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International Business

The Challenges of Globalization

EIGHTH EDITION

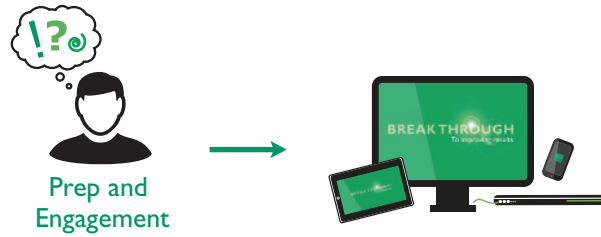
John J. Wild • Kenneth L. Wild



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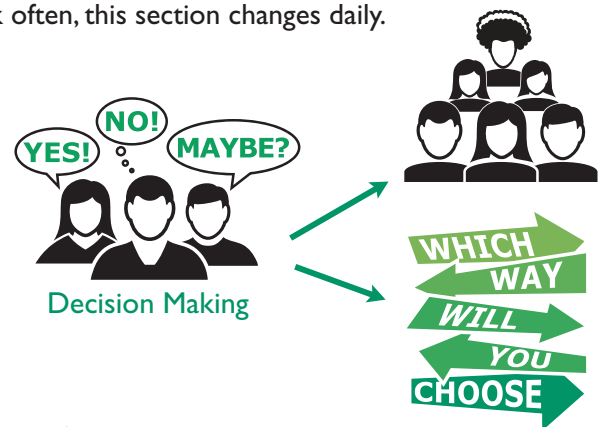
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International Business

The Challenges of Globalization

Eighth Edition

Global Edition

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Pearson Education Limited
Edinburgh Gate
Harlow
Essex CM20 2JE
England

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Visit us on the World Wide Web at:
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Authorized adaptation from the United States edition, entitled International Business: The Challenges of Globalization, 8th edition, ISBN 978-0-13-386624-7, by John J. Wild and Kenneth L. Wild, published by Pearson Education © 2016.

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ISBN 10: 1-292-09504-0
ISBN 13: 978-1-292-09504-2

British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library.

10 9 8 7 6 5 4 3 2 1
14 13 12 11 10

Typeset in 10/12 Times LT Std by Integra.

Printed and bound by CTPS in China.

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Dear Friends and Colleagues,

As we roll out the new edition of *International Business: The Challenges of Globalization*, we thank each of you who provided suggestions to enrich this textbook. This edition reflects the advice and wisdom of many dedicated reviewers and instructors. Together, we have created the most readable, concise, and innovative international business book available today.

As teachers, we know how important it is to select the right book for your course. Instructors say that this book's clear and lively writing style helps students learn international business. This book's streamlined and clutter-free design is a competitive advantage that will never be sacrificed.

This book's cutting-edge technology package also helps students to better understand international business. MyManagementLab is an innovative set of course-management tools for delivering all or part of your course online, which makes it easy to add meaningful assessment to your course. Whether you're interested in testing your students on simple recall of concepts and theories or you'd like to gauge how well they can apply their new knowledge to real-world scenarios, MyManagementLab offers a variety of activities that are applied and personalized with immediate feedback. You and your students will find these and other components of this book's learning system fun and easy to use.

We owe the success of this book to our colleagues and our students who keep us focused on their changing educational needs. In this time of rapid global change, we must continue to instill in our students a passion for international business and to equip them with the skills and knowledge they need to compete. Please accept our heartfelt thanks and know that your input is reflected in everything we write.

John J. Wild
Kenneth L. Wild

Preface

Welcome to the eighth edition of *International Business: The Challenges of Globalization*. As in previous editions, this book resulted from extensive market surveys, chapter reviews, and correspondence with scores of instructors and students. We are delighted that an overwhelming number of instructors and students agree with our fresh approach to international business. The reception of this textbook in the United States and across the world has exceeded all expectations.

This book presents international business in a comprehensive yet concise framework. Real-world examples and engaging features bring the concepts of international business to life and make international business accessible for all students. A main goal in this edition is to deliver the most readable, current, and concise international business textbook available. And this book's paperback format ensures that its price matches a student's budget.

This book is our means of traveling on an exciting tour through the study of international business. It motivates the reader by making international business challenging yet fun. It also embraces the central role of people and their cultures in international business. Each chapter is infused with real-world discussion, while underlying theory appears in the background where it belongs. Terminology is used consistently, and theories are explained in direct and concise terms. This book's visual style is innovative yet subtle and uses photos, illustrations, and features sparingly. The result is an easy-to-read and clutter-free design.

What's New in This Edition

- Chapter 1 has been reorganized for a better flow of topics
- We added a new section in Chapter 2 titled Culture in the Global Workplace
- Chapter 2 covers the sixth and latest Hofstede dimension
- Chapters 3 and 4 have been blended and redesigned into a political economy framework
- Coverage of regional integration in chapter 8 is now presented as a debate
- MyManagementLab is now more integrated throughout the text

MyManagementLab™ Suggested Activities

We are excited that Pearson's MyManagement Lab has been fully integrated into the text. These new features are outlined below. The online assessment activities enable you to quiz your students before they come to class so that you have more time in class to focus on areas that students find most challenging.

Watch It

Recommends a video clip that can be assigned to students for outside classroom viewing or that can be watched in the classroom. The video corresponds to the chapter material and is accompanied by multiple choice questions that reinforce student comprehension.

Try It

Recommends a mini simulation that can be assigned to students as an outside classroom activity or that can be done in the classroom. As the students watch the simulation they will be asked to make choices based on the scenario presented. At the end of the simulation the student will receive immediate feedback based on the answers they gave. These simulations reinforce the chapters' concepts and the students' comprehension of those concepts.

Talk About It

These are discussion-based questions that can be assigned as an activity in the classroom.

Assisted-Graded Writing Questions

These are short essay questions that students can complete as an assignment and submit to you for grading.

Chapter by Chapter Changes

- Coverage of globalization and the global business environment in Chapter 1 has been reorganized for a better flow of topics. Some material has been compressed and other topics rearranged within the chapter. Chapter 1 also demonstrates the new design for the learning objectives, whereby each objective directly aligns with each major section in the chapter and with the chapter summary.
- The role of culture in business in Chapter 2 has been improved to aid student comprehension. The chapter contains a new section titled “Culture in the Global Workplace,” which covers how people in different cultures view time, work, cultural change, and material culture. We listened to your feedback and replaced the complex Hofstede figures with a table of country scores for each Hofstede dimension. We also now include coverage of the sixth and latest Hofstede dimension—indulgence versus restraint.
- The most significant change in topical coverage is a reworking of the previous Chapters 3 and 4. Chapter 3 now covers political, legal, and economic systems as integrated systems of political economy by absorbing the topic of economic systems from Chapter 4. These changes reflect instructor preference for a more applied approach to teaching the material as an integrated system. Accordingly, Chapter 4 now covers the economic development of nations more directly than in previous editions and includes relevant topics that were previously in Chapter 3, including political risk and international relations.
- Coverage of regional economic integration in Chapter 8 has been streamlined in places and coverage of the trading bloc known as ALADI has been removed. Instead of presenting the pros and cons of regional integration as benefits and drawbacks, the material is now presented as a debate over the effects of regional integration. This change reflects instructor and student requests for a more dynamic presentation of this material.
- This edition of *International Business* is also more interactive than any previous edition. If assigned by the instructor, students are invited to go to the MyManagementLab Website at relevant places throughout each chapter to complete multiple-choice exercises, to watch a video and answer questions, or to perform a simulation exercise.
- All chapters contain the latest available data and reference sources as of the date of printing. For example, Table 5.1 in Chapter 5 presents the latest ranking of the world’s top merchandise and service exporters, and Table 5.2 provides updated figures on the amount of trade that flows between different world regions.
- This edition keeps pace with current events around the world. Wherever possible, we integrate recent events into chapter-opening company profiles, tables and figures, feature boxes, in-text examples, and end-of-chapter mini cases.

Hallmark Features of International Business

Culture Early and Often

Culture is a fundamental element of all international business activity. This book’s presentation of culture sensitizes students to the lives of people in other nations. Culture appears early (Chapter 2) and is integrated throughout the text using culture-rich chapter openers and lively examples of how culture affects international business. Covering culture in this way gets students interested in chapter material because it illustrates how concepts relate to the real world.

Highly Readable

A successful book for the first course in international business must be accessible to students. We describe conceptual material and specialized business activities in concrete, straightforward terms and illustrate them appropriately. For example, we introduce the concepts of absolute and comparative advantage in Chapter 5 by discussing whether a highly paid CEO should install her

own hot tub or let a professional installer perform the job. This approach—presenting complex material in an accessible manner—helps students to better master the material.

Uniquely Integrative

International business is not simply a collection of separate business functions and environmental forces. The model shown here (and detailed in Chapter 1) is a unique organizing framework that helps students to understand how the elements of international business are related. It depicts a dynamic, integrated system that weaves together national business environments, the international business environment, and international business management. It also shows that characteristics of globalization (new technologies and falling barriers to trade and investment) are causing greater competition.

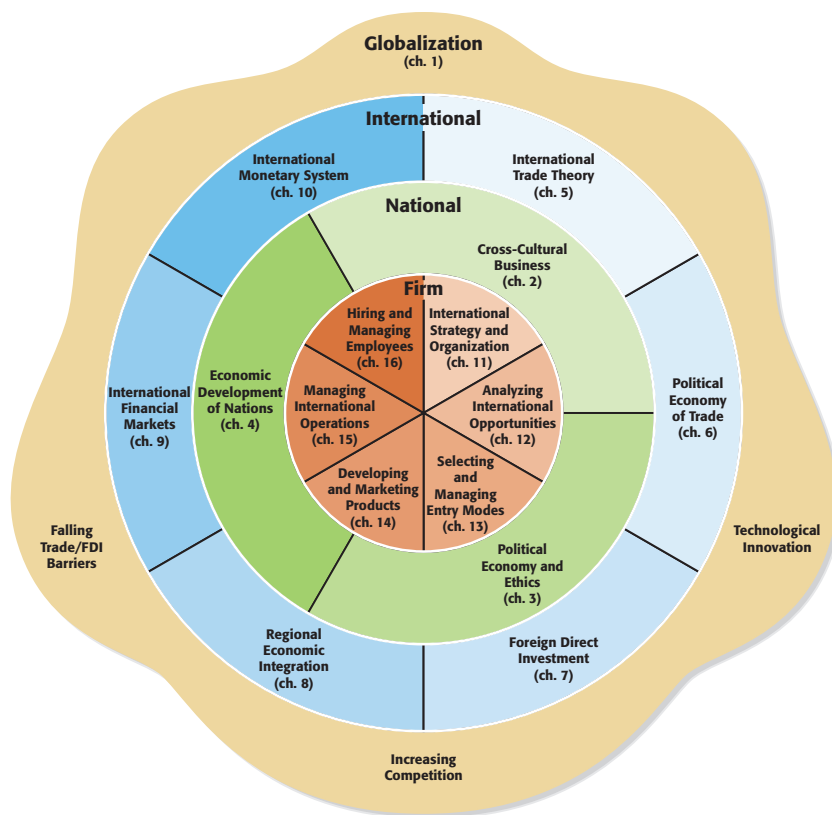
Interactive Approach

This book’s cutting-edge technology package helps students to better understand international business. MyManagementLab is an innovative set of course-management tools for delivering course material online and makes it easy to add meaningful assessment to the course. Whether interested in testing students on simple recall of concepts and theories or gauging how well students can apply their newly minted knowledge to real-world scenarios, MyManagementLab offers a variety of activities that are applied, personalized, and offer immediate feedback. Instructors and students say that the MyManagementLab learning system is fun and easy to use and far superior to anything available from any competitor.

Innovative Pedagogy

This book’s pedagogy stands apart from the competition:

- *Chapter-opening company profiles* are brief, easy-to-read introductions to each chapter’s content filtered through the lens of a real-world example. Instructors say these profiles of high-interest firms motivate students to turn the page and get reading the chapters. Companies profiled are on the leading edge of their industries and are inherently interesting to students, including Apple, PepsiCo, Infosys, Nintendo, Ryanair, Marvel, and Red Bull.
- *Global Sustainability* boxes present special topics related to economic, social, and environmental sustainability. Today, businesses know that flourishing markets rely on strong economies, thriving societies, and healthy environments. Topics include the factors that contribute to sustainable development, ending civil wars that destroy fragile societies, and how companies make their supply chains more environmentally friendly.
- *Culture Matters* boxes present the relation between culture and a key chapter topic. For example, Chapter 2 presents the importance of businesspeople developing a global mindset and avoiding cultural bias. Another chapter presents the debate over



in testing students on simple recall of concepts and theories or gauging how well students can apply their newly minted knowledge to real-world scenarios, MyManagementLab offers a variety of activities that are applied, personalized, and offer immediate feedback. Instructors and students say that the MyManagementLab learning system is fun and easy to use and far superior to anything available from any competitor.

Global Sustainability		Three Markets, Three Strategies
<p>A company adapts its business strategy to the nuances of the market it enters. The world’s population of 7 billion people lives in three different types of markets:</p>		
<ul style="list-style-type: none"> • Developed Markets These include the world’s established consumer markets, around <i>one billion</i> people. The population is solidly middle class, and people can consume almost any product desired. The infrastructure is highly developed and efficient. • Emerging Markets These markets, around <i>two billion</i> people, are racing to catch up to developed nations. The population is migrating to cities for better pay and is overloading cities’ infrastructures. Rising incomes are increasing global demand for resources and basic products. • Traditional Markets Globalization has bypassed these markets, nearly <i>four billion</i> people. The population is mostly rural, the infrastructure is very poor, and there is little credit or collateral. People have almost no legal protections, and corruption prevails. 	<ul style="list-style-type: none"> • Toyota focused on the environment in its <i>developed</i> markets. After extensively researching gas-electric hybrid technologies, Toyota launched the Prius. As <i>Motor Trend’s</i> Car of the Year, the Prius drove Toyota’s profits to record highs and gave it a “green” image. • Shree Cement faced limited access to low-cost energy in India’s <i>emerging</i> market. So it developed the world’s most energy-efficient process for making its products. The world’s leading cement companies now visit Shree to learn from its innovations in energy usage. • Blommer Chocolate of the United States works closely with cocoa farmers in <i>traditional</i> markets. Blommer received the Rainforest Alliance’s “Sustainable Standard-Setter” award for training farmers in safe farming practices, environmental stewardship, and HIV awareness 	
<p>Like business strategy, sustainability strategies reflect local conditions. Examples of businesses working toward sustainability in these three markets include the following:</p>		
<p><small>Sources: Jeremy Jurgens and Knut Haanes, “Companies from Emerging Markets Are the New Sustainability Champions,” <i>The Guardian</i> (www.guardian.co.uk), October 12, 2011; Stuart L. Hart, <i>Capitalism at the Crossroads, Third Edition</i> (Upper Saddle River, NJ: Wharton School Publishing, 2010); Daniel C. Esty and Andrew S. Winston, <i>Green to Gold</i> (New Haven, CT: Yale University Press, 2006).</small></p>		

globalization's influence on culture, and still another box shows how entrepreneurs succeed by exploiting their knowledge of local cultures.

- *Manager's Briefcase* boxes address issues facing companies active in international business. Issues presented can be relevant to entrepreneurs and small businesses or to the world's largest global companies. Topics include obtaining capital to finance international activities, getting paid for exports, and how to be mindful of personal security while abroad on business.
- *NEW Learning Objectives* focus on the main lessons students should take away from the material and are summarized in bullet-point format at the end of the chapter. Learning objectives are now aligned with each main chapter section and with the chapter summary to aid comprehension.
- *NEW Quick Study* concept checks help students to verify that they have learned the section's key terms and important concepts before moving on.
- *Bottom Line for Business* sections conclude chapters and explain the impact of the chapter's topics on managers and their firms' policies, strategies, and activities abroad.
- *Full-Color World Atlas*, which appears as an appendix to Chapter 1, is a primer for students to test their knowledge of world geography and acts as a reference tool throughout the course.
- *Beacons* provide students with a "road map" of how chapters relate to one another. These beacons appear at the start of each chapter and are appropriately titled, "A Look Back," "A Look at This Chapter," and "A Look Ahead."
- *PowerPoint slides* for instructors contain teaching notes and include question slides to use as in-class comprehension checks.
- *Videos* are available to accompany this text and cover topics such as globalization, culture's impact on business, international business ethics, foreign direct investment, emerging markets, and entry modes.

Tools for Active Learning

Feedback on previous editions shows that this book has more—and more useful—end-of-chapter assignment material than any other international business book. Still, we refined the end-of-chapter exercises in response to the changing needs and desires of students and instructors. Carefully chosen assignment materials span the full range of complexity in order to test students' knowledge and ability to apply key principles. Assignment materials are often experiential in nature to help students develop decision-making skills. Assignment materials include the following:

- *Talk About It* questions can be used for in-class discussion or as homework assignments. These exercises raise important issues currently confronting entrepreneurs, international managers, policy makers, consumers, and others.
- *Ethical Challenge* exercises (in a "You are the . . ." format) ask students to assume the role of a manager, government official, or someone else and to make a decision based on the facts presented to them.
- *Teaming Up* projects go beyond the text and require students to collaborate in teams to conduct interviews, research other countries, or hold in-class debates. Projects expose students to different perspectives when they bring together students who have different cultural backgrounds.
- *Market Entry Strategy Project* is an interactive simulation that asks students to research a country as a future market for a new video game system, the M-Box. Working as part of a team, students research and analyze a country, and then recommend a course of action.
- *Practicing International Management* cases ask students to analyze the responses of real-world companies to the issues, problems, and opportunities discussed in each chapter.

Practicing International Management Case

A Tale of Two Cultures

Many cultures in Asia are in the midst of an identity crisis. In effect, they are being torn between two worlds. Pulling in one direction is a traditional value system derived from agriculture-based communities and extended families—that is, elements of a culture in which relatives take care of one another and state-run welfare systems are unnecessary. Pulling from the opposite direction is a new set of values emerging from manufacturing- and finance-based economies—elements of a culture in which workers must often move to faraway cities to find work, sometimes leaving family members to fend for themselves.

For decades, Western multinational corporations set up factories across Southeast Asia to take advantage of relatively low-cost labor. Later, local companies sprang up and became competitive global players in their own right. Spectacular rates of economic growth in a few short decades elevated living standards beyond what was thought possible. Young people in Malaysia and Thailand felt the lure of "Western" brands. Gucci handbags (www.gucci.com), Harley-Davidson motorcycles (www.harley-davidson.com), and other global brands became common symbols of success. Many parents felt that brand-consciousness among their teenage children signaled familywide success.

Despite the growing consumer society, polls of young people show them holding steadfast to traditional values such as respect for family and group harmony. Youth in Hong Kong, for example, overwhelmingly believe that parents should have a say in how hard they study, in how they treat family members and elders, and in their choice of friends.

Now globalization is washing over India. An explosion in outsourcing jobs caused a social revolution among India's graduates of technical colleges and universities. Unlike in India's traditional high-tech service jobs, young call-center staffers are in direct contact with Western consumers, answering inquiries on items such as tummy crunchers and diet pills. For these young, mostly female staffers, the work means money, independence, and freedom—sometimes far away from home in big cities such as Bangalore and Mumbai. But in addition to the training in American accents and geography, these workers are learning new ideas about family, materialism, and relationships.

Parents are suspicious of call-center work because it must typically be performed at night in India, when consumers are awake in Canada, Europe, or the United States. When her parents objected, Binitha Venugopal quit her call-center job in favor of a "regular" daytime job. Binitha says her former coworkers' values are changing and that dating and live-in relationships among them are common. Indian tradition dictates that young adults live with their parents at least until they get married (typically to someone

their parents choose). Perhaps facilitating shifting values in India is an influx of Western professionals, such as lawyers, who accepted good-paying jobs there that could not be found back home during the global recession.

Roopa Murthy works for an Indian company that offers call-center and back-office services. Roopa moved to Bangalore from her native Mysore armed with an accounting degree. She now earns \$400 per month, which is several times what her father earned before he retired from his government job. Roopa cut her hair short and tossed aside her *salwar kameez*, the traditional loose-fitting clothing she wore back home, in favor of designer-labeled Western attire.

Although she once shunned drinking and her curfew at home was 9 p.m., Roopa now frequents a pub called Geoffrey's, where she enjoys dry martinis and rum, and The Club, a suburban disco. Roopa confesses that she is "seeing someone" but that her parents would disapprove, adding, "It is difficult to talk to Indian parents about things like boyfriends." She said she sometimes envies her callers' lives but that she hopes her job will help her succeed. "I may be a small-town girl, but there is no way I'm going back to Mysore after this," she said. Many observers wonder whether Asia can embrace modernization and yet retain traditional values.

Thinking Globally

2-14. If you worked for an international firm doing business in Asia, is there anything you would suggest to ease the tensions these cultures are experiencing? Be specific.

2-15. Social ills in any country are normally born from a multitude of factors. What role, if any, do you think globalization is having in higher reported rates of divorce, crime, and drug abuse in Asia?

2-16. Broadly defined, Asia comprises more than 60 percent of the world's population—a population that practices Buddhism, Confucianism, Hinduism, Islam, and numerous other religions. Do you think it is possible to carry on a valid discussion of "Asian" values? Explain.

Sources: Heather Timmons, "Outsourcing to India Draws Western Lawyers," *New York Times* (www.nytimes.com), August 4, 2010; Lisa Tsering, "NBC Picks up Series 'Outsourced' for Fall 2010," *Indiawest.com* website (www.indiawest.com), May 27, 2010; Saritha Rai, "India Outsourcing Workers Stressed to The Limit," *Silicon.com* website (www.silicon.com); now www.techrepublic.com, May 26, 2009; Sol E. Solomon, "Vietnam's IT Way to Social Progress," *Bloomberg Businessweek* (www.businessweek.com), May 19, 2008.

Faculty Resources

Instructor's Resource Center

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

The following supplements are available with this text:

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

2015 Qualitative Business Video Library

Additional videos illustrating the most important subject topics are available in MyManagementLab, under

- Instructor Resources: Business Today.

Student Resources

Market Entry Strategy Project

Originally designed by David C. Wyld of Southeastern Louisiana University, this online, interactive project is available only through www.MyManagementLab.com.

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Acknowledgments

We are grateful for the encouragement and suggestions provided by many instructors, professionals, and students in preparing this eighth edition of *International Business*. We especially thank the following instructors who provided valuable feedback to improve this and previous editions:

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Bashar A. Zakaria	<i>California State University, Sacramento</i>

It takes a dedicated group of individuals to take a textbook from first draft to final manuscript. We thank our partners at Pearson for their tireless efforts in bringing the eighth edition of this book to fruition. Special thanks on this project go to Stephanie Wall, Editor-in-Chief; Kris Ellis-Levy, Senior Editor; Ashley Santora, Program Management Lead; Sarah Holle, Program Manager; Judy Leale, Project Management Lead; Ann Pulido, Project Manager; Maggie Moylan, Vice President, Product Marketing; Anne Fahlgren, Executive Product Marketing Manager; Lenny Ann Raper, Field Marketing Manager; and Erin Gardner, Senior Strategic Marketing Manager.

Pearson wishes to thank the following people for their work on the content of the Global Edition:

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John J. Wild and Kenneth L. Wild provide a blend of skills uniquely suited to writing an international business textbook. They combine award-winning teaching and research with a global view of business gained through years of living and working in cultures around the world. Their writing makes the topic of international business practical, accessible, and enjoyable.

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International Business

The Challenges of Globalization