

Fourth Edition

International Business

The New Realities

Cavusgil

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Riesenberger



AUTHORS' LETTER

Dear Reader:

We understand today's students are **different!**

Today's students—often referred to as 'Millennials' or 'Digital Natives'—have grown up in a constantly connected world. They are highly social and work well in teams. They multi-task, have dynamic attention spans, and want to stay connected. They are optimistic and determined to make the world better. Finally, they are kinesthetic and visual learners.

The unmet needs and desires of today's millennial students can be grouped into three categories:

Visual and Collaborative Learning:

Millennials prefer to be engaged visually. They prefer interactive media, videos and textbooks with an emphasis on useful exhibits, photos, maps and other visual learning aids. Millennials prefer content that they can read or digitally access at a time and place of their choosing. They prefer self-paced learning. They enjoy group tasks.

Relevant Knowledge and Job Related Skills:

Millennials want relevant company examples, more concise foundational course content and tools that develop specific IB skills that will better prepare them for jobs as they enter the global working community.

Focus on Contemporary Issues that Matter to Millennials:

Millennials desire content with a strong emphasis on **culture, ethics, corporate social responsibility, sustainability, governance, social trends and other contemporary issues that matter to them.**

The new 4th edition of our textbook, *International Business: The New Realities*®, and the MyManagementLab® online assessment and preparation solution, have been completely redesigned and rewritten to address these unmet needs and desires.

This new 4th edition has been carefully crafted to:

- **Engage students**—make them want to learn more about international business
- **Ensure students are prepared to learn the material** by using collaborative learning and realistic experiences that enable interaction, demonstration, and social networking
- **Show students how to apply the material** by incorporating content on contemporary issues that matter to millennials which will better prepare them as they enter the global working community.
- **Enable students to acquire critical thinking and problem-solving skills**

Specifically, here is what the 4th edition offers:

VISUAL AND COLLABORATIVE LEARNING

Reduced number of chapters from 20 to 17. Market research with educators indicates that the ideal number of chapters for comprehensive course coverage is 17. The authors have condensed the writing and eliminated certain non-essential content in this new edition to address these needs.

Writing style and comprehension enhancement. The authors have utilized a writing style in the 4th edition to optimize reading and comprehension. Average sentence length is approximately 12 words per sentence. The reading level is fully accessible to Millennials.

New chapter organization designed to optimize student learning. Each chapter objective is linked to a specific CKR Learning Module® that can be read in approximately 20 minutes.

171 new and updated Exhibits designed to improve understanding and retention with specific links to chapter content. This is more than double the number of exhibits found in competing textbooks.

New and updated Maps specifically designed for the Millennial student learning style. This is double the number of maps as in competing textbooks.

Videos. The new *Watch It* feature links most chapters to one or two custom-designed videos on international business that clarify complex material and facilitate learning.

RELEVANT KNOWLEDGE AND JOB RELATED SKILLS

More concise foundational content development based upon marketing research from professors. The 4th edition puts more focus on foundational content. The authors have streamlined the narrative, emphasizing simplified explanations that have been classroom-tested.

Currency of examples and references. More than 70 percent of the references in the new edition are from 2008 or later, as compared to about 30 percent in leading competing textbooks. We have included company examples that are exciting and relevant to today's student.

Career Toolbox—IB Skills Building. IB Skill Building Exercises facilitate the development of specific and relevant international business expertise that prepare Millennials for the work world. IB Skill Building Exercises are unique to the 4th edition.

GlobalEDGE Internet Exercises in each chapter provide instructors a basis for student assignments and projects. The GlobalEDGE™ knowledge portal was developed under the direction of co-author S. Tamer Cavusgil while at Michigan State University.

You Can Do It—Recent Grads in IB. This edition offers nine biographies of real university graduates who have embarked on fascinating careers in international business. These inspiring stories, three of them new to this edition, bring the prospect of an exciting IB career to life.

FOCUS ON CONTEMPORARY ISSUES THAT MATTER

Emphasis on the new IB environment. Compared to leading competing texts, the new 4th edition presents more current and deeper coverage of contemporary IB topics such as emerging markets, developing economies, growth of the service sector, risks in IB, globalization and technology, women in IB and other important trends.

Ethics, CSR, Sustainability and Governance chapter. The authors have rewritten, updated and expanded the chapter to include the most current topics, issues and company examples.

Ethical dilemmas throughout the book. Ethical dilemmas are presented in the majority of chapters and focus on the dilemmas that managers encounter at the boundary of ethical norms and business practice. Students can apply the CKR Ethical Framework© from Chapter 4 to address each dilemma.

Group project on corporate social responsibility. The 4th edition contains a new, comprehensive activity in which students debate corporate social responsibility in international business. In this extended classroom-tested exercise, located in the *Instructor's Manual*, students debate the merits and consequences of CSR as 'executives,' 'consumers,' and 'activists.'

Culture chapter expanded, updated and rewritten to address the issues and topics of greatest importance and interest to Millennials and professors.

Dedicated chapter on emerging markets and developing economies. The only leading IB text with a specific chapter devoted to emerging markets and developing economies.

Women in international business. Women comprise about 50 percent of the undergraduate enrollment in business degree programs. Women increasingly pursue careers in international business. The 4th edition is the only text with a dedicated section devoted to the unique needs and challenges women face in international business.

Balanced coverage of multinational enterprises, small and medium size enterprises and born globals.

Unlike numerous other IB textbooks, the 4th edition features substantial content on the variety of firms active in international business today.

Balanced focus. The 4th edition offers a global perspective, avoiding excessive focus on specific nations or regions.

PERSONALIZED LEARNING

MyManagementLab delivers online assessment and preparation material that helps students study and prepare actively for class. Chapter-by-chapter activities, including pre-tests, post-tests, and video and critical-thinking exercises, emphasize content that students need to review and learn to succeed.

The Pearson eText lets students access their textbook anytime, anywhere, and any way they want—including online or downloading to tablet computers.

A **personalized study plan** for each student promotes better critical thinking skills and helps students succeed in the course and beyond.

INSTRUCTOR SUPPORT

AACSB tagging accompanies all end-of-chapter exercises to help instructors identify the AACSB learning goals that each exercise supports and to aid in measuring student learning of course content within AACSB guidelines. All test bank items are tagged as well.

Instructor's Manual. The Instructor's Manual is authored by Marta Szabo White of Georgia State University, winner of numerous teaching awards. The cutting-edge Manual provides numerous resources for each chapter such as exercises, critical-thinking assignments, debate topics, and research assignments.

Test Item File, authored by an assessment expert with extensive experience in test authoring. It includes approximately 100 questions per chapter, all reviewed and edited by the authors to ensure accuracy and appropriateness. TestGen Test Generating software is also available.

Newly prepared PowerPoint slides and an **Image Library** contain all of the exhibits from the textbook. All PowerPoints have been developed and classroom-tested by the authors. These are available electronically for instructors to download.



International Business

The New Realities

Global Edition

Fourth Edition

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Dedicated to...

This book is dedicated to all those who feel passionate about cross-border business, our readers around the world. I trust that this edition will inspire and help you discover the magic of international business. Since any journey is much more rewarding when you are accompanied by others, I also dedicate this edition to my students of four decades whom I had the opportunity to mentor over the years.

S. Tamer Cavusgil
Atlanta, Georgia

This book is dedicated to my wife, Mari, for her intellect, patience, and adventurous spirit; to Bill and Audrey, and to Hiroshi and Hisako, for being great parents and role models; and to the many students I have had the good fortune to influence over the years.

Gary Knight
Portland, Oregon

This book is dedicated to my parents, Richard and Marie Riesenberger, for their example, many sacrifices, and love. To my wife and best friend, Pat, for her enthusiasm and loving support. To my daughters, Chris and Jen, and their husbands, Byron and Martijn, of whom I am so very proud and thankful. To my amazing grandchildren, Ryan, Paige, Ethan, and Emma—the future of the New Realities.

John R. Riesenberger
Basking Ridge, New Jersey

> About the Authors



S. Tamer Cavusgil

Georgia State University, Fuller E. Callaway Professorial Chair
Executive Director, Center for International Business Education
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Professor Cavusgil has been mentoring students, executives, and educators in international business for the past four decades. A native of Turkey, his professional work has taken him to numerous other emerging markets.

Tamer serves as Fuller E. Callaway Professorial Chair at Georgia State University's Robinson College of Business. He is also a visiting professor at Leeds University Business School, U.K.; University of South Australia; and Xi'an Jiaotong University.

Previously, Tamer served as *Senior Fulbright Scholar* to Australia and taught at Monash University. Tamer also served as a visiting professor at Manchester Business School and held the Gianni and Joan Montezemolo Visiting Chair at the University of Cambridge, United Kingdom, where he is also an Honorary Fellow of Sidney Sussex College. At Michigan State University, where he served for 21 years, he was the inaugural holder of the John Byington Chair in Global Marketing and Founding Director of CIBER.

Professor Cavusgil is an elected Fellow of the Academy of International Business, a distinction earned by a select group of intellectual leaders in international business. He also served as Vice President of the AIB, and on the Board of Directors of the American Marketing Association.

Tamer was named International Trade Educator of the Year in 1996 by the National Association of Small Business International Trade Educators (NASBITE). Most recently, he was inducted as Doctor Honoris Causa (Honorary Doctorate) by the Universiteit Hasselt, Belgium, "in recognition of seminal research in, and groundbreaking contributions to the field of international marketing and international business performance."

Tamer has authored more than two dozen books and some 200 refereed journal articles. His work is among the most cited contributions in international business. He is the founding editor of the *Journal of International Marketing* and *Advances in International Marketing*. He serves on the editorial review boards of a dozen professional journals.

Tamer holds a Bachelor of Science degree in business and economics from the Middle East Technical University in Ankara, Turkey. He earned his MBA and PhD degrees in business from the University of Wisconsin.

Gary Knight

Willamette University, Professor of Global Management and Helen
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University of Southern Denmark, Visiting Professor

Professor Gary Knight has been teaching international business for more than 20 years. A native of the United States, he has lived and worked in many countries around the world.

Gary has been Helen Simpson Jackson Chair in International Management at Willamette University since 2012. He is also Visiting Professor at the University of Southern Denmark, Odense. He was professor at Florida State University for 15 years where he directed the school's International Business Program.

Gary has been an invited speaker at institutions worldwide and developed study abroad programs in Asia, Europe, and Latin America. He has won several awards, including the Jerry Hudson Award for Excellence in Teaching, Willamette University, and Best Teacher in the MBA Program, Florida State University.



Gary has co-authored six books and more than 100 refereed articles in academic journals and conference proceedings. His research emphasizes international business strategy, international services, emerging markets, and internationalization of small and medium-sized firms.

Gary won the Hans Thorelli Best Paper Award for his article “Entrepreneurship and Strategy: The SME Under Globalization.” Along with S. Tamer Cavusgil, he won the 2014 Decade Award at the *Journal of International Business Studies* for their article on born global firms.

Gary is ranked in the top five percent of scholars who have published in the *Journal of International Business Studies* since 1995, based on number of articles published. He recently was ranked one of the top 10 scholars in the United States, and top 15 worldwide, in international business research impact based on Google Scholar citation data. He is on the editorial review boards of several international journals. He has provided expert testimony on global commerce and small business to the U.S. House of Representatives.

Gary is Chair of the Academy of International Business, Western United States Chapter. Prior to joining academia, he was Export Manager of a medium-sized enterprise, directing the firm’s operations in Canada, Europe, Japan, and Mexico and supervising some 50 distributors. He enjoyed a brief career in banking and as a teacher in Japan.

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Professor Riesenberger’s teaching activities centered on leadership and global project management at the Thunderbird School of Global Management, Corporate Learning Group. His passion is to help students and young professionals develop the managerial skills frequently required of new graduates entering careers in international business.

John is an accomplished author, consultant, and international executive with senior executive positions in major pharmaceutical firms, biotechnology firms, and pharmaceutical agencies. John’s international business career spans more than three decades in the global pharmaceutical industry. He has conducted business transactions in 21 countries.

Currently, he also serves as the president of Consilium Partners, Inc., a pharmaceutical consulting firm with clients in pharmaceutical, biotechnology, and pharmaceutical agency firms.

He worked for 30 years with Pharmacia & Upjohn and The Upjohn Company as a senior international executive. His experience covered a diverse range of divisional, geographic, and functional accountabilities. His most recent position was as vice president of Global Business Management. He also served as corporate vice president and Chief Commercialization Officer for a biotechnology firm and as the executive vice president of a pharmaceutical science agency.

John serves as a member of the board of directors of the Ontario Institute for Cancer Research. He was a member of the Global Advisory Board of the American Marketing Association. He served as an executive in residence at the Michigan State University Center for International Business Education and Research. He served on the editorial review board of the *Journal of International Marketing*. He served as chairman of the Industry Advisory Board’s Value of Marketing Program, SEI Center for the Advanced Studies in Management at the Wharton School of the University of Pennsylvania. He is the former chairman of the Pharmaceutical Manufacturing Association Marketing



Practices Committee. Professor Riesenberger is the coauthor, with Robert T. Moran, of *The Global Challenge: Building the New Worldwide Enterprise* (McGraw-Hill, London).

John holds a Bachelor of Science degree in Economics–Business and an MBA in Management from Hofstra University. He attended the Harvard Business School’s International Senior Management Program.

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> Preface

Today's students are *different!*

The current generation of college students are Millennials. In creating the fourth edition of Cavusgil, Knight, and Riesenberger (CKR 4e), we have designed a textbook with this important group in mind. Millennials share distinctive characteristics:

- Dynamic attention spans
- Tendency to multitask
- Visual learners accessing content from exhibits, photos, maps, and digital content, usually
- Through high-tech devices
- Need to stay connected through social media and their networks
- Work well in teams
- Sheltered and special
- Optimistic
- Need to achieve
- Bear increased pressure to perform

Millennials are the most diverse and educated generation to date. They prefer learning with a heart that is empathic and responds to their hopes and needs. They often experience the world through multimedia. Those starting college today have never known a time without the Internet.

Millennial college graduates face an evolving economic environment. In Europe, Japan, North America, Australia, New Zealand, and other advanced economies, many confront new challenges and an increasingly competitive job market.

Millennials have been shaped by technology. Revolutionary developments in computers and information technology have coincided with Millennials' coming of age. More than any previous generation, they use tablets, smartphones, and similar devices to acquire information and knowledge. High technology has shaped how they learn and relate to their world. Technology has affected their expectations about innovation and creativity in their own work lives. Millennials prefer realistic experiences.

Millennials are oriented to achievement and their communities. Many yearn to play meaningful roles in their communities and the world at large. More than previous generations, they value ethical behavior, sustainability, and social responsibility. They want to learn how internationally active companies and other organizations employ ethics, sustainability, and social responsibility to foster a better world.

When it comes to work and career, Millennials want to be successful. They want to acquire skills in their coursework that they can use to obtain meaningful jobs and excel in their careers. They view creativity and critical thinking as important qualities for the job market. Today's college students seek interesting careers with opportunities for advancement. Millennial women are sophisticated. They value equality, fairness, and attaining rewarding careers that leverage their resourcefulness and creativity.

To address the characteristics of the Millennial generation, we have designed CKR 4e to emphasize the following features:

- **Visual learning** CKR 4e puts more emphasis on interactive media and videos as well as exhibits, maps, and other visual learning aids. The MyManagementLab portal provides access to a wide array of additional visual resources.
- **Collaborative learning** Millennials are connected through networks of friends and associates with whom they communicate continually. Most prefer learning in the company of their peers, frequently working in groups. Learning is facilitated through information technology, the Internet, and social media. CKR 4e has been developed accordingly.
- **Relevant knowledge and job-related skills** CKR 4e includes more relevant examples and activities, concise foundational course content, and tools that develop specific international business (IB) skills that will prepare Millennials for the work world.

- **Digital platform** Millennials prefer content that they can read or access digitally at a time and place of their choosing. Digital learning enhances engagement, self-pacing, and the ability to customize content to individual needs. Digital platforms help ensure timely, up-to-date content and the ability to collaborate with peers. In these and other ways, CKR 4e provides such digital options.
- **Contemporary issues that matter to Millennials** CKR 4e emphasizes the new IB environment. Compared to the leading competitor, the fourth edition presents more current and more in-depth coverage of contemporary IB topics such as emerging markets, developing economies, growth of the service sector, risks in IB, globalization and technology, women in IB, and other important trends.
- **Meaningful content** CKR 4e provides substantial content oriented to ethics, corporate social responsibility, and sustainability in international business.

In addition, CKR 4e has the following features:

- Highly accessible writing and explanations that engage students. Opening and closing cases appeal to students, featuring firms and subjects such as Apple, Disney, Facebook, Harley-Davidson, H&M, born global firms, social media in China, and the global movie industry. The content stimulates student desire to learn more about international business.
- Content that helps ensure that students are prepared to learn the material by using collaborative learning and realistic experiences that enable interaction, demonstration, and social networking.
- More content on contemporary issues that matter to Millennials and will prepare them better as they enter the global working community.
- More exercises and activities that enable students to acquire critical thinking and problem-solving skills.
- Fewer chapters and greater focus on essential foundational content. We have streamlined the narrative, improved readability and clarity, and simplified some explanations.
- New and improved organization of chapters. We have improved the organization of each chapter, in part by aligning learning objectives more systematically with individual sections within chapters.
- More exhibits that enhance readability and explanatory value. CKR 4e contains 171 exhibits (about three times more than leading competitors). Students like exhibits because they help clarify complex material and facilitate reading the chapters.
- More videos that enrich the learning process. Through the new Watch It feature, each chapter links to one or two custom-designed videos on international business that clarify and provide real-world context to concepts and explanations.
- Simulations that enhance and reinforce learning. Most chapters link to a simulation that reinforces key material and learning enjoyment.
- Career Toolbox exercises, a new feature in CKR 4e designed to simulate real-world decision-making. Nearly every chapter contains a Career Toolbox exercise, intended to familiarize students with key managerial challenges and decisions that professionals encounter in international business. Students can complete Career Toolbox exercises individually or in teams.
- Group project on international corporate social responsibility. CKR 4e contains a new, comprehensive activity in which students debate corporate social responsibility (CSR) in international business. In this extended exercise, located in the *Instructor's Manual*, students debate the merits and consequences of CSR as executives, consumers, or activists.
- You Can Do It—Recent Grad in IB biographies. CKR 4e offers nine biographies (three new to this edition) of actual university graduates who have embarked on fascinating careers in international business. These inspiring stories bring the prospect of an exciting IB career to life.
- Content that is contemporary, reflecting international business conditions today. CKR 4e presents more current and more in-depth, globally balanced coverage of material, examples, cases, and exercises. More than 70 percent of the references in CKR 4e are from 2008 or later (versus only about 30 percent in the leading competitor).

Learning Goals and Standards

This book supports Association to Advance Collegiate Schools of Business (AACSB) international accreditation. In every chapter, next to each end-of-chapter exercise, we provide a specific AACSB tagging logo to help instructors identify which AACSB learning goals that activity supports. We also provide AACSB tagging for all the questions in the Test Item File that accompanies the textbook.

WHAT ARE AACSB LEARNING STANDARDS? One of the criteria for AACSB accreditation is the quality of the curricula. Although no specific courses are required, the AACSB expects a curriculum to include learning experiences in such areas as:

- Communication abilities
- Ethical understanding and reasoning abilities
- Analytic skills
- Use of information technology
- Dynamics of the global economy
- Multicultural and diversity understanding
- Reflective thinking skills

These seven categories are AACSB Learning Standards. Questions that test skills relevant to these standards are tagged with the appropriate standard. For example, a question testing the moral questions associated with externalities would receive the ethical understanding and reasoning abilities tag.

HOW CAN I USE THESE TAGS? Tagged exercises help you measure whether students are grasping the course content that aligns with AACSB guidelines noted previously. In addition, the tagged exercises may help identify potential applications of these skills. This, in turn, may suggest enrichment activities or other educational experiences to help students achieve these goals.

Supplements

At the Instructor Resource Center, www.pearsonglobaleditions.com/Cavusgil, instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable format. If assistance is needed, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit <http://247.pearsoned.com> for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available with this text:

- *Instructor's Resource Manual*
- Test Bank
- TestGen® Computerized Test Bank
- PowerPoint Presentation

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