion of corporate governance, the investment banking process, and a contrast to the Saudi Aramco record-breaking listing on the Tadawul stock exchange.

Part Five: Global Strategy, Structure, and Implementation

Chapter 12 | The Strategy of International Business

- Revised material on strategic planning better connecting concepts from strategic management and international business.
- Refined presentation on the contrast between industrial organization and resource-based perspectives of strategy.
- Improved discussion of location economics as a moderator of strategy given technological trends in artificial intelligence and automation.
- Modified specifications of international, localization, global, and transnational strategies.
- New Figure 12.5 communicating the implication of the integration-responsiveness grid to strategy type in IB.
- Updated and revised closing case improving specifications of alternative scenarios for the multinational enterprise of the future.

Chapter 13 | Country Evaluation and Selection

- New opening case on Airbus and its internationalization strategies.
- Added example in the discussion of social and economic conditions explaining the effects of the 2019 anti-government protests in Algeria on Exxon-Mobil.
- Modified information in section on debilitating diseases introducing the novel coronavirus COVID-19.
- Updated closing case on the meteoric rise of the LEGO Group and its expansion into the Chinese market.

Chapter 14 | Export and Import

- Updated opening case improving coverage of managerial and market dynamics in the export process.
- Added detail on export/import profiles at the national level, highlighting the top three merchandise importers and exporters.
- Streamlined coverage of the alternative approaches to exporting.
- Updated profile of exporting e-waste developing the elements supporting it and better balancing the arguments against it.
- Revised and streamlined profile of "Exporting and Importing: Problems and Pitfalls."
- New Figure 14.1 illustrating key categories of barriers to trade and improving intellectual accessibility.
- New closing case on the entry of Amazon in the Indian market.

Chapter 15 | Direct Investment and Collaborative Strategies

- Updated opening case on Meliá Hotels highlighting changes in type and location of foreign operations.
- Extended discussion of appropriability theory showing that operating forms other than direct investment can be employed.
- Added material presenting the effect of firms' operating experience on their choices of new entry modes, with emphasis on recent trends.
- Added coverage of the effects of airline deregulation on the number of airlines.
- Revised closing case on the oneworld Alliance updating participants.

Chapter 16 | The Organization of International Business

- New opening case on the organization of Chinese corporations, from the bamboo network to the rise of the technology-driven unicorns.
- Reinterpreted ideas of centralization in terms of traditional organizational theory perspectives.
- Added material on the ongoing expansion and influence of automation and artificial intelligence to radically reconfigure organizations.
- Revised organizational charts highlighting vertical and horizontal differentiation more effectively.
- Added Figure 16.7 on the mixed structure.
- Amplified discussion of neoclassical structures, particularly highlighting their point of differentiation with classical counterparts.
- Updated graphical representation of the network structure, better communicating the interrelationships among its key elements.

- Improved discussion of the virtual structure by highlighting forms found in emerging firms such as Airbnb, Uber, and Upwork.
- Revised profiles of coordination by plan and mutual adjustment, taking into account the potential of automation and artificial intelligence.
- Updated closing case on the expansion strategies of the Hyundai Motor Company and the organizational challenges that it faces.

Part Six: Managing International Operations

Chapter 17 | Marketing Globally

- New opening case on the marketing strategies of the Danish company, Svendsen Sport.
- Added content on how marketing practices evolve, such as Hilfiger's use of different models and introduction of retro designs.
- Expanded coverage of different country legal and environmental standards on products and promotion.
- Revised examples of companies' product offerings in developing countries that differ from those in their home markets.
- Enhanced discussion of distributional cost differences in developing economies.
- Added ending case question asking whether Grameen-Danone should continue Bangladeshi operations if it is not profitable.

Chapter 18 | Global Operations and Supply-Chain Management

- Added discussion of the impact of COVID-19 on supply chains using Apple as an example of a company relying significantly on China for suppliers and contract manufacturing.
- Added material on the importance of quality in the manufacturing sector using the example of Boeing and their popular 737 MAX airplane and how a quality disaster can affect a company's competitive position and profitability.
- Added coverage of how the pressure to meet the profitability and speed to market of competitors forced many Japanese companies to sacrifice quality and falsify quality records, resulting in a drop in reputation.
- New section on blockchain technology and how it can be used in supply chain management.
- Revised "Looking to the Future" discussing how the COVID-19 pandemic has affected current global supply chains and how scenario planning for future pandemics could affect supply chains permanently.

Chapter 19 | International Accounting and Finance Issues

- Revised opening case on Parmalat: Europe's Enron.
- Updated discussion of International Financial Reporting Standards (IFRS) covering recent changes and possible impacts on U.S. GAAP.
- Refined coverage on the international dimensions of the financial role of the Controller.
- Added explanations of why it is so complicated for a company engaged in global operations to deal with accounting issues.
- Updated foreign currency translation examples reflecting changes in revenue recognition in the United States and how the changes alter the way exchange rates impact the financial statements.
- Updated closing case on H&M including changes in IFRS and impacts on H&M's financial reporting.

Chapter 20 | International Human Resource Management

- Updated opening case on "Globalizing Your Career" expanding the points of perspective reported.
- Expanded discussion of mainstream HRM in order to better contrast and develop the ideas of IHRM.
- Added profile of the evolution of IHRM and expatriate management from pre-1970 through the 2020s.
- New Figure 20.3 presenting the chronology of outlooks and outcomes in expatriate selection.
- Expanded discussion of commuter/flexpatriate assignment incorporating the emerging class of gig-pats.

- Revised profile of IHRM staffing frameworks introducing the regiocentric perspective, thereby complementing the ethnocentric, polycentric, and geocentric profiles.
- Updated Table 20.1 providing a summary profile of the regiocentric staffing framework.
- Revised Figure 20.5 and discussion on the leading concerns of expatriates ahead of moving to their foreign assignment.
- Revised Figure 20.6 and discussion on factors most commonly responsible for expatriate assignments not going as planned.
- Revised closing case incorporating discussion of company strategy as a moderator of its staffing network and directly framing the expatriate selection decision within the context of the company's selection framework.

SOLVING TEACHING AND LEARNING CHALLENGES

Helping you, as a teacher, deliver the best possible learning experience to your students motivates us to incorporate productive resources and powerful pedagogies throughout the text. We, as teachers of IB, have been in your position for many years. Hence, we believe we understand the challenge you face and the opportunity you have to teach the principles and practices of IB. To that end, we have developed a range of resources to help you inspire your students to engage the text and, for your students, to master the material.

CASES

We develop all cases with the explicit objective to fit with the topics, themes, ideas, and examples covered in the chapter. Our cases span the wide world of business, en-

CASE

The Globalized Business of Sports¹

Sports may be the world's most globalized business. Fans demand to see the best, and "best" has become a global competitive standard. (The opening photo shows tourists from several countries in Moscow for the 2018 World Cup.) Satellite TV brings live events from just about anywhere in the world to fans just about anywhere else. This

gives the key sports-business participants—athletes, team owners, league representatives, and sports associations—broadened audience exposure, expanded fan bases, and augmented revenues.

National sports federations' sponsorship of international competitions is common, most notably the long-standing World Cup in football (soccer) and the Olympics. More national organizations participate in these events than there are United Nations (UN) members, and probably more people follow them than follow most of the UN's

engaging an extensive range of topics from environmental, institutional, country, industry, business, executive, and individual perspectives. They include a range of company perspectives, from large MNEs to small exporters, from old-line manufacturers to emergent digital businesses, and from product

manufacturers to service providers. All cases are written from the perspective of assessing an opportunity, analyzing a challenge, and making a decision.

CASE

Saudi Arabia's Dynamic Culture¹

Saudi Arabia (see Map 2.1) can be perplexing to foreign firms as they try to exercise acceptable personal and business behavior. Its mixture of strict religious convictions, ancient social customs, and governmental economic policies results in laws and customs that often contrast with those elsewhere, shift with little advance notice, and vary by industry and region. (The opening photo illustrates the contrast between tradition and modern, i.e., people in religiously fostered traditional dress at an ultramodern structure.) Thus, foreign companies and employees must determine what these differences are and how to adjust to them. A brief sample of Saudi traditions, cultural norms, and foreign operating adjustments should help you understand the importance of culture in IB.

A LITTLE HISTORY AND BACKGROUND

Although the land encompassing the Kingdom of Saudi Arabia has a long history, during most of that history invaders controlled a divided land and most inhabitants had a tribal rather than national loyalty. Nevertheless, the inhabitants have shared a common language (Arabic) and religion (Islam). In fact, Saudi Arabia is the birthplace of Islam and the location of its two holiest cities, Mecca and Medina. King Ibn Saud, a descendant of Mohamad, took power in 1901, merged independent areas, created a political and religious entity, and legitimized his monarchy and succession by defending Islamic holy areas, beliefs, and values.

The growing importance of oil for Saudi Arabia, particularly since the 1970s, led to rapid urbanization and gave the government the means to offer social services such as free education. These

The Opening Case Each chapter opens with a case profile of a big topic issue in IB. It familiarizes the students with the upcoming topics in the chapter by introducing themes within a practical context that speak to the key topics explained in the chapter. Much like the overture of a symphony, the opening case highlights critical ideas and issues for the students that are developed through academic perspectives and applied interpretation throughout the chapter, thereby stimulating their thinking engines.

CASE

It's a Knockoff World

Worldwide, companies are plagued by piracy—the illegal imitation, copying, or counterfeiting of their intellectual property. It's a tense issue given that it cuts to issues of history, culture, politics, income, development, innovation, competitiveness, and prosperity. Making matters worse is that pirates, besides being everywhere, come in every form: individuals making copies at work, imitators laboring in dingy sweatshops, modern enterprises build to steal, deni-

the latter provides cheap, easily accessible marketing platforms and distribution channels. The costs of counterfeit IP, from lost sales, eroded consumer confidence, diminished brand reputation, lower tax revenue, and higher enforcement expenses, is staggering. The International Anti-Counterfeiting Coalition (IACC) estimates that international trade in illegitimate goods runs \$1.77 trillion—approximately 10 percent of world merchandise trade. To top it off, piracy has grown more than 10,000 percent in the past three decades—it was a paltry \$5.5 billion in 1982.¹⁰⁷

The Closing Case Each chapter closes with a case profile of a big topic in IB that extends and elaborates key ideas reported in the chapter. It provides a student a real-world situation to apply the principles covered throughout the chapter. It gives the student a great opportunity to ask what would they do, as an observer,

executive, or official, to make sense of the situation and, importantly, to make a decision in the real-world context of IB.

POINT

Should Africa Develop a Common Currency?

YES So far, we've looked at the success of the EU in initiating a common currency. But what about Africa, the continent of some of the world's fastest-growing frontier economies? The success of the euro and the deep economic and political problems in Africa have caused many experts to wonder whether the continent should attempt to develop one common currency with a central bank to set monetary policy.¹⁵ In 2003, the Association of African Central Bank Governors of the African Union (AU)

COUNTERPOINT

Should Africa Develop a Common Currency?

NO There is no way the countries of Africa will ever establish a common currency, even though the African Union hopes to do so. The institutional framework in the individual African nations is simply not ready. Few of the individual central banks are independent of the political process, so they often have to stimulate the economy to respond to political pressures. If the process is not managed properly and the currency is subject to frequent devaluation, there will be no pride in

Point-Counterpoint This feature reflects the fact that many issues in IB, depending upon one's perspective, have different characteristics that support different decisions. It gives students a great opportunity to study an issue, examining two contrasting perspectives, and make sense of overlaps and contradictions. This allows students to apply the principles

CONCEPT CHECK

Chapter 2 notes that globalization spurs a variety of managerial approaches. Similarly, Chapters 3 and 4 emphasize that MNEs invariably encounter different political, legal, and economic practices. Likewise, here we highlight that global imperatives and local constraints shape planning in the MNE.

learned in the chapter to resolve the contrasting points of view. Importantly, this feature helps students understand that, depending on the perspective one applies, one can come up with different, but still credible interpretations and conclusions.

Concept Checks Concept checks support the student's understanding of relationships between fundamental principles introduced in one chapter with overlapping principles reported in other chapters. Concept checks are used thoughtfully, highlighting key foundational aspects of IB. Each shows how linkages and connections are an important aspect of studying IB. Each is positioned in the margin, adjacent to the corresponding topic.

LOOKING TO THE FUTURE

Digits, Widgets, and Changing Location Advantages

Since business began, location advantages have influenced how companies configure value activities. Searching for raw materials, seeking productive, low-cost labor, arbitraging taxes and tariffs, and the like push MNEs to travel the world, continually seeking optimal locations. Making products there yet moving products here required an expansive, often expensive logistics matrix. Today, in a bit of understatement, "the times they are a changin'." Revolutionary developments in digitalization, robots, and 3-D printers spur radically rethinking the implication of location advantages to configuring value activities.

value activities such as regulatory registration or evaluation. Digitization disperses these activities. Indeed, it has created a new global model for financial services, unleashing disruptive innovations that change the gameboard. Arguably, we have never seen disruption of this magnitude in history. Companies respond in kind, rethinking the location of value activities. Some see digitization "creating a second economy that's vast, automatic, and invisible—thereby bringing the biggest change since the Industrial Revolution."⁵⁴

Similar trends, for instance, disrupt location effects in

Looking to the Future Each chapter covers issues that have implications to apparent trends and the possible future for IB. The feature helps students realize the importance of understanding the past and the present in order to anticipate the future. The ideas and perspectives covered in the correspond-

ing chapter position them to forecast possible future IB scenarios by understanding how current trends and contemporary events create opportunities and threats. Notably, given the unfolding consequences of the COVID-19 pandemic, looking to the future is fundamentally important to making sense of IB—and throughout the text, this feature does precisely that.

Maps Besides orienting students to the scale and scope of IB, maps are helpful for learners to understand the practical geography of IB—whether it involves understanding a company situation reported in the course of the chapter, a feature of an opening or closing case, or just simply an aspect of class discussion. Time and time again, maps have helped us help our students visualize patterns and processes in the global business environment. Indeed, maps consistently help us convey information and findings that are often tough to express verbally, but, once a student “sees” it in the context of a map, the student “gets it.”

Global integration standardizes worldwide activities to maximize efficiency, whereas local responsiveness adapts local activities to optimize effectiveness.

Margin Notes These are selectively included throughout each chapter to highlight important ideas and concepts. Students moving through the text can more effectively orient their learning experience by quickly reviewing a section or chapter, getting a general sense of the structure and flow of the materials. Too, they make for efficient note-taking and study aids. Our students report the value of adding their own margin notes to improve their learning as well as prepping for assessments.

A Diversity of Perspectives Our teaching experiences and research activities confirm the value a student gains by understanding the wide-ranging facets of IB. Hence, we present materials from a diversity of perspectives. Consistently, the material puts students in a position to apply a managerial perspective. However, it also puts them in a position to apply it from institutional to strategic to tactical viewpoints. Inevitably, students see the value of applying different levels of analysis to interpret how policies, whether set by a transnational institution, national government, multinational enterprise, or local entrepreneur, influence their personal lives and professional ambitions.

DEVELOPING SKILLS TO HELP YOU GET A JOB AND ENHANCE YOUR CAREER

As students consider whether or not to take an IB class and use this text, they ask themselves two fundamental questions: First, how will studying this text help me get a job and, second, from then on, how will it enhance my career? Fundamentally, we see the test of the usefulness of our text in terms of preparing students with the knowledge, skills, and abilities that employers require in a competitive labor market. Consistently, reports by various institutions, such as the Graduate Management Admission Council, World Economic Forum, Workplace, and the U.S. Department of Labor, highlight the importance of the following:

Complex Problem-Solving	Find solutions to difficult scenarios and complicated issues.
Comprehension and Logic	Apply critical and logical reasoning skills to evaluate facts and arguments in developing valid conclusions.
Critical Thinking	Objective analysis and evaluation of an issue in order to form a judgment.
Cultural Awareness	Understanding the differences between oneself and people from other countries or other backgrounds, especially differences in attitudes, outlooks, and values.
Ethics	Assess and interpret the relationship between right and wrong in the world of business.
Global Mindset	Outlook and orientation that helps one work more effectively with individuals, groups, and organizations unlike themselves.
Integrated Reasoning	Organize, manipulate, and evaluate information from different sources to identify relationships, synthesize connections, and solve multiple, interrelated problems.

The breadth and depth of our text offers many opportunities to develop this skillset. We cover a panorama of topics from all business domains along with materials from allied disciplines, including anthropology, political science, sociology,

law, economics, geography, demography, psychology, international relations, public policy, comparative politics, and institutional theory. In addition, we apply a diversity of intellectual, philosophical, and cultural perspectives. Throughout, the text integrates key concepts that span these domains. Collectively, these ambitions and outcomes develop several of the skills that employers seek.

Each chapter’s primary content along with showcase features develop employability skills in broad as well as precise terms. The scale and scope of the primary chapter material encourage the student to develop the full set of skills listed above. Furthermore, features, such as Business Cases, Looking to the Future Profiles, and Point-Counterpoint Debates, showcase a variety of issues and questions, highlight different perspectives, introduce different information sources, and emphasize synthesizing connections among concepts. Each and all encourage students to develop a robust skillset that the workplace confirms and supports professional success. Given the different objectives of the different features, some emphasize certain skills while others develop different ones—as we see here.

EMPLOYABILITY SKILLS MATRIX					
Skill	Opening Chapter Case	Chapter Content	Point-Counterpoint	Looking to the Future	Closing Chapter Case
Complex Problem-Solving	X	X		X	X
Comprehension and Logic	X	X			X
Critical Thinking	X	X	X	X	X
Cultural Awareness		X	X		
Ethics		X	X		
Global Mindset	X	X		X	X
Integrated Reasoning		X	X	X	X

INSTRUCTOR RESOURCES

Your Pearson team recognizes the importance of diverse, effective teaching resources to support the design and delivery of your class. Presently, we offer a full slate of resource options for you and we continually look for ways to expand and enhance your resources. Please visit <http://www.pearsonglobaleditions.com/> to see your latest options.

ACKNOWLEDGMENTS

We have received many suggestions, recommendations, and constructive criticisms from adopters and reviewers. In addition, our editorial staff has shared invaluable insights on significant design and delivery issues. Notwithstanding the importance of each, it is impossible to implement every recommendation. Ever-present constraints on the scale of the textbook impose tough page boundaries. Developing the text with an eye toward supporting its digital formats adds other constraints. Nevertheless, we, along with our editorial team, are always mindful of ensuring the text offers compelling value to the student. Generally, external reviewers are anonymous to us. Nevertheless, we humbly thank them for the insights and effort. Inevitably, we learn a great deal from listening to you, and your comments significantly improve the value of the text to adopters and students worldwide.

Beginning with researching and writing nearly half a century ago, this text, first published in 1976, now heads into its 17th edition. Over that span, many contributors,

colleagues, and critics have shared their views; the collective set is far too lengthy to list here. Nevertheless, the text could have attained its present position only with their ideas and insights. Once again, our sincere gratitude.

We also acknowledge people whom we interviewed in writing cases. These are Brenda Yester; Omar Aljindi, Nora al Jundi, and Talah Tamimi; Mauricio Calero; Raul Arguelles, Diaz Gonzales, and Francisco Suarez Mogollon; Jonathan Fitzpatrick, Julio A. Ramirez, Arianne Cento, and Ana Miranda; several executives at American Airlines and oneworld who wish to remain anonymous; and Ali R. Manbien.

In addition, we would like to thank several people who authored or coauthored cases for us: Terence Mughan at Royal Roads University for International Students and International Business: Leveraging Global Knowledge, Lichung Jen at National Taiwan University for The Evolution of Taiwan's International Trade, various executives at Walmart for their assistance with Walmart Goes South, Fidel León-Darder and Cristina Villar at Universitat de València for Meliá Hotels International, Jon Jung-bien Moon at Korea University for Grameen Danone Foods in Bangladesh, and Manuel Serapio at the University of Colorado Denver and Steve Katsaros, founder and CEO of Nokero, for Nokero: Lighting the World. Others who helped with administrative and research matters include Ian G. Daniels, Maddison Daines, Lisa Curlee, Allison Johnson, and Katie Cooper Redding.

It takes a dedicated group of individuals to take a textbook from first draft to final manuscript. We would like to thank our partners at Pearson Education for their tireless efforts in bringing the 17th edition of this book from aspiration to reality. Our thanks go to Director of HE Global Content Strategy, Lacey Vitetta; Manager—HE Global Content Strategy, Lynn Huddon; Managing Editor—US and UK, Suta-pa Mukherjee; Sr. Sponsoring Editor, Neeraj Bhalla; Product Managers, Olutosin Aje-Adegbite and Ellen Geary; Content Producers, Sugandh Juneja and Shweta Jain; and Project Manager at Integra, Allison Campbell.

GLOBAL EDITION ACKNOWLEDGMENTS

Pearson would like to thank the following people for their work on this Global Edition:

CONTRIBUTORS

Martha Lynn Eriksen, Technical University of Denmark
Stefania Paladini, Birmingham City University
Shveta Sharma, Western Sydney University
Jon and Diane Sutherland

REVIEWERS

David Ahlstrom, The Chinese University of Hong Kong
Jan Charbonneau, University of Tasmania
Martha Lynn Eriksen, Technical University of Denmark
See-Kwong Goh, Taylor's University
Hussein Ismail, Lebanese American University
Stefania Paladini, Birmingham City University
PK Senyo, University of Southampton
Muneeza Shoaib
Carolien van den Berg, University of the Western Cape