

International **Business**

COMPETING IN THE GLOBAL MARKETPLACE

Charles W. L. Hill

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GLOBAL MARKETPLACE

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10E International
Business

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GLOBAL MARKETPLACE

Charles W. L. Hill
UNIVERSITY OF WASHINGTON

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INTERNATIONAL BUSINESS: COMPETING IN THE GLOBAL MARKETPLACE, TENTH EDITION

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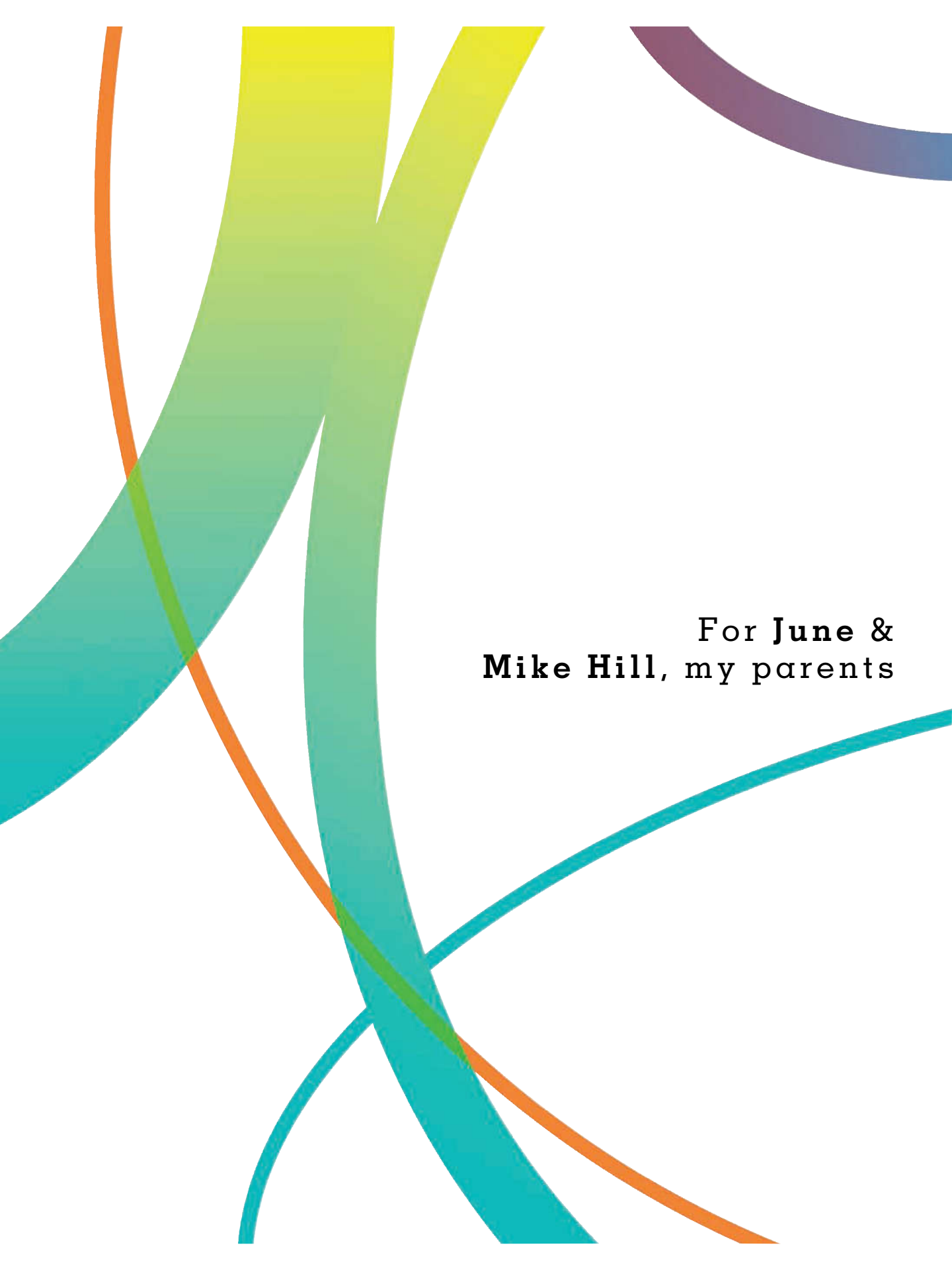
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For June &
Mike Hill, my parents

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THE PROVEN CHOICE FOR INTERNATIONAL BUSINESS

CURRENT. APPLICATION RICH. RELEVANT. INTEGRATED.

It is now over two decades since I began work on the first edition of *International Business: Competing in the Global Marketplace*. By the third edition the book was the most widely used international business text in the world. Since then its market share has only increased. I attribute the success of the book to a number of goals I set for myself when I embarked on the first edition of the book. Specifically, I wanted to create a learning program that:

- Is comprehensive and up to date.
- Goes beyond an uncritical presentation and shallow explanation of the body of knowledge.
- Focuses on rich applications of international business concepts.
- Tightly integrates progression of topics among chapters.
- Incorporates ancillary resources that turbo-charge your text and make it easier to teach your course.

Over the years, and through now ten editions, I have worked hard to adhere to these goals. 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, I 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. That process continues in the current edition. 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, I have been guided not only by my own reading, teaching, and research but also by the invaluable feedback I receive from professors and students around the world who use the product, from reviewers, and from the editorial staff at McGraw-Hill Education. My 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.

I have always endeavored to do all 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 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 resource pays close attention to these issues.

The Proven Choice for International Business

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

- 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 Douglas 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, I 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 I first began work on this book. By 2011, more than \$3 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 expand their economies at a rapid rate. Outsourcing service functions to places such as China and India emerged as a major issue in developed Western nations. 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.

What's New in the 10th Edition

The success of the first nine editions of *International Business* was based in part on the incorporation of leading-edge research into the text, the use of the 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, my goals for the tenth edition have focused on the following:

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 opening and closing cases wherever possible.
5. Update boxed examples and/or add new ones.
6. Add new end-of-part cases.

As part of the overall revision process, *all the maps have been completely updated and changes have been made to every chapter in the book.* For example:

All statistics have been updated to incorporate the most recently available data, which typically refers to 2012. The data were mostly released by national and international agencies in the spring 2013.

New examples, cases, and boxes have been added and older examples updated to reflect new developments. For example; (1) the *opening case* for Chapter 6 looks at the proposal made in late 2012 to create a free trade area encompassing the United States and the European Union, (2) a new *Country Focus* feature in Chapter 7 discusses allegations made by the U.S. government in late 2012 that the Chinese are illegally subsidizing auto exports, and (3) a new *Management Focus* feature in Chapter 13 discusses how the steel company ArcelorMittal leverages skills between subsidiaries in different nations. More generally, virtually all the chapter opening and closing cases are new to this edition.

Most of the cases at the end of each part are either new to this edition, or the cases have been substantially revised. For example, I added a new case to the end of Part Two that discusses the collapse of the Rana Plaza building in Bangladesh in April 2013 and its implication for the global apparel trade. Similarly, I updated my IKEA case to reflect events in the company up to and including early 2013.

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, has 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 has been added to the book.

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, I 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, I 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. I believe that these theories and phenomena are explained in more depth in this work than they are in the competition, which seems 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.

FOCUS ON RICH APPLICATIONS OF INTERNATIONAL BUSINESS CONCEPTS

I 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 considers 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 **Implications for Managers**. In this section, the managerial implications of the material discussed in the chapter are clearly explained.

IMPLICATIONS FOR MANAGERS



As noted in the previous chapter, the political, economic, and legal environments of a country clearly influence the attractiveness of that country as a market or investment site. In this chapter, we argued that countries with democratic regimes, market-based economic policies, and strong protection of property rights are more likely to attain high and sustained economic growth rates and are thus a more attractive location for international business. It follows that the benefits, costs, and risks associated with doing business in a country are a function of that country's political, economic, and legal systems. The overall attractiveness of a country as a market or investment site depends on balancing the likely long-term benefits of doing business in that country against the likely costs and risks. Here, we consider the determinants of benefits, costs, and risks.

BENEFITS

In the most general sense, the long-run monetary benefits of doing business in a country are a function of the size of the market, the present wealth (purchasing power) of consumers in that market, and the likely future wealth of consumers. While some markets are very large when measured by number of consumers (e.g., China and India), low living standards may imply limited purchasing power and therefore a relatively small market when measured in economic

Another tool that I have used to focus on managerial implications is the **Management Focus** box. Most chapters have at least one Management Focus. 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 zoning laws. These prohibited commercial development in the historic area. Not to be denied, executives at the headquarters of Walmart de Mexico found a way around the problem; they paid a \$52,000 bribe to a local official to redraw the zoning area so that the property Walmart wanted to purchase was placed *outside* the commercial-free zone. Walmart then went ahead and built the store, despite vigorous local opposition, opening it in late 2004.

A former lawyer for Walmart de Mexico subsequently contacted Walmart executives at the company's corporate headquarters in Bentonville, Arkansas. He told them that Walmart de Mexico routinely resorted to bribery, citing the altered zoning map as just one example. Alarmed, executives at Walmart started their own investigation. Faced with

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 permit. Similarly, thanks to nine bribe payments totaling \$765,000, Walmart built a vast refrigerated distribution center in an environmentally fragile flood basin north of Mexico City, in an area where electricity was so scarce that many smaller developers were turned away.

Walmart responded to *The New York Times* article by ramping up a second internal investigation into bribery that it had initiated in 2011. As of late 2012, there were reportedly more than 300 outside lawyers working on the investigation, and it had cost over \$100 million in fees. In

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.

part two Country Differences

National Differences in Political Economy

2

LEARNING OBJECTIVES
After reading this chapter, you will be able to:

- L02-1** Understand how the political systems of countries differ.
- L02-2** Understand how the economic systems of countries differ.
- L02-3** Understand how the legal systems of countries differ.
- L02-4** Explain the implications for management practice of national differences in political economy.

Ghana: An African Dynamo

Opening 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 2012, Ghana's average annual growth rate in GDP was 7.66 percent. In 2011, that made him very popular among ordinary Ghanaians. Rawlings initially pursued socialist policies and banned political parties, but in the early 1990s, he changed his views. He may well have been influenced by the wave of democratic change and economic liberalization that was then

A **closing case** to each chapter is designed to illustrate the relevance of chapter material for the practice of international business and provide continued insight into how real companies handle those issues.

CLOSING CASE

Who Makes the Apple iPhone?

In its early days, Apple usually didn't look beyond its own backyard to manufacture its devices. A few years after Apple started to make the Macintosh computer back in 1983, Steve Jobs bragged that it was "a machine that was made in America." As late as the early 2000s, Apple still manufactured many of its computers at the company's iMac plant in Elk Grove, California. Jobs often said that he was as proud of the Apple's manufacturing plants as he was of the devices themselves.

By 2004, however, Apple had largely turned to foreign manufacturing. The shift to offshore manufacturing reached its peak with the iconic iPhone, which Apple first introduced in 2007. All iPhones contain hundreds of parts, an estimated 90 percent of which are manufactured abroad. Advanced semiconductors come from Germany and Taiwan, memory from Korea and Japan, display panels and circuitry from Korea and Taiwan, chip sets from Europe, and rare metals from Africa and Asia. Apple's major subcontractor, the Taiwanese multinational firm, Foxconn, performs final assembly in China.

Steve Jobs demanded that a glass screen replace the plastic screen on his prototype iPhone. Jobs didn't like the look and feel of plastic screens, which at the time were standard in the industry, nor did he like the way they scratched easily. This last-minute change in the design of the iPhone put Apple's market introduction date at risk. Apple had selected Corning to manufacture large panes of strengthened glass, but finding a manufacturer that could cut those panes into millions of iPhone screens wasn't easy. Then a bid arrived from a Chinese factory. When the Apple team visited the factory, they found that the plant's owners were already constructing a new wing to cut the glass and installing equipment. "This is in case you give us the contract," the manager said. The plant also had a warehouse full of glass samples for Apple, and a team of engineers available to work with Apple. They had built on-site dormitories, so that the factory could run three shifts seven days a week in order to meet Apple's demanding production schedule. The Chinese company got the bid.

Another critical advantage of China for Apple was

End-of-part cases are longer, allowing a more in-depth study of international companies.


Disaster in Bangladesh: The Collapse of the Rana Plaza Building

On the morning of Wednesday April 24, 2013, an eight-story industrial and commercial building in Bangladesh collapsed, killing over 1,100 people, most of them workers in one of the five garment factories that occupied six floors of the building. This was not the first high-profile accident in the Bangladesh garment industry. The prior November, a factory fire had killed 112 garment workers. Just days after the building collapse, a fire in another garment factory killed eight people. The spat of accidents led to calls for Western clothing retailers to do more to improve working conditions and safety in Bangladesh and other poor nations from which they source production. Some interest groups went further, arguing that Western companies should refuse to source production from countries where working conditions were so bad. One high-profile Western company, Walt Disney, had already made this decision. In March 2013, Disney removed Bangladesh from the list of countries where it authorized partners to produce clothing and other merchandise for Disney. Politicians in Bangladesh responded to the Disney announcement with dismay. They argued up from \$8.9 billion in 2006, making it the largest export industry in the country and a primary driver of economic growth. By 2012 the textile industry in Bangladesh comprised some 5,000 factories which were the source of employment for 3 million people, 85 percent of whom were women with few alternative employment opportunities.

As a deep economic recession took hold in developed nations during 2008–2009, big importers such as Walmart increased their purchases of low-cost garments from Bangladesh to better serve their customers, who were looking for low prices. Li & Fung, a Hong Kong company that handles sourcing and apparel manufacturing, stated its production in Bangladesh jumped 25 percent in 2009, while production in China, its biggest supplier, slid 5 percent.

Bangladesh's advantage is based on a number of factors. First, labor costs are low, in part due to low hourly wage rates and in part due to investments by textile manufacturers in productivity-boosting technology during the past decade. The minimum wage rate in Bangladesh is currently \$38 a month, compared to a minimum wage

To help students go a step further in expanding their application level understanding of international business, each chapter incorporates 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.

Research Task  globalEDGE.msu.edu

Ethics in International Business

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

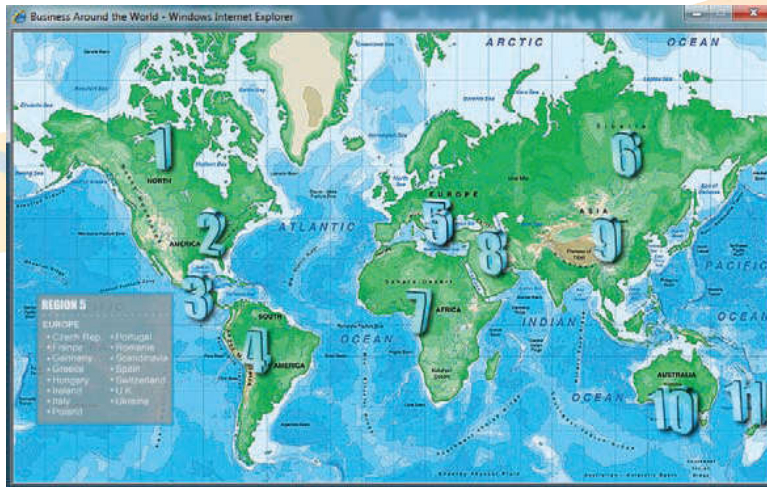
Exercise 1

Promoting respect for universal human rights is a central dimension of many countries' foreign policy. As history has shown, human rights abuses are an important concern worldwide. Some countries are more ready to work with other governments and civil society organizations to prevent abuses of power. Begun in 1977, the annual *Country Reports on Human Rights Practices* are designed to assess the state of democracy and human rights around the world, call attention to violations, and—where needed—prompt needed changes in U.S. policies toward particular countries. Find the latest annual *Country Reports on Human Rights Practices* for the BRIC countries (Brazil, China, India, and Russia), and create a table to compare the findings under the “Worker Rights” sections. What commonalities do you see? What differences are there?

Exercise 2

The use of bribery in the business setting is an important ethical dilemma many companies face both domestically and abroad. The *Bribe Payers Index* is a study published every three years to assess the likelihood of firms from 28 leading economies to win business overseas by offering bribes. It also ranks industry sectors based on the prevalence of bribery. Compare the five industries thought to have the largest problems with bribery with those five that have the least problems. What patterns do you see? What factors make some industries more conducive to bribery than others?

Business around the World, accessible within Connect, is an interactive map that lets students conduct research on how business is taking place in any number of various countries and regions. Direct links to local newspapers brings the world a little closer for students.



INTEGRATED PROGRESSION OF TOPICS

A weakness of many texts is that they lack a tight, integrated flow of topics from chapter to chapter. This book explains to students in Chapter 1 how the book's topics are related to each other. Integration has been achieved 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 and 4 focus on national differences in political economy and culture, and Chapter 5 on ethical issues in international business. Most international business textbooks place this material at a later point, but I 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. We discuss ethical issues 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 through 12 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 13 through 15 attention shifts from the environment to the firm. Here the book examines the strategies and structures that firms adopt to compete effectively in the international business environment.

Part Six

In Chapters 16 through 20 the focus narrows further to investigate business operations. These chapters explain how firms can perform their key functions—manufacturing, marketing, R&D, human resource management, accounting, and finance—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 I have tried to communicate my 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 I have used to achieve this is weaving interesting anecdotes into the narrative of the text, that is, stories that illustrate theory.

Most chapters have a **Country Focus** box that provides background on the political, economic, social, or cultural aspects of countries grappling with an international business issue.

COUNTRY FOCUS


India's Economic Transformation

After gaining independence from Britain in 1947, India adopted a democratic system of government. The economic system that developed in India after 1947 was a mixed economy characterized by a large number of state-owned enterprises, centralized planning, and subsidies. This system constrained the growth of the private sector. Private companies could expand only with government permission. It could take years to get permission to diversify into a new product. Much of heavy industry, such as auto, chemical, and steel production, was reserved for state-owned enterprises. Production quotas and high tariffs on imports also stunted the development of a healthy private sector, as did labor laws that made it difficult to fire employees.

By the early 1990s, it was clear this system was incapable of delivering the kind of economic progress that many Southeast Asian nations had started to enjoy. In 1994, India's economy was still smaller than Belgium's, despite having a population of 950 million. Its GDP per capita was a paltry \$310, less than half the population could read, only 6 million had access to telephones, only 14 percent had access to clean sanitation; the World Bank estimated that some 40 percent of the world's desperately poor lived in India, and only 2.3 percent of the population had a household income in excess of \$2,484.

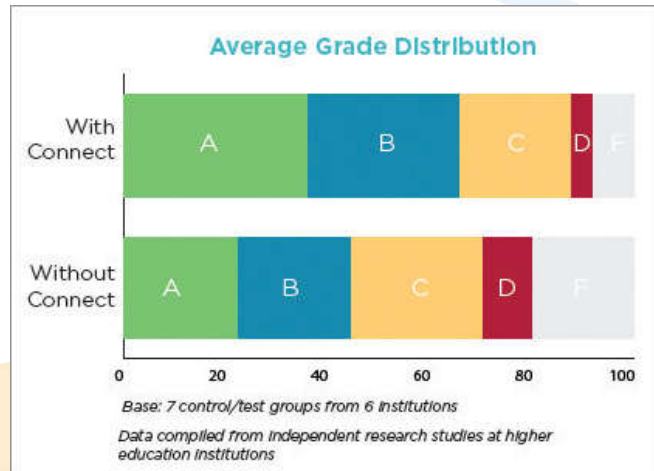
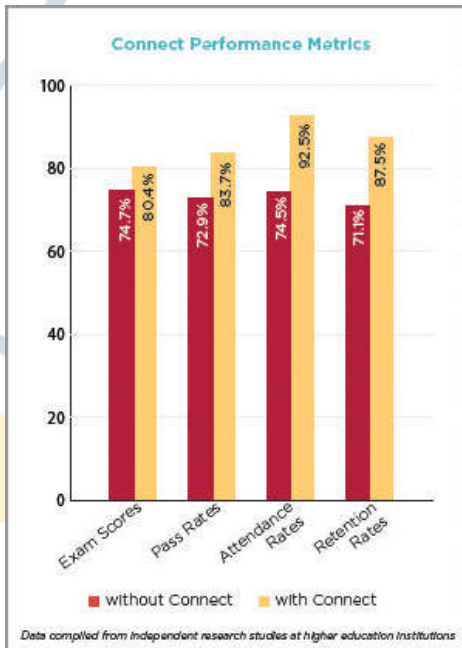
plans to start privatizing India's state-owned businesses, some 40 percent of which were losing money in the early 1990s.

Judged by some measures, the response to these economic reforms has been impressive. The economy expanded at an annual rate of about 6.3 percent from 1994 to 2004, and then accelerated to 7 to 8 percent annually during 2005–2012. Foreign investment, a key indicator of how attractive foreign companies thought the Indian economy was, jumped from \$150 million in 1991 to \$27.3 billion in 2012. Some economic sectors have done particularly well, such as the information technology sector where India has emerged as a vibrant global center for software development with sales of \$100 billion in 2012, up from \$150 million in 1990. In pharmaceuticals, too, Indian companies are emerging as credible players in the global marketplace, primarily by selling low-cost, generic versions of drugs that have come off patent in the developed world.

However, the country still has a long way to go. Attempts to further reduce import tariffs have been stalled by political opposition from employers, employees, and politicians, who fear that if barriers come down, a flood of inexpensive Chinese products will enter India. The

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, *International Business*, tenth 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*

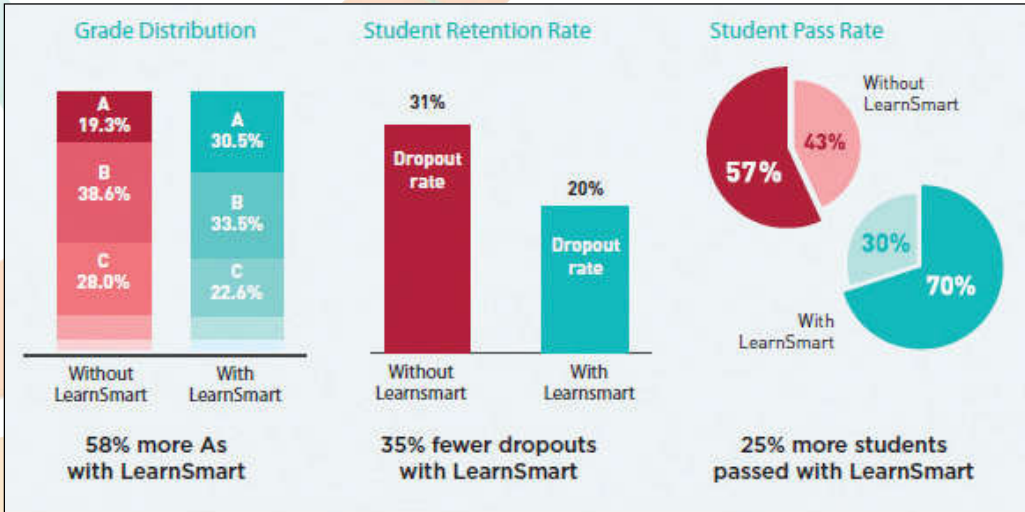


Connect is an all-digital teaching and learning environment designed from the ground up to work with the way instructors and students think, teach, and learn. As a digital teaching, assignment, and assessment platform, *Connect* strengthens the link among faculty, students, and coursework, helping everyone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

1 Introduction

2 **Video Case**

3 True or False

4 Summary

next: submit ▶

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

Decision Generator

Deciding to Take an Expatriate Assignment

Review the key questions and issues that the manager Stacy must consider in her decision about whether to take an expatriate assignment. Then, make sure the decision is the correct one. Finally, answer the Concept Check questions that follow.

Stacy is a manager in the marketing area of a well-known international business. She has been on a fast track with a series of promotions and expanding responsibilities. She has a mentor within the firm who has been discussing with her the pros and cons of taking an overseas assignment. Stacy has excellent interpersonal skills, and she is known as an empathetic but firm manager. She is married to a freelance writer who works from home. They have no children. Stacy's most recent promotion put her into a senior-level position, and recently she has been

- 1 Typically, the expatriate selections are made by line managers based on technical competence. They often fail because of .
- 2 Overseas performance potential is not the same as domestic success, and research by Mendenhall and Oddou suggests there are four critical dimensions that predict success in overseas postings: self-orientation, others-orientation, perceptual ability, and .
- 3 The two major reasons for expatriate failure are inability of the manager to adjust to a foreign environment and the inability of the manager's spouse to adjust to a foreign environment. can help the manager and spouse cope with both these problems.
- 4 Performance evaluation for expatriates can be difficult with both home-office and host-country managers looking at the expatriate's performance. In practice, home office managers often write

next: generate strategy >

Analyze a case and apply chapter concepts.

Case Analysis

Overcoming Cultural Barriers to Selling Tampons

Read the case study below, and then answer the questions that follow.

In 1997, Procter & Gamble (P&G) purchased Tambrands, the manufacturer of Tampax tampons, for \$1.87 billion. P&G's goal was to make Tampax a global brand. At the time of the acquisition, tampons were used by some 70 percent of women in North America and a significant majority in northwestern Europe. However, usage elsewhere was very low, ranging from single digits in countries such as Spain and Japan, to less than 2 percent throughout Latin America. P&G believed that it could use its global marketing skills and distribution networks to grow the product, particularly in underserved markets such as Latin America and southern Europe. But P&G has found

- 1 P&G hired counselors to educate and ultimately sell tampons to women. What kind of communications strategy is it employing?
- 2 P&G's biggest hurdle to overcome when selling tampons in Latin American markets was .
- 3 P&G have to overcome gender barriers because since most Mexican doctors are men, they do not fully understand the product. Which strategy did P&G employ to overcome this hurdle?
- 4 P&G faced a challenge concerning consumer sophistication in the industry. Which is the best way to combat this challenge?
- 5 The channel length is a key component to the successful growth of the Tampax brand. Which best describes the initial channel length in Monterrey, Mexico?

next: submit >

Demonstrate problem-solving skills through complex examples and diagrams.

Roll over the items about French culture to read their descriptions. Then drop them in the correct position.

Three classes Largely Roman Catholic

Socialist French

Socialist republic Modernized by Napoleon

next: submit >

Demonstrate knowledge about business models and processes.



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- 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.