



Global Business Today

9e

**Mc
Graw
Hill**
Education

Charles W. L. Hill
G. Tomas M. Hult



Global Business Today

Charles W. L. Hill
University of Washington

G. Tomas M. Hult
Michigan State University

Mc
Graw
Hill
Education

ge



GLOBAL BUSINESS TODAY, NINTH EDITION

Published by McGraw-Hill Education, 2 Penn Plaza, New York, NY 10121. Copyright © 2016 by McGraw-Hill Education. All rights reserved. Printed in the United States of America. Previous editions © 2014, 2011, 2009 and 2008. No part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written consent of McGraw-Hill Education, including, but not limited to, in any network or other electronic storage or transmission, or broadcast for distance learning.

Some ancillaries, including electronic and print components, may not be available to customers outside the United States.

This book is printed on acid-free paper.

1 2 3 4 5 6 7 8 9 0 RMN/RMN 1 0 9 8 7 6 5 4

ISBN 978-0-07-811291-1

MHID 0-07-811291-5

Senior Vice President, Products & Markets: *Kurt L. Strand*
Vice President, General Manager, Products & Markets: *Michael Ryan*
Vice President, Content Design & Delivery: *Kimberly Meriwether David*
Managing Director: *Susan Gouijnstook*
Brand Manager: *Anke Braun Weekes*
Product Developer: *Andrea Scheive*
Marketing Manager: *Michael Gedatus*
Marketing Coordinator: *Elizabeth Steiner*
Director of Development: *Ann Torbert*
Digital Product Developer: *Kerry Shanaban*
Director, Content Design & Delivery: *Terri Schiesl*
Program Manager: *Mary Conzachi*
Content Project Managers: *Danielle Clement, Judi David*
Buyer: *Debra R. Sylvester*
Design: *Matt Diamond*
Content Licensing Specialist: *Keri Johnson*
Cover Image: © *Veer*
Compositor: *Aptara®, Inc.*
Printer: *R. R. Donnelley*

All credits appearing on page or at the end of the book are considered to be an extension of the copyright page.

Library of Congress Cataloging-in-Publication Data

Hill, Charles W. L.

Global business today / Charles W. L. Hill, University of Washington, G. Tomas M. Hult, Michigan State University.—9e [edition].

pages cm

ISBN 978-0-07-811291-1 (alk. paper)—ISBN 0-07-811291-5 (alk. paper) 1. International business enterprises—Management. 2. International trade. 3. Investments, Foreign. 4. Capital market. I. Hult, G. Tomas M. II. Title.

HD62.4.H548 2016

658'.049—dc23

2014037047

The Internet addresses listed in the text were accurate at the time of publication. The inclusion of a website does not indicate an endorsement by the authors or McGraw-Hill Education, and McGraw-Hill Education does not guarantee the accuracy of the information presented at these sites.

For June and Mike Hill, my parents
—Charles Hill

For Gert and Margareta Hult, my parents

—Tomas Hult





about the authors

Charles W. L. Hill is the Hughes M. Blake Professor of International Business at the Foster School of Business, University of Washington. Professor Hill received his Ph.D. in industrial organization economics in 1983 from the University of Manchester's Institute of Science and Technology (UMIST) in Great Britain. In addition to his position at the University of Washington, he has served on the faculties of UMIST, Texas A&M University, and Michigan State University.

Professor Hill has published some 50 articles in peer-reviewed academic journals. He has also published four college textbooks, one on strategic management, one on principles of management, and the other two on international business (one of which you are now holding). He serves on the editorial boards of several academic journals and previously served as consulting editor at the *Academy of Management Review*.

Professor Hill teaches in the MBA and executive MBA programs at the University of Washington and has received awards for teaching excellence in both programs. He has also taught on several customized executive programs. He lives in Seattle with his wife, Lane, and his children.

G. Tomas M. Hult is the John W. Byington Endowed Chair, Professor of Marketing and International Business, and Director of the International Business Center in the Eli Broad College of Business at Michigan State University. Dr. Hult is an Elected Fellow of the Academy of International Business (AIB) and serves as the Executive Director and Foundation President of AIB. He also serves on the U.S. District Export Council and holds board member positions of the International Trade Center of Mid-Michigan and the Sheth Foundation.

Several studies have ranked Professor Hult as one of the most cited scholars in the world in business and management (e.g., Thomson Reuters' Essential Science Indicators). He has served as editor of *Journal of the Academy of Marketing Science* and has published 50 articles in premier business journals—*Journal of International Business Studies*, *Academy of Management Journal*, *Strategic Management Journal*, *Journal of Management*, *Journal of Marketing*, *Journal of the Academy of Marketing Science*, *Journal of Retailing*, *Journal of Operations Management*, and *Decision Sciences*. Dr. Hult has also published several books, e.g., *Global Supply Chain Management* (2014), *Total Global Strategy* (2012), and *Extending the Supply Chain* (2005).

Professor Hult is a well-known keynote speaker on global supply chain management, global strategy, and marketing strategy. He teaches in doctoral, master's, and undergraduate programs at Michigan State University, plus he is a visiting professor at Leeds University (United Kingdom) and Uppsala University (Sweden). He also teaches frequently in executive development programs and has developed a large clientele of the world's top multinational corporations. Tomas Hult is a dual citizen of the United States and Sweden and lives in Okemos, Michigan, with his wife, Laurie, and their children, Daniel and Isabelle.



brief contents

THE PROVEN CHOICE FOR INTERNATIONAL BUSINESS xiii

PART ONE Introduction and Overview 2

Chapter One Globalization 3

PART TWO National Differences 36

Chapter Two National Differences in Political, Economic, and Legal Systems 37

Chapter Three National Differences in Economic Development 61

Chapter Four Differences in Culture 89

Chapter Five Ethics, Corporate Social Responsibility, and Sustainability 127

PART THREE The Global Trade and Investment Environment 158

Chapter Six International Trade Theory 159

Chapter Seven Government Policy and International Trade 195

Chapter Eight Foreign Direct Investment 223

Chapter Nine Regional Economic Integration 253

PART FOUR The Global Monetary System 284

Chapter Ten The Foreign Exchange Market 285

Chapter Eleven The International Monetary System 311

PART FIVE The Strategy of International Business 336

Chapter Twelve The Strategy of International Business 337

Chapter Thirteen Entering Foreign Markets 371

PART SIX International Business Functions 396

Chapter Fourteen Exporting, Importing, and Countertrade 397

Chapter Fifteen Global Production and Supply Chain Management 419

Chapter Sixteen Global Marketing and Research and Development 449

Chapter Seventeen Global Human Resource Management 487

GLOSSARY 512

PHOTO CREDITS 520

NAME INDEX 521

SUBJECT INDEX 522

ACRONYMS

COUNTRIES AND THEIR CAPITALS

WORLD MAP



create™

Looking for a briefer text?

Consider some of these alternate combined chapters to create a 14 chapter text with Hill and Hult's marketleading content.

- Country Difference in Political Systems, Economic Systems and Development (Chapter 2 & 3 combined)
- International Trade Theory and Policy (Chapter 6 & 7 combined)
- Entering Foreign Markets (Chapter 13 & 14 combined)

To preview this content and build your custom text, please visit www.mcgrawhillcreate.com/hill.



contents

THE PROVEN CHOICE FOR INTERNATIONAL BUSINESS xiii

PART ONE Introduction and Overview 2

Chapter One Globalization 3

Opening Case: The Globalization of Production at Boeing 3

Introduction 4

What Is Globalization? 6

The Globalization of Markets 6

The Globalization of Production 7

The Emergence of Global Institutions 9

Drivers of Globalization 11

Declining Trade and Investment Barriers 11

The Role of Technological Change 13

The Changing Demographics of the Global Economy 15

The Changing World Output and World Trade Picture 15

The Changing Foreign Direct Investment Picture 16

The Changing Nature of the Multinational Enterprise 19

The Changing World Order 20

The Global Economy of the Twenty-First Century 22

The Globalization Debate 22

Antiglobalization Protests 22

Globalization, Jobs, and Income 23

Globalization, Labor Policies, and the Environment 26

Globalization and National Sovereignty 27

Globalization and the World's Poor 28

Managing in the Global Marketplace 29

Key Terms 31

Summary 31

Critical Thinking and Discussion Questions 32

Research Task 32

Closing Case: Who Makes the Apple iPhone? 32

Endnotes 33

PART TWO National Differences 36

Chapter Two National Differences in Political, Economic, and Legal Systems 37

Opening Case: Putin's Russia 37

Introduction 39

Political Systems 40

Collectivism and Individualism 40

Democracy and Totalitarianism 43

Economic Systems 44

Market Economy 45

Command Economy 46

Mixed Economy 46

Legal Systems 47

Different Legal Systems 47

Differences in Contract Law 48

Property Rights and Corruption 49

The Protection of Intellectual Property 52

Product Safety and Product Liability 54

Focus on Managerial Implications 55

Key Terms 55

Summary 56

Critical Thinking and Discussion Questions 56

Research Task 57

Closing Case: Ghana: An African Dynamo 57

Endnotes 58

Chapter Three National Differences in Economic Development 61

Opening Case: Political and Economic Reform in Myanmar 61

Introduction 62

Differences in Economic Development 63

Broader Conceptions of Development:

Amartya Sen 66

Political Economy and Economic Progress 68

<i>Innovation and Entrepreneurship Are the Engines of Growth</i>	68	Focus on Managerial Implications	117
<i>Innovation and Entrepreneurship Require a Market Economy</i>	68	Key Terms	120
<i>Innovation and Entrepreneurship Require Strong Property Rights</i>	69	Summary	120
<i>The Required Political System</i>	69	Critical Thinking and Discussion Questions	121
<i>Economic Progress Begets Democracy</i>	70	Research Task	121
<i>Geography, Education, and Economic Development</i>	71	Closing Case: World Expo 2020 in Dubai, UAE	122
States in Transition	72	Endnotes	123
<i>The Spread of Democracy</i>	72	Chapter Five Ethics, Corporate Social Responsibility, and Sustainability	127
<i>The New World Order and Global Terrorism</i>	74	Opening Case: Making Toys Globally	127
<i>The Spread of Market-Based Systems</i>	75	Introduction	128
The Nature of Economic Transformation	77	Ethical Issues in International Business	129
<i>Deregulation</i>	77	<i>Employment Practices</i>	130
<i>Privatization</i>	77	<i>Human Rights</i>	130
<i>Legal Systems</i>	79	<i>Environmental Pollution</i>	132
Implications of Changing Political Economy	79	<i>Corruption</i>	134
Focus on Managerial Implications	80	Ethical Dilemmas	136
Key Terms	84	The Roots of Unethical Behavior	137
Summary	84	<i>Personal Ethics</i>	137
Critical Thinking and Discussion Questions	85	<i>Decision-Making Processes</i>	138
Research Task	85	<i>Organization Culture</i>	139
Closing Case: Revolution in Egypt	86	<i>Unrealistic Performance Goals</i>	139
Endnotes	87	<i>Leadership</i>	139
Chapter Four Differences in Culture	89	<i>Societal Culture</i>	139
Opening Case: Best Buy and eBay in China	89	Philosophical Approaches to Ethics	140
Introduction	91	<i>Straw Men</i>	140
What Is Culture? 92		<i>Utilitarian and Kantian Ethics</i>	142
<i>Values and Norms</i>	92	<i>Rights Theories</i>	143
<i>Culture, Society, and the Nation-State</i>	94	<i>Justice Theories</i>	144
<i>The Determinants of Culture</i>	95	Focus on Managerial Implications	145
Social Structure	95	Key Terms	152
<i>Individuals and Groups</i>	95	Summary	153
<i>Social Stratification</i>	97	Critical Thinking and Discussion Questions	153
Religious and Ethical Systems	100	Research Task	154
<i>Christianity</i>	102	Closing Case: Bitcoin as an Ethical Dilemma	154
<i>Islam</i>	103	Endnotes	155
<i>Hinduism</i>	106	<hr/>	
<i>Buddhism</i>	107	PART THREE The Global Trade and Investment Environment	158
<i>Confucianism</i>	108	Chapter Six International Trade Theory	159
Language	109	Opening Case: Creating the World's Biggest Free Trade Zone	159
<i>Spoken Language</i>	110	Introduction	160
<i>Unspoken Language</i>	111	An Overview of Trade Theory	160
Education	111	<i>The Benefits of Trade</i>	161
Culture and Business	112	<i>The Pattern of International Trade</i>	162
Cultural Change	115	<i>Trade Theory and Government Policy</i>	162

Mercantilism	163	<i>Political Arguments for Intervention</i>	203
Absolute Advantage	163	<i>Economic Arguments for Intervention</i>	205
Comparative Advantage	166	The Revised Case for Free Trade	207
<i>The Gains from Trade</i>	167	<i>Retaliation and Trade War</i>	207
<i>Qualifications and Assumptions</i>	168	<i>Domestic Policies</i>	208
<i>Extensions of the Ricardian Model</i>	169	Development of the World Trading System	208
Heckscher-Ohlin Theory	174	<i>From Smith to the Great Depression</i>	209
<i>The Leontief Paradox</i>	174	1947-1979: GATT, Trade Liberalization, and	
The Product Life-Cycle Theory	175	<i>Economic Growth</i>	209
<i>Product Life-Cycle Theory in the Twenty-First</i>		1980-1993: Protectionist Trends	209
<i>Century</i>	176	<i>The Uruguay Round and the World Trade</i>	
New Trade Theory	176	<i>Organization</i>	210
<i>Increasing Product Variety and Reducing</i>		<i>WTO: Experience to Date</i>	211
<i>Costs</i>	178	<i>The Future of the WTO: Unresolved Issues and the</i>	
<i>Economies of Scale, First-Mover Advantages, and</i>		<i>Doha Round</i>	212
<i>the Pattern of Trade</i>	179	Focus on Managerial Implications	216
<i>Implications of New Trade Theory</i>	179	Key Terms	217
National Competitive Advantage: Porter's		Summary	218
Diamond	180	Critical Thinking and Discussion Questions	218
<i>Factor Endowments</i>	181	Research Task	219
<i>Demand Conditions</i>	182	Closing Case: China Limits Exports of Rare Earth	
<i>Related and Supporting Industries</i>	182	Materials	219
<i>Firm Strategy, Structure, and Rivalry</i>	182	Endnotes	220
<i>Evaluating Porter's Theory</i>	183	Chapter Eight Foreign Direct Investment	223
Focus on Managerial Implications	183	Opening Case: Foreign Direct Investment	
Key Terms	185	in Nigeria	223
Summary	185	Introduction	224
Critical Thinking and Discussion Questions	186	Foreign Direct Investment in the World	
Research Task	187	Economy	224
Closing Case: The Rise of India's Drug		<i>Trends in FDI</i>	224
Industry	187	<i>The Direction of FDI</i>	225
Appendix A International Trade and the Balance		<i>The Source of FDI</i>	226
of Payments	189	<i>The Form of FDI: Acquisitions versus Greenfield</i>	
Endnotes	192	<i>Investments</i>	228
Chapter Seven Government Policy and		Theories of Foreign Direct Investment	228
International Trade	195	<i>Why Foreign Direct Investment?</i>	228
Opening Case: Sugar Subsidies Drive Candy		<i>The Pattern of Foreign Direct Investment</i>	232
Makers Abroad	195	<i>The Eclectic Paradigm</i>	232
Introduction	196	Political Ideology and Foreign Direct	
Instruments of Trade Policy	197	Investment	234
<i>Tariffs</i>	197	<i>The Radical View</i>	234
<i>Subsidies</i>	198	<i>The Free Market View</i>	234
<i>Import Quotas and Voluntary Export</i>		<i>Pragmatic Nationalism</i>	235
<i>Restraints</i>	199	<i>Shifting Ideology</i>	236
<i>Local Content Requirements</i>	200	Benefits and Costs of FDI	237
<i>Administration Policies</i>	201	<i>Host-Country Benefits</i>	237
<i>Antidumping Policies</i>	201	<i>Host-Country Costs</i>	239
The Case for Government Intervention	202	<i>Home-Country Benefits</i>	241

<i>Home-Country Costs</i>	241
<i>International Trade Theory and FDI</i>	241
Government Policy Instruments and FDI	242
<i>Home-Country Policies</i>	242
<i>Host-Country Policies</i>	243
<i>International Institutions and the Liberalization of FDI</i>	244
Focus on Managerial Implications	244
Key Terms	247
Summary	247
Critical Thinking and Discussion Questions	247
Research Task	248
Closing Case: Foreign Retailers in India	248
Endnotes	249
Chapter Nine Regional Economic Integration	253
Opening Case: Tomato Wars	253
Introduction	254
Levels of Economic Integration	256
The Case for Regional Integration	257
<i>The Economic Case for Integration</i>	258
<i>The Political Case for Integration</i>	258
<i>Impediments to Integration</i>	258
The Case against Regional Integration	259
Regional Economic Integration in Europe	260
<i>Evolution of the European Union</i>	260
<i>Political Structure of the European Union</i>	260
<i>The Single European Act</i>	263
<i>The Establishment of the Euro</i>	265
<i>Enlargement of the European Union</i>	269
Regional Economic Integration in the Americas	270
<i>The North American Free Trade Agreement</i>	270
<i>The Andean Community</i>	273
<i>Mercosur</i>	274
<i>Central American Common Market, CAFTA, and CARICOM</i>	274
<i>Free Trade Area of the Americas</i>	275
Regional Economic Integration Elsewhere	275
<i>Association of Southeast Asian Nations</i>	276
<i>Asia-Pacific Economic Cooperation</i>	277
<i>Regional Trade Blocs in Africa</i>	278
Focus on Managerial Implications	278
Key Terms	280
Summary	280
Critical Thinking and Discussion Questions	281
Research Task	281

Closing Case: I Want My Greek TV!	282
Endnotes	283

PART FOUR The Global Monetary System 284

Chapter Ten The Foreign Exchange Market	285
Opening Case: Embraer and the Wild Ride of the Brazilian Real	285
Introduction	286
The Functions of the Foreign Exchange Market	287
<i>Currency Conversion</i>	287
<i>Insuring against Foreign Exchange Risk</i>	289
The Nature of the Foreign Exchange Market	291
Economic Theories of Exchange Rate Determination	292
<i>Prices and Exchange Rates</i>	293
<i>Interest Rates and Exchange Rates</i>	298
<i>Investor Psychology and Bandwagon Effects</i>	299
<i>Summary of Exchange Rate Theories</i>	300
Exchange Rate Forecasting	300
<i>The Efficient Market School</i>	300
<i>The Inefficient Market School</i>	301
<i>Approaches to Forecasting</i>	301
Currency Convertibility	302
Focus on Managerial Implications	303
Key Terms	306
Summary	306
Critical Thinking and Discussion Questions	307
Research Task	307
Closing Case: The Rise (and Fall) of the Japanese Yen	308
Endnotes	309
Chapter Eleven The International Monetary System	311
Opening Case: The IMF and Iceland's Economic Recovery	311
Introduction	312
The Gold Standard	313
<i>Mechanics of the Gold Standard</i>	313
<i>Strength of the Gold Standard</i>	314
<i>The Period between the Wars, 1918-1939</i>	314
The Bretton Woods System	315
<i>The Role of the IMF</i>	315
<i>The Role of the World Bank</i>	316
The Collapse of the Fixed Exchange Rate System	317

The Floating Exchange Rate Regime 318
The Jamaica Agreement 318
Exchange Rates since 1973 318

Fixed versus Floating Exchange Rates 322
The Case for Floating Exchange Rates 322
The Case for Fixed Exchange Rates 323
Who Is Right? 324

Exchange Rate Regimes in Practice 324
Pegged Exchange Rates 324
Currency Boards 325

Crisis Management by the IMF 326
Financial Crises in the Post-Bretton Woods Era 326
Evaluating the IMF's Policy Prescriptions 328

Focus on Managerial Implications 330

Key Terms 333
 Summary 333
 Critical Thinking and Discussion Questions 334
 Research Task 334

Closing Case: Currency Trouble in Malawi 334
 Endnotes 335

PART FIVE The Strategy of International Business 336

Chapter Twelve The Strategy of International Business 337

Opening Case: IKEA 337

Introduction 338

Strategy and the Firm 339

Value Creation 339

Strategic Positioning 341

Operations: The Firm as a Value Chain 342

Global Expansion, Profitability, and Profit Growth 346

Expanding the Market: Leveraging Products and Competencies 347

Location Economies 348

Experience Effects 350

Leveraging Subsidiary Skills 352

Profitability and Profit Growth Summary 352

Cost Pressures and Pressures for Local Responsiveness 353

Pressures for Cost Reductions 353

Pressures for Local Responsiveness 354

Choosing a Strategy 357

Global Standardization Strategy 357

Localization Strategy 359

Transnational Strategy 359

International Strategy 360
The Evolution of Strategy 361

Strategic Alliances 362

The Advantages of Strategic Alliances 362

The Disadvantages of Strategic Alliances 363

Making Alliances Work 364

Key Terms 366

Summary 366

Critical Thinking and Discussion Questions 367

Research Task 367

Closing Case: Ford's Global Strategy 367

Endnotes 368

Chapter Thirteen Entering Foreign Markets 371

Opening Case: Market Entry at Starbucks 371

Introduction 372

Basic Entry Decisions 373

Which Foreign Markets? 373

Timing of Entry 374

Scale of Entry and Strategic Commitments 376

Market Entry Summary 377

Entry Modes 377

Exporting 378

Turnkey Projects 379

Licensing 380

Franchising 382

Joint Ventures 383

Wholly Owned Subsidiaries 384

Selecting an Entry Mode 385

Core Competencies and Entry Mode 386

Pressures for Cost Reductions and Entry Mode 386

Greenfield Venture or Acquisition? 387

Pros and Cons of Acquisition 387

Pros and Cons of Greenfield Ventures 389

Greenfield Venture or Acquisition? 390

Key Terms 390

Summary 390

Critical Thinking and Discussion Questions 391

Research Task 392

Closing Case: JCB in India 392

Endnotes 393

PART SIX International Business Functions 396

Chapter Fourteen Exporting, Importing, and Countertrade 397

Opening Case: Growing Through Exports 397

Introduction 398

The Promise and Pitfalls of Exporting 398

Improving Export Performance 401

An International Comparison 401

Information Sources 401

Utilizing Export Management Companies 402

Export Strategy 403

Export and Import Financing 405

Lack of Trust 405

Letter of Credit 406

Draft 407

Bill of Lading 408

A Typical International Trade Transaction 408

Export Assistance 409

Export-Import Bank 409

Export Credit Insurance 410

Countertrade 410

The Popularity of Countertrade 411

Types of Countertrade 411

Pros and Cons of Countertrade 413

Key Terms 413

Summary 414

Critical Thinking and Discussion Questions 414

Research Task 415

Closing Case: MD International 415

Endnotes 416

Chapter Fifteen Global Production and Supply Chain Management 419

Opening Case: Apple: The Best Supply Chain in the World? 419

Introduction 421

Strategy, Production, and Supply Chain Management 421

Where to Produce 424

Country Factors 424

Technological Factors 426

Production Factors 428

The Hidden Costs of Foreign Locations 431

Make-or-Buy Decisions 433

Global Supply Chain Functions 436

Global Logistics 436

Global Purchasing 438

Managing a Global Supply Chain 439

Role of Just-in-Time Inventory 440

Role of Information Technology 440

Coordination in Global Supply Chains 441

Interorganizational Relationships 441

Key Terms 443

Summary 443

Critical Thinking and Discussion Questions 444

Research Task 445

Closing Case: H&M: The Retail-Clothing Giant 445

Endnotes 446

Chapter Sixteen Global Marketing and Research and Development 449

Opening Case: Global Branding of Avengers and Iron Man 449

Introduction 450

Globalization of Markets and Brands 452

Market Segmentation 453

Product Attributes 455

Cultural Differences 455

Economic Development 456

Product and Technical Standards 456

Distribution Strategy 457

Differences Between Countries 457

Choosing a Distribution Strategy 460

Communication Strategy 461

Barriers to International Communication 461

Push Versus Pull Strategies 462

Global Advertising 464

Pricing Strategy 466

Price Discrimination 466

Strategic Pricing 468

Regulatory Influences on Prices 469

Configuring the Marketing Mix 469

International Market Research 472

Product Development 475

The Location of R&D 476

Integrating R&D, Marketing, and Production 477

Cross-Functional Teams 478

Building Global R&D Capabilities 478

Key Terms 480

Summary 480

Critical Thinking and Discussion Questions 481

Research Task 481

Closing Case: Domino's Pizza Worldwide 482

Endnotes 483

Chapter Seventeen Global Human Resource Management 487

Opening Case: The Strategic Role of Human Resources at IBM 487

Introduction 488

The Strategic Role of International HRM 489

Staffing Policy 490

Types of Staffing Policy 490

Expatriate Managers 494

The Global Mindset 497

Training and Management Development 498

Training for Expatriate Managers 498

Repatriation of Expatriates 499

Management Development and Strategy 500

Performance Appraisal 501

Performance Appraisal Problems 501

Guidelines for Performance Appraisal 502

Compensation 502

National Differences in Compensation 502

Expatriate Pay 503

International Labor Relations 505

The Concerns of Organized Labor 505

The Strategy of Organized Labor 505

Approaches to Labor Relations 506

Key Terms 507

Summary 507

Critical Thinking and Discussion Questions 508

Research Task 508

Closing Case: MMC China 508

Endnotes 509

GLOSSARY 512

PHOTO CREDITS 520

NAME INDEX 521

SUBJECT INDEX 522

ACRONYMS

COUNTRIES AND THEIR CAPITALS

WORLD MAP



the proven choice for international business

Current. Application Rich. Relevant. Integrated.

Global Business Today is intended for the first international business course at either the Undergraduate or MBA level. As the market leader, the goal in creating this package has been to set a new standard for international business teaching. We have attempted to create resources that

- Are comprehensive and up-to-date.
- Go beyond an uncritical presentation and shallow explanation of the body of knowledge.
- Focus on rich applications of international business concepts.
- Tightly integrate progression of topics among chapters.
- Are fully integrated with results-driven technology.

Over the years, and through now nine editions, Dr. Charles Hill has worked hard to adhere to these goals. The ninth edition, with Dr. Tomas Hult as a co-author, follows the same approach. It has not always been easy. An enormous amount has happened over the past decade, both in the real world of economics, politics, and business, and in the academic world of theory and empirical research. Often, we have had to significantly rewrite chapters, scrap old examples, bring in new ones, incorporate new theory and evidence into the material, and phase out older theories that are increasingly less relevant to the modern and dynamic world of international business. As noted later, there have been significant changes in this edition—and that will no doubt continue to be the case in the future. In deciding what changes to make, we have been guided not only by our own reading, teaching, and research, but also by the invaluable feedback we received from professors and students around the world who use the product, from reviewers, and from the editorial staff at McGraw-Hill. Our thanks go out to all of them.

Comprehensive and Up-to-Date

To be comprehensive, an international business package must

- Explain how and why the world's countries differ.
- Present a thorough review of the economics and politics of international trade and investment.
- Explain the functions and form of the global monetary system.
- Examine the strategies and structures of international businesses.
- Assess the special roles of an international business's various functions.

This text has always endeavored to do all of these things. Too many other products have paid insufficient attention to the strategies and structures of international businesses and to the implications of international business for firms' various functions. This omission has been a serious deficiency. Many of the students in these international business courses will soon be working in international businesses, and they will be expected to understand the implications of international business for their organization's strategy, structure, and functions. This package pays close attention to these issues.

Comprehensiveness and relevance also require coverage of the major theories. It has always been a goal to incorporate the insights gleaned from recent academic work into the work. Consistent with this goal, over the past nine editions, insights from the following research have been incorporated:

- The new trade theory and strategic trade policy.
- The work of Nobel Prize-winning economist Amartya Sen on economic development.
- The work of Hernando de Soto on the link between property rights and economic development.
- Samuel Huntington's influential thesis on the "clash of civilizations."
- The new growth theory of economic development championed by Paul Romer and Gene Grossman.
- Empirical work by Jeffrey Sachs and others on the relationship between international trade and economic growth.
- Michael Porter's theory of the competitive advantage of nations.
- Robert Reich's work on national competitive advantage.
- The work of Nobel Prize winner Douglass North and others on national institutional structures and the protection of property rights.
- The market imperfections approach to foreign direct investment that has grown out of Ronald Coase and Oliver Williamson's work on transaction cost economics.
- Bartlett and Ghoshal's research on the transnational corporation.
- The writings of C. K. Prahalad and Gary Hamel on core competencies, global competition, and global strategic alliances.
- Insights for international business strategy that can be derived from the resource-based view of the firm.
- Paul Samuelson's critique of free trade theory.

In addition to including leading-edge theory, in light of the fast-changing nature of the international business environment, we have made every effort to ensure that this product was as up-to-date as possible when it went to press. A significant amount has happened in the world since we began revisions of this book. By 2014, more than \$3.5 trillion per day was flowing across national borders. The size of such flows fueled concern about the ability of short-term speculative shifts in global capital markets to destabilize the world economy. The World Wide Web emerged from nowhere to become the backbone of an emerging global network for electronic commerce. The world continued to become more global. Several Asian Pacific economies, most notably China, continued to grow their economies at a rapid rate. New multinationals continued to emerge from developing nations in addition to the world's established industrial powers. Increasingly, the globalization of the world economy affected a wide range of firms of all sizes, from the very large to the very

small. And unfortunately, in the wake of the terrorist attacks on the United States that took place September 11, 2001, global terrorism and the attendant geopolitical risks emerged as a threat to global economic integration and activity.

New in the Ninth Edition

The most obvious change to the ninth edition of *Global Business Today* is the addition of a co-author, G. Tomas M. Hult. Professor Hult is the John W. Byington Endowed Chair, Professor of Marketing and International Business, and Director of the International Business Center in the Eli Broad College of Business at Michigan State University. He is a notable scholar in the area of international business, marketing and management, and a well-known expert on global supply chain management, global strategy, and marketing strategy. In addition, he has played a major role in the Academy of International Business, and is currently the Executive Director and Foundation President of the Academy of International Business.

I am delighted to have Tomas on the book. Tomas has been a long-term user of the book and has contributed end-of-chapter material to the book for many editions (he is responsible for the Research Tasks that use Michigan State's globalEDGE.msu.edu knowledge resource). I believe that his skills complement my own. His energy, enthusiasm, and knowledge base should help make an already strong book even better. Tomas has made significant new contributions to all chapters in this edition, including most notably Chapters 4 and 5 on Culture and Ethics/CSR/Sustainability and Chapters 15 and 16 on Global Production and Supply Chain Management and Marketing and R&D.

The success of the first eight editions of *Global Business Today* was based in part upon the incorporation of leading-edge research into the text, the use of up-to-date examples and statistics to illustrate global trends and enterprise strategy, and the discussion of current events within the context of the appropriate theory. Building on these strengths, our goals for the ninth revision have been to:

1. Incorporate new insights from recent scholarly research wherever appropriate.
2. Make sure the content of the text covers all appropriate issues.
3. Make sure the text is as up-to-date as possible with regard to current events, statistics, and examples.
4. Add new and insightful opening and closing cases in most chapters.
5. Add question-driven boxed materials in each chapter to motivate class discussion.
6. Incorporate value-added globalEDGE features in every chapter.
7. Connect every chapter to a focus on managerial implications.

As part of the overall revision process, *changes have been made to every chapter in the book*. All statistics have been updated to incorporate the most recently available data, which typically refers to 2013. These data were mostly released by national and international agencies early in 2014. For example: New examples, cases, and boxes have been added and older examples updated to reflect new developments. For example, in Chapter 2, (1) the *Opening Case* looks at how the policies of Russian President Vladimir Putin have shaped the economic, political, and legal systems of that nation and affect the attractiveness of Russia as a destination for international business, (2) a new *Management Focus* feature discusses allegations that Walmart violated the Foreign Corrupt Practices Act while doing business in Mexico; and (3) a new *Closing Case* discusses the economic growth in Ghana.

New material has been inserted wherever appropriate to reflect recent academic work or important current events. Detailed discussion of the 2008–2009 global financial crisis and its aftermath, including the 2010–2013 sovereign debt crises in the Euro Zone and its implications for international business, have been included in many chapters. Similarly, further discussion of the unrest that continues to sweep across the Middle East following the Arab Spring of 2011 and the ongoing turmoil in Egypt and Syria has been added to the book.

Importantly, for every chapter, the ninth edition of *Global Business Today* has two new features spearheaded by Tomas. First, we added question-driven materials in each chapter to motivate class discussion. These are four “boxes” per chapter that illustrate a specific

situation and then ask students to “debate” the issue. These “question boxes” are great ways to practically illustrate the chapter material and get the students engaged. Second, we incorporated value-added globalEDGE features in every chapter. The Google number-one ranked globalEDGE.msu.edu site (for “international business resources”) is used in each chapter to add value to the chapter material and provide up-to-date data and information.

In addition to updating all statistics, figures, and maps to incorporate most recent published data major chapter-by-chapter changes include the following:

CHAPTER 1: GLOBALIZATION

- New Opening Case: The Globalization of Production at Boeing.
- New Closing Case: Who Makes the Apple iPhone?

CHAPTER 2: NATIONAL DIFFERENCES IN POLITICAL, ECONOMIC, AND LEGAL SYSTEMS

- New Opening Case: Putin’s Russia.
- Discussion of pseudo democracies added to section on democracy and totalitarianism. These are countries that are democratic in name only where authoritarian elements have captured some or much of the machinery of state and use this in an attempt to deny basic political and civil liberties (e.g., as in Russia).
- New Management Focus: Did Walmart Violate the Foreign Corrupt Practices Act?
- New Closing Case: Ghana: An African Dynamo.

CHAPTER 3: NATIONAL DIFFERENCES IN ECONOMIC DEVELOPMENT

- New Opening Case: Political and Economic Reform in Myanmar.
- Extended discussion of the 2008–2009 global financial crisis as an example of economic risk.
- New Closing Case: Revolution in Egypt.

CHAPTER 4: DIFFERENCES IN CULTURE

- New Opening Case: Best Buy and eBay in China.
- Deeper treatment of culture, values, and norms.
- Social media issues inserted into the culture discussion.
- Added four basic principles to social stratification.
- Added depth and coverage of the economic implications of Buddhism.
- Updated the Hofstede culture framework with new research.
- New Closing Case: World Expo 2020 in Dubai, UAE.

CHAPTER 5: ETHICS, CORPORATE SOCIAL RESPONSIBILITY, AND SUSTAINABILITY

- New Opening Case: Making Toys Globally.
- Deeper treatment of corruption.
- New focus on corporate social responsibility (CSR).
- Added Management Focus on Stora Enso to illustrate CSR.
- New focus on sustainability.
- Added Management Focus on Umicore to illustrate global sustainability.
- New Closing Case: Bitcoins as an Ethical Dilemma.

CHAPTER 6: INTERNATIONAL TRADE THEORY

- New Opening Case: Creating the World’s Biggest Free Trade Zone.
- New Closing Case: The Rise of India’s Drug Industry.

CHAPTER 7: GOVERNMENT POLICY AND INTERNATIONAL TRADE

- New Opening Case: Sugar Subsidies Drive Candy Makers Abroad.
- New Country Focus: Are the Chinese Illegally Subsidizing Auto Exports?
- New Closing Case: China Limits Exports of Rare Earth Materials.

CHAPTER 8: FOREIGN DIRECT INVESTMENT

- New Opening Case: Foreign Direct Investment in Nigeria.
- New Closing Case: Foreign Retailers in India.

CHAPTER 9: REGIONAL ECONOMIC INTEGRATION

- New Opening Case: Tomato Wars.
- New Closing Case: I Want My Greek TV!

CHAPTER 10: THE FOREIGN EXCHANGE MARKET

- New Opening Case: Embraer and the Wild Ride of the Brazilian Real.
- New Closing Case: The Rise (and Fall) of the Japanese Yen.

CHAPTER 11: THE INTERNATIONAL MONETARY SYSTEM

- New Opening Case: The IMF and Iceland's Economic Recovery.
- New Closing case: Currency Trouble in Malawi.

CHAPTER 12: THE STRATEGY OF INTERNATIONAL BUSINESS

- New Opening Case: IKEA.
- Discussion of the rise of regionalism added to section on Pressures for Local Responsiveness.
- New Closing Case: Ford's Global Strategy.

CHAPTER 13: ENTERING FOREIGN MARKETS

- New Opening Case: Market Entry at Starbucks.
- New Closing Case: JCB in India.

CHAPTER 14: EXPORTING, IMPORTING AND COUNTERTRADE

- New Opening Case: Growing Through Exports.
- New Closing Case: MD International.

CHAPTER 15: GLOBAL PRODUCTION AND SUPPLY CHAIN MANAGEMENT

- New Opening Case: Apple: The Best Supply Chains in the World?
- Integration of the complete supply chain (logistics, purchasing, production, and operations).
- New section on Strategic Roles for Production Facilities.
- New section on Make-or-Buy Decisions.
- New section on Global Supply Chain Functions.
- New text for the Role of Information Technology.
- New section on Coordination of Global Supply Chains.
- New section on Interorganizational Relationships.
- New Closing Case: H&M: The Retail Clothing Giant.

CHAPTER 16: GLOBAL MARKETING AND RESEARCH AND DEVELOPMENT

- New Opening Case: Global Branding of *Avengers* and *Iron Man*.
- Revised section on Globalization of Markets and Brands.
- Revised section on Configuring the Marketing Mix, now with a new table with sample measures.
- New section on International Market Research, including company examples and six basic steps.
- Revised positioning of the Product Development section.
- Heavily Revised Closing Case: Domino's Pizza Worldwide.

CHAPTER 17: GLOBAL HUMAN RESOURCE MANAGEMENT

- New Opening Case: The Strategic Role of Human Resources at IBM.
- New Closing Case: MMC China.

Beyond Uncritical Presentation and Shallow Explanation

Many issues in international business are complex and thus necessitate considerations of pros and cons. To demonstrate this to students, we have adopted a critical approach that presents the arguments for and against economic theories, government policies, business strategies, organizational structures, and so on.

Related to this, we have attempted to explain the complexities of the many theories and phenomena unique to international business so the student might fully comprehend the statements of a theory or the reasons a phenomenon is the way it is. We believe that these theories and phenomena are explained in more depth in this work than they are in the competition, which seem to use the rationale that a shallow explanation is little better than no explanation. In international business, a little knowledge is indeed a dangerous thing.

Focuses on Rich Applications of International Business Concepts

We have always believed that it is important to show students how the material covered in the text is relevant to the actual practice of international business. This is explicit in the later chapters of the book, which focus on the practice of international business, but it is not always obvious in the first half of the book, which considered many macroeconomic and political issues, from international trade theory and foreign direct investment flows to the IMF and the influence of inflation rates on foreign exchange quotations. Accordingly, at the end of each chapter in Parts Two, Three, and Four—where the focus is on the environment of international business, as opposed to particular firms—there is a section titled **Focus on Managerial Implications**. In this section, the managerial implications of the material discussed in the chapter are clearly explained.

FOCUS ON MANAGERIAL IMPLICATIONS

THE MACRO ENVIRONMENT INFLUENCES MARKET ATTRACTIVENESS

The material discussed in this chapter has two broad implications for international business. First, the political, economic, and legal systems of a country raise important ethical issues that have implications for the practice of international business. For example, what ethical implications are associated with doing business in totalitarian countries where citizens are denied basic human rights, corruption is rampant, and bribes are necessary to gain

 **LO 2-4**
Explain the implications for management practice of national differences in political economy.

Another tool that I have used to focus on managerial implications are **Management Focus** boxes. There is at least one Management Focus in most chapters. Like the opening cases, the purpose of these boxes is to illustrate the relevance of chapter material for the practice of international business.

management FOCUS

Did Walmart Violate the Foreign Corrupt Practices Act?

In the early 2000s, Walmart wanted to build a new store in San Juan Teotihuacan, Mexico, barely a mile from ancient pyramids that drew tourists from around the world. The owner of the land was happy to sell to Walmart, but one thing stood in the way of a deal—the city's new

For several years nothing more happened; then, in April 2012, *The New York Times* published an article detailing bribery by Walmart. *The Times* cited the changed zoning map and several other examples of bribery by Walmart—for example, eight bribes totaling \$341,000 enabled Walmart to build a Sam's Club in one of Mexico City's most densely populated neighborhoods without a construction license, or an environmental permit, or an urban impact assessment, or even a traffic

In addition, each chapter begins with an **Opening Case** that sets the stage for the chapter content and familiarizes students with how real international companies conduct business. There is also a **Closing Case** to each chapter. These cases are also designed to illustrate the relevance of chapter material for the practice of international business as well as to provide continued insight into how real companies handle those issues.

Putin's Russia

opening case

The modern Russia state was born in 1991 after the dramatic collapse of the Soviet Union. Early in the post-Soviet era, Russia embraced ambitious policies designed to transform a communist dictatorship with a centrally planned economy into democratic state with a market based economic system. The policies, however, were imperfectly implemented. Political reform left Russia with a strong presidency that—in hindsight—had the ability to subvert the democratic process. On the economic front, the privatization of many state-owned enterprises was done in such a way as to leave large shareholdings in the hands of the politically connected, many of whom were party officials and factory managers under the old Soviet system. Corruption was also endemic, and organized crime was able to seize control of some newly privatized enterprises. In 1998, the poorly managed Russian economy went through a financial crisis that nearly

Ghana: An African Dynamo

closing case

The West African nation of Ghana has emerged as one of the fastest-growing countries in sub-Saharan Africa during the last decade. Between 2000 and 2013, Ghana's average annual growth rate in GDP was over 7.5 percent, making it the fastest-growing economy in Africa. In 2011, this country of 25 million people became Africa's newest middle-income nation. Driving this growth has been strong demand for two of Ghana's major exports—gold and cocoa—as well as the start of oil production in 2010. Indeed, due to recent oil discoveries, Ghana is set to become one of

states of eastern Europe. In addition, he was pressured by Western governments and the International Monetary Fund to embrace democratic reforms and economic liberalization policies (the IMF was lending money to Ghana).

Presidential elections were held in 1992. Prior to the elections, the ban on political parties was lifted, restrictions on the press were removed, and all parties were given equal access to the media. Rawlings won the election, which foreign observers declared to be "free and fair." Ghana

Connect® International Business is another tool that provides for application of concepts via the great variety of Interactive Application exercises included in this homework assignment and assessment system. For more information, see page xxi.

To help students go a step further in expanding their application level understanding of international business, each chapter incorporates a globalEDGE feature authored by Tomas Hult, as well as two **globalEDGE research tasks** designed and written by Tunga Kiyak and the team at Michigan State University's globalEDGE.msu.edu site to dovetail with the content just covered.

globalEDGE Get Insights by Country

The "Get Insights by Country" section of globalEDGE (globalEDGE.msu.edu/global-insights/by/country) is your source for information and statistical data for nearly every country around the world (more than 200 countries). As related to Chapter 2 of the text, globalEDGE has a wealth of information and data on national differences in political economy. These differences are available across a dozen menu categories in the

country sections (e.g., economy, history, government, culture, risk). The "Executive Memos" on each country page are also great for abbreviated fingertip access to current information. At a minimum, we suggest that you take a look at the country pages of the United Kingdom and Sweden because the authors of this text are from those countries—have you figured out who is from the UK and who is from Sweden yet?

globalEDGE Research Task <http://globalEDGE.msu.edu>

Use the globalEDGE website (globalEDGE.msu.edu) to complete the following exercises:

1. You are preparing for a business trip to Chile where you will need to interact extensively with local professionals. Therefore, you would like to collect information regarding local culture and business practices prior to your departure. A colleague from Latin America recommends you visit the "Centre for Intercultural Learning" and read through the country characteristics that may affect business interactions in this country.
2. Typically, cultural factors drive the differences in business etiquette encountered during international business travel. In fact, Middle Eastern cultures exhibit significant differences in business etiquette when compared to Western cultures. Prior to leaving for your first business trip to the region, a colleague informed you that a guide named *Business Etiquette around the World* may help you. Using this guide,

Integrated Progression of Topics

A weakness of many texts is that they lack a tight, integrated flow of topics from chapter to chapter. In Chapter 1 of this book, students will learn how the book's topics are related to each other. We have achieved integration by organizing the material so that each chapter builds on the material of the previous ones in a logical fashion.

PART ONE Chapter 1 provides an overview of the key issues to be addressed and explains the plan of the book.

PART TWO Chapters 2, 3, and 4 focus on national differences in political economy and culture, and Chapter 5 examines ethical issues in international business. Most international business textbooks place this material at a later point, but we believe it is vital to discuss national differences first. After all, many of the central issues in international trade and investment, the global monetary system, international business strategy and structure, and international business operations arise out of national differences in political economy and culture. To fully understand these issues, students must first appreciate the differences in countries and cultures. Ethical issues are dealt with at this juncture primarily because many ethical dilemmas flow out of national differences in political systems, economic systems, and culture.

PART THREE Chapters 6 through 9 investigate the political economy of international trade and investment. The purpose of this part is to describe and explain the trade and investment environment in which international business occurs.

PART FOUR Chapters 10 and 11 describe and explain the global monetary system, laying out in detail the monetary framework in which international business transactions are conducted.

PART FIVE In Chapters 12 and 13, attention shifts from the environment to the firm. Here the book examines the strategies that firms adopt to compete effectively in the international business environment.

PART SIX Chapters 14 through 17 explain how firms can perform key functions—production, marketing, research and development, and human resource management to compete and succeed in the international business environment. Throughout the book, the relationship of new material to topics discussed in earlier chapters is pointed out to the students to reinforce their understanding of how the material comprises an integrated whole.

Accessible and Interesting


The international business arena is fascinating and exciting, and we have tried to communicate our enthusiasm for it to the student. Learning is easier and better if the subject matter is communicated in an interesting, informative, and accessible manner. One technique we have used to achieve this is weaving interesting anecdotes into the narrative of the text, that is, stories that illustrate theory. Prepared by co-author Tomas Hult, of Michigan State University, the use of conversation starters also serve to present controversial questions and allow students to discuss and apply concepts from the chapter.

In addition to the conversation starters, most chapters also have a Country Focus box that provides background on the political, economic, social, or cultural aspects of countries grappling with an international business issue.

How Important Are Intellectual Property Rights?

Burundi is a landlocked country in the Great Lake region of Eastern Africa. Neighboring countries include Rwanda, Tanzania, and the Democratic Republic of the Congo. Burundi is hilly and mountainous, with access to Lac Tanganyika. The government system is a republic, with the chief of state and head of government being the president. Burundi has a traditional economic system in which the allocation of available resources is made on the basis of primitive methods, and many citizens engage in subsistence agriculture. At the same time, Burundi was last of the 131 countries ranked in the 2013 International Property Rights Index (IPRI). The IPRI is conducted by a partnership of 74 international organizations. The IPRI takes into account legal and political environment, physical property rights, and intellectual property rights. How much should companies focus on Intellectual Property Rights in making their decision on where to (1) produce their products and (2) sell their products? Does it differ if you produce or sell in the country?

Source: www.internationalpropertyrightsindex.org



country FOCUS

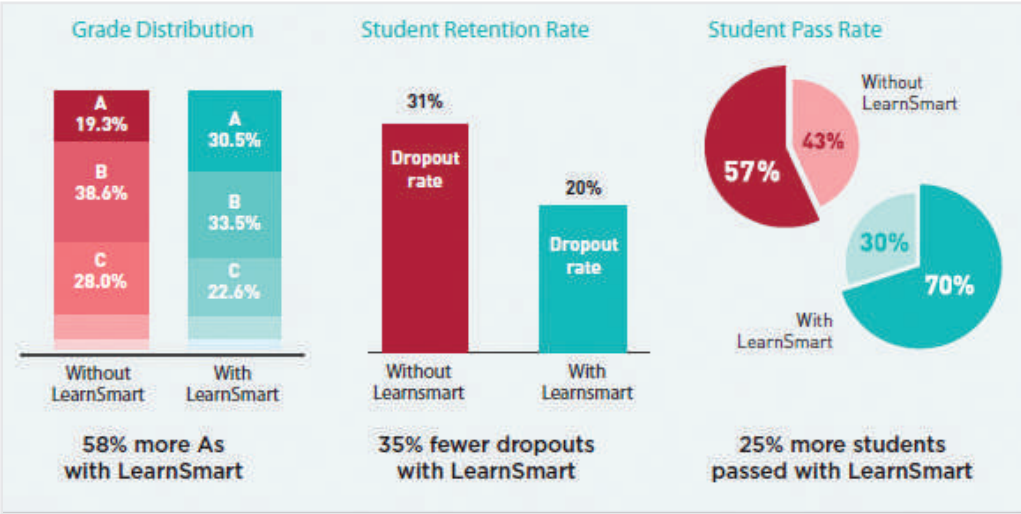
Venezuela under Hugo Chávez, 1999–2013

On March 5, 2013, Hugo Chávez, the president of Venezuela, died after losing a battle against cancer. Chávez had been president of Venezuela since 1999. A former military officer who was once jailed for engineering a failed coup attempt, Chávez was a self-styled democratic socialist who won the presidential election by campaigning against corruption, economic mismanagement, and the “harsh realities” of global capitalism. When he took office in February 1999, Chávez

In mid-2000, the world oil market bailed Chávez out of mounting economic difficulties. Oil prices started to surge from the low \$20s in 2003, reaching \$150 a barrel by mid-2008. Venezuela, the world’s fifth-largest producer, reaped a bonanza. On the back of surging oil exports, the economy grew at a robust rate. Chávez used the oil revenues to boost government spending on social programs, many of them modeled after programs in Cuba. In 2006, he announced plans to reduce the stakes held by foreign companies in oil projects in the Orinoco regions and to give the state-run oil company a majority position.

Results-Driven Technology

Across the country, instructors and students continue to raise an important question: How can international business courses further support students throughout the learning process to shape future global business leaders? While there is no one solution, *Global Business Today*, ninth edition, offers a seamless content and technology solution to improve student engagement and comprehension, automation of assignments and grading, and easy reporting to ensure that learning objectives are being met. *Connect® International Business* provides a wide array of tools and content to improve instructor productivity and student performance. In



fact, the aggregated results of 34 Connect adoptions showed an 11 percent improvement in pass rates, a 16 percent improvement in retention, twice as many students receiving an A, and 77 percent reduction in instructor grading time.



McGraw-Hill *Connect International Business*

Connect is an all-digital teaching and learning environment designed from the ground up to work with the way instructors and students think, teach, and learn. As a digital teaching, assignment, and assessment platform, *Connect* strengthens the link among faculty, students, and coursework, helping everyone accomplish more in less time.

LearnSmart

The smartest way to get from B to A

McGraw-Hill LearnSmart is the first and most widely used intelligent adaptive learning resource. It is proven to strengthen memory recall, improve course retention, and boost grades by distinguishing between what students know and what they don't know, and honing in on the concepts that they are most likely to forget. LearnSmart continuously adapts to each student's needs by building an individual learning path. As a result, students study smarter and retain more knowledge over time. LearnSmart is available within *Connect* as well as stand-alone for greater student access.

SmartBook

A revolution in learning

Fueled by LearnSmart, SmartBook is the first and only adaptive reading experience available today. SmartBook personalizes content for each student in a continuously adapting reading experience. Reading is no longer a passive and linear experience, but an engaging and dynamic one where students are more likely to master and retain important concepts, coming to class better prepared.

Interactive Assignments

A higher level of learning

Throughout the chapter, students will be prompted to complete a variety of interactive assignments that will require them to apply what they have learned in a real-world scenario. These online exercises will help students assess their understanding of the concepts.

- **Apply concepts** from the book to a video case.

Video Case key terms

1 While Sierra Leone is currently a constitutional democracy, what type of totalitarianism is portrayed in the video, during the decade-long civil war?

Communist

International

Tribal

Right-wing

Theocratic

Introduction 2 Video Case 3 Concept Check 4 Summary next: submit ▶

- Make business decisions based on specific scenarios/cases from real-world companies.

- Analyze a case and apply chapter concepts.
- Demonstrate problem-solving skills through complex examples and diagrams.

- Demonstrate knowledge about business models and processes.

McGraw-Hill *Connect Plus* with Integrated Media-Rich E-book

McGraw-Hill reinvents the textbook-learning experience for today's students with *Connect Plus*, providing students with a cost-saving alternative to the traditional textbook. A seamless integration of a media-rich e-book and *Connect*, *Connect Plus* provides all the *Connect* features plus the following:




- A web-optimized e-book, allowing for anytime, anywhere online access to the textbook.
- Powerful search function to pinpoint and connect key concepts in a snap.
- Highlighting and note-taking capabilities as well as access to shared instructors' notations.

Teaching Support

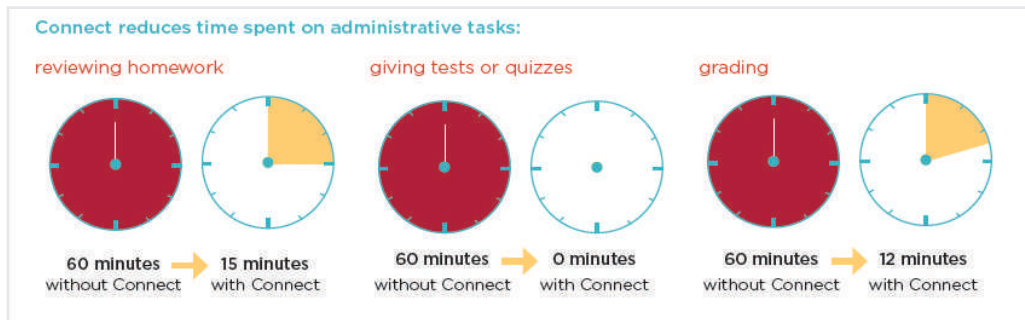
International Business offers you a complete package to prepare you for your course.

McGraw-Hill *Connect*

 McGraw-Hill Education's *Connect* strengthens the link between faculty, students, and coursework, helping everyone accomplish more in less time.

Efficient Administrative Capabilities

Connect offers you, the instructor, auto-gradable material in an effort to facilitate teaching and learning.



Connect and LearnSmart allow me to present course material to students in more ways than just the explanations they hear from me directly. Because of this, students are processing the material in new ways, requiring them to think. I now have more students asking questions in class because the more we think, the more we question.

Sharon Feaster, Instructor at
Hinds Community College

Student Progress Tracking

Connect keeps instructors informed about how each student, section, and class is performing, allowing more productive use of lecture and office hours. The progress tracking function enables instructors to:

- View scored work immediately and track individual or group performance with assignment and grade reports.
- Access an instant view of student or class performance relative to learning objectives.
- Collect data and generate reports required by many accreditation organizations, such as AACSB.

Instructor Library

Connect's instructor library serves as a one-stop, secure site for essential course materials, allowing you to save prep time before class. The instructor resources found in the library include:

- **Instructor's Manual.** The Instructor's Manual is a comprehensive resource designed to support you in effectively teaching your course. It includes course outlines; chapter teaching resources, including chapter overviews and outlines, teaching suggestions, chapter objectives, teaching suggestions for opening cases, lecture outlines, answers to critical discussion questions, teaching suggestions for the closing case, and two student activities (some with Internet components); and expanded video notes with discussion questions for each video. The answers to globalEDGE research tasks are included.
- **Test Bank.** Approximately 100 true-false, multiple-choice, and essay questions per chapter are included in the test bank. We've aligned our test bank questions with Bloom's Taxonomy and AACSB guidelines, tagging each question according to its knowledge and skill areas. Each test bank question also maps to a specific chapter learning objective listed in the text. You can use our test bank software, EZ Test, to easily query for learning objectives that directly relate to the learning objectives for your course. You can use the reporting features of EZ Test to aggregate student results in a similar fashion, making the collection and presentation of assurance-of-learning data quick and easy.
- **PowerPoint Presentations.** The PowerPoint program consists of one set of slides for every chapter, featuring original materials not found in the text in addition to reproductions and illuminations of key text figures, tables, and maps. Quiz questions to keep students on their toes during classroom presentations are also included, along with instructor notes.

- McGraw-Hill offers the most current, diverse, and comprehensive video support for the international business classroom. Adopters can request our International Business Instructor Video DVD (ISBN 1259392015) from their McGraw-Hill sales representative. The DVD features 20 clips, selected based on their relevance to the text's chapter material. Corresponding video notes are available. In addition to the DVD, we provide clips from a variety of online sources, updated monthly.

McGraw-Hill Customer Experience Group Contact Information

At McGraw-Hill, we understand that getting the most from new technology can be challenging. That's why our services don't stop after you purchase our products. You can e-mail our product specialists 24 hours a day to get product training online. Or you can search our knowledge bank of frequently asked questions on our support website. For customer support, call **800-331-5094**, e-mail **hmsupport@mcgraw-hill.com**, or visit **www.mhhe.com/support**. One of our technical support analysts will be able to assist you in a timely fashion.

Course Design and Delivery

cesim GlobalChallenge Simulation

cesim is an international business simulation designed to develop student understanding of the interaction and complexity of various business disciplines and concepts in a rapidly evolving, competitive business environment. The simulation has a particular focus on creating long-term, sustainable, and profitable growth of a global technology company. Student teams make decisions about technology-based product roadmaps and global market and production strategies involving economics, finance, human resources, accounting, procurement, production, logistics, research and innovation, and marketing. *cesim* improves the knowledge retention, business decision-making, and teamwork skills of students.



Create

Instructors can now tailor their teaching resources to match the way they teach! With McGraw-Hill Create, **www.mcgrawhillcreate.com/hill**, instructors can easily rearrange alternate, combined chapters (see brief table to contents on page v). Combine material from other content sources, and quickly upload and integrate their own content, like course syllabi or teaching notes. Find the right content in Create by searching through thousands of leading McGraw-Hill textbooks. Arrange the material to fit your teaching style. Order a Create book, and receive a complimentary print review copy in 3–5 business days or a complimentary electronic review copy (echo) via e-mail within one hour. Go to **www.mcgrawhillcreate.com/hill** today and register.



Tegrity Campus

Tegrity makes class time available 24/7 by automatically capturing every lecture in a searchable format for students to review when they study and complete assignments. With a simple one-click start-and-stop process, you capture all computer screens and corresponding audio. Students can replay any part of any class with easy-to-use browser-based viewing on a PC or Mac. Educators know that the more students can see, hear, and experience class resources, the better they learn. In fact, studies prove it. With patented Tegrity "search anything" technology, students instantly recall key class moments for replay online, or on iPods and mobile devices. Instructors can help turn all their students' study time into learning moments immediately supported by their lecture. To learn more about Tegrity, watch a two-minute Flash demo at **http://tegritycampus.mhhe.com**.



Blackboard® Partnership

McGraw-Hill Education and Blackboard have teamed up to simplify your life. Now you and your students can access *Connect* and Create right from within your Blackboard course—all with one single sign-on. The grade books are seamless, so when a student completes an



integrated *Connect* assignment, the grade for that assignment automatically (and instantly) feeds your Blackboard grade center. Learn more at www.domorenow.com.



McGraw-Hill Campus™

McGraw-Hill Campus is a new one-stop teaching and learning experience available to users of any learning management system.

This institutional service allows faculty and students to enjoy single sign-on (SSO) access to all McGraw-Hill Education materials, including the award-winning McGraw-Hill *Connect* platform, from directly within the institution's website. With McGraw-Hill Campus, faculty receive instant access to teaching materials (e.g., e-textbooks, test banks, PowerPoint slides, learning objects, etc.), allowing them to browse, search, and use any instructor ancillary content in our vast library at no additional cost to instructors or students. In addition, students enjoy SSO access to a variety of free content and subscription-based products (e.g., McGraw-Hill *Connect*). With McGraw-Hill Campus enabled, faculty and students will never need to create another account to access McGraw-Hill products and services. Learn more at www.mhcampus.com.

Assurance of Learning Ready

Many educational institutions today focus on the notion of *assurance of learning*, an important element of some accreditation standards. *International Business* is designed specifically to support instructors' assurance of learning initiatives with a simple yet powerful solution. Each test bank question for *International Business* maps to a specific chapter learning objective listed in the text. Instructors can use our test bank software, EZ Test and EZ Test Online, to easily query for learning objectives that directly relate to the learning outcomes for their course. Instructors can then use the reporting features of EZ Test to aggregate student results in similar fashion, making the collection and presentation of assurance of learning data simple and easy.

AACSB Tagging

McGraw-Hill Education is a proud corporate member of AACSB International. Understanding the importance and value of AACSB accreditation, *International Business* recognizes the curricula guidelines detailed in the AACSB standards for business accreditation by connecting selected questions in the text and the test bank to the six general knowledge and skill guidelines in the AACSB standards. The statements contained in *International Business* are provided only as a guide for the users of this textbook. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While the *International Business* teaching package makes no claim of any specific AACSB qualification or evaluation, we have within *International Business* labeled selected questions according to the six general knowledge and skills areas.



Acknowledgments

Numerous people deserve to be thanked for their assistance in preparing this edition. First, we want to thank all the people at McGraw-Hill Education who have worked with us on this project:

Anke Weekes, Senior Brand Manager
Andrea Scheive, Development Editor
Michael Gedatus, Marketing Manager
Elizabeth Steiner, Marketing Specialist
Danielle Clement, Content Project Manager
Matt Diamond, Designer
Keri Johnson, Lead Content Licensing Specialist

Second, our thanks go to the reviewers, who provided good feedback that helped shape this edition:

Jacobus F. Boers, *Georgia State University*
Peter Buckley, *Leeds University*
Macgorine A. Cassell, *Fairmont State University*
David Closs, *Michigan State University*
Ping Deng, *Maryville University of St. Louis*
Betty J. Diener, *Barry University*
Pat Fox, *Marion Technical College*
Connie Golden, *Lakeland Community College*
Martin Grossman, *Bridgewater State University*
Michael Harris, *East Carolina University*
Kathy Hastings, *Greenville Technical College*
Chip Izard, *Richland College*
Jan Johanson, *Uppsala University*
Candida Johnson, *Holyoke Community College*
Sara B. Kimmel, *Mississippi College*
Tunga Kiyak, *Michigan State University*
Laura Kozloski Hart, *Barry University*
Ruby Lee, *Florida State University*
Vishakha Maskey, *West Liberty University*
Shelly McCallum, *Saint Mary's University of Minnesota*
Emily A. Morad, *Reading Area Community College*
Tim Muth, *Florida Institute of Technology*
Dwight Shook, *Catawba Valley Community College*
James Whelan, *Manhattan College*
Man Zhang, *Bowling Green State University*

A special thanks to David Closs, and David Frayer for allowing us to borrow elements of the sections on Strategic Roles for Production Facilities; Make-or-Buy Decisions; Global Supply Chain Functions; Coordination in Global Supply Chains; and Interorganizational Relationships for chapter 15 of this text from Tomas Hult, David Closs, and David Frayer (2014), *Global Supply Chain Management*, New York: McGraw Hill.



Global Business Today