

GLOBAL
EDITION



International Business

Environments and Operations

FIFTEENTH EDITION

John D. Daniels • Lee H. Radebaugh • Daniel P. Sullivan



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International Business

Environments and Operations

Fifteenth Edition

Global Edition

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Preface

This textbook is one of the best-selling international business textbooks in both the United States and the rest of the world. Widely used in both undergraduate and MBA level courses, this text has had authorized translations into Spanish, Chinese, Thai, and Russian, and it will soon be in Albanian, Korean, and Macedonian as well. This textbook set the global standard for studying the environments and operations of international business. The elements of success that have driven this performance anchor our efforts to make this edition the best version yet. We believe these efforts result in a textbook that provides you and your students the best possible understanding of what is happening and is likely to happen in the world of business.

AUTHORITATIVE, RELEVANT, CURRENT

Students, faculty, and managers praise this book for its compelling balance between rigorous, authoritative theory and meaningful practice within the context of a fresh, current analysis of the international business environment. Indeed, this book not only describes the ideas of international business but also uses contemporary examples, scenarios, and cases to make sense of what managers do and should do. We include multiple insights and real-world examples, which we base on our research, discussions with managers and other stakeholders, opinions of students and professors, and observations from traveling the world. Since 2010, the authors have traveled individually to more than 45 countries, only a few of which overlapped. We traveled to every region and nearly every continent, which provided significant insights we were able to use in this edition. We believe no other textbook comes close to successfully blending a comprehensive review of international business theory with exhaustive attention to what happens in the many parts of the global market. We are confident that this new edition, by making international business ideas and practices more meaningful than ever before, will give students a comprehensive, current view of international business in the twenty-first century.

RELEVANT MATERIALS THAT ENGAGE STUDENTS

AUTHOR-WRITTEN CASES

An enduring strength of this text is its in-depth case profiles of cutting-edge issues in international business. This edition introduces new cases and updates and revises the remaining. All 40 cases are unique and, with few exceptions, are personally researched and written by the text's authors. As such, we believe they set the standard for integration of theory and practice in an international business textbook on the following three levels:

1. *Level of Analysis:* Cases engage an extensive range of topics from environmental, institutional, country, industry, company, and individual perspectives. No one perspective dominates; all are represented and, hence, create a meaningful representation of the world of international business.
2. *Scope of Geographic Coverage:* Cases cover topics in settings that span the globe; no region is unaddressed, no major market is neglected.

3. *Scope of Company Coverage*: Cases look at various issues from a range of company perspectives, notably companies headquartered in all regions of the world, from large MNEs to small exporters, from old-line manufacturers to emergent cyber businesses, from companies that make products to those that deliver services.

Opening Case Each chapter starts with a provocative case written to set the stage for the major issues covered in the chapter. Designed to grab the student's attention, these cases look at fascinating issues in a way that makes students want to understand the ideas and concepts of international business. These cases, by variously taking the point of view of individuals, companies, governments, and institutions, give a great sense of the richness of the ensuing chapter. Material from the opening cases is then integrated with chapter discussions that we highlight in the text.

Closing Case Each chapter closes with a rich, elaborate case that integrates the ideas and tools presented in the chapter. The closing cases aim to put the student into a situation that asks, given certain circumstances, what should be done. Called on to analyze issues and decisions for which the chapter prepares them, students can then grapple with many of the opportunities and challenges of international business.

NEW CASES IN THIS EDITION

We have extensively updated *all* the cases from the previous edition so that students will find them relevant and rigorous. In addition, we have included several entirely new cases:

- Chapter 1: Logistics and Transportation: The Case of Dubai Ports World
- Chapter 6: Doing Business in Singapore
- Chapter 7: Unilever Goes East
- Chapter 12: The Mobile Money Revolution: A Look at Safaricom's M-Pesa
- Chapter 18: Samsonite's Global Supply Chain
- Chapter 19: Dell Mercosur: Getting Real in Brazil

LOOKING TO THE FUTURE

Each chapter offers future scenarios that are important to managers, companies, or the world. The topic of each *Looking to the Future* feature alludes to ideas discussed in the chapter in a way that prompts students to engage their imagination about the future of the world.

POINT-COUNTERPOINT

To reinforce our strong applications orientation, we have included a separate feature in every chapter that brings to life a major debate in contemporary international business and globalization. We use a point-counterpoint style to highlight the diversity of perspectives that managers and policymakers use to make sense of vital issues.

The give-and-take between two sides reinforces this textbook's effort to link theory and practice in ways that will undoubtedly energize class discussion.

GEOGRAPHY AND INTERNATIONAL BUSINESS

In appropriate chapters, we have included "Does Geography Matter?" sections. Some of the geographic variables we include to help explain the chapters' content are country location, location of population and population segments within countries, natural resources and barriers, climate, natural disasters, and country size.

NEW TOPICS AND CHAPTER CHANGES

Although it is a tired cliché, every instructor of international business knows the world is changing in many and often unpredictable ways. We wake up to the same challenges you do, trying to make sense of what we read, hear, and see in the global press. Our effort to make sense of this leads to an unconditional effort to improve and update the text to reflect the latest knowledge and practice of international business. Most notably, among the many changes in this edition are the following:

PART ONE: INTRODUCTION

- Updated opening case, such as including the cost and company sponsorship of the London Summer Olympics (Chapter 1)
- Brought in new examples of determining product origins because of their mixed composition, such as the example of Swiss chocolate (Chapter 1)
- Extended discussion of economic uncertainties (oil prices and economic recession), especially as they affect the value of international trade and investment (Chapter 1)
- Explained how countries' sizes influence their degree of globalization (Chapter 1)
- Introduced the concept of inshoring (Chapter 1)
- Presented example of how border cooperation enhances efficiency, e.g. dam between Brazil and Paraguay, and how lack of standards create inefficiencies, e.g. trans-European rail service (Chapter 1)
- Illustrated global economic cooperation with example of G-20 countries (Chapter 1)
- Introduced additional downsides of offshoring, such as the loss of higher skilled jobs and the possible inattention to process techniques when relying on cheap labor (Chapter 1)
- Illustrated job shifts because of technology with example of airline cockpit crews (Chapter 1)
- Revised the closing case to include an in-depth study of a Dubai based logistics and transportation company (Chapter 1)

PART TWO: NATIONAL ENVIRONMENTAL DIFFERENCES

- Updated the opening case on Saudi Arabia, such as with illustrations of women's changing roles in the work force, Olympics participation, and possible changes in driving prohibitions (Chapter 2)

- Emphasized the advantages and problems of using multi-cultural teams (Chapter 2)
- Introduced the concept of deal-focused versus relationship-focused societies (Chapter 2)
- Discussed the growth of bicultural and multicultural individuals (Chapter 2)
- Expanded the coverage of laws to include underutilized societal groups, such as women on European boards, ethnic work quotas in Malaysia, and university racial quotas in Brazil (Chapter 2)
- Used Korea to show strain of using needed foreign workers while maintaining traditional cultural values (Chapter 2)
- Illustrated how poor translations affect business with example of Chinese contracts with foreign companies (Chapter 2)
- Showed how ethnic conflict may lead to the dissolution of the United Kingdom and Spain as we know them today (Chapter 2)
- Included a new closing case on Tesco that discusses how the company used multicultural teams to transfer knowledge among countries (Chapter 2)
- Expanded profile of the importance of the political system; particular attention paid to implication of political affairs in Russia (Chapter 3)
- Streamlined discussion of collectivism and individualism; greater emphasis given to their implication to the business environment (Chapter 3)
- Revised profile of political freedom and its implication to rights of individuals and organizations (Chapter 3)
- Detailed update of trends in political ideologies, the play of long-run trends in recent developments and circumstances (Chapter 3)
- Expanded coverage of democracy and totalitarianism within the context of changing degrees of political freedom (Chapter 3)
- Updated profile of the drivers of the recession retreat of democracy; profile of current assessments as provided by Freedom House as *Economist Intelligence Unit* (Chapter 3)
- Updated profile of the drivers of the surge in totalitarianism (Chapter 3)
- Revised interpretation of the implication of political ideological change and MNEs' actions (Chapter 3)
- Streamlined discussion of political risk; reset table to better represent classes and characteristics of political risk (Chapter 3)
- Updated developments in the legal environment; greater emphasis given to business implications of legal change (Chapter 3)
- Profiled ongoing trends in the basis of rule, highlighting the scale and scope of the rule of law versus the rule of man (Chapter 3)
- Streamlined discussion of the interaction of the basis of rule and the practice of democracy worldwide (Chapter 3)
- Reported latest World Bank data on the ease of doing business worldwide; particular attention paid to critical startup, operational, and shutdown activities (Chapter 3)
- Streamlined discussion of the strategic implications of legal environments to the activities of MNEs; particular attention directed toward the ongoing play of intellectual property specification and protection in established versus emerging economies (Chapter 3)

- New section developed to better present the basis for political and legal differences among countries. Provides students a systematic profile of the basis for cross-national differentiation. New section highlights the potential for cross-national convergence in political and legal outlooks and orientations (Chapter 3)
- Updated case profile of intellectual property violation and counterfeiting in the world today; reset case to highlight economic, political, and social dynamics of counterfeiting and intellectual property piracy; emphasized angles of political and legal ambiguity that reflect location effects. Data points updated to report most recent statistics (Chapter 3)
- Updated and expanded opening case, emphasizing the ongoing and accelerating comeback of emerging economies and its growing scope of implication to Western economies (Chapter 4)
- Contextualized discussion of economic trends and anomalies that shape the perspectives brought to bear to assess the performance and potential of international markets; designed to illustrate that systematic principles guide assessment of differentiated markets (Chapter 4)
- Streamlined specification of key assumptions anchoring international market analysis (Chapter 4)
- Updated assessment of ice melt rates in the Arctic ice cap and their implication to economic development (Chapter 4)
- Revised discussion of the centrality of economic freedom in international market analysis; precise specification of components of economic freedom (Chapter 4)
- Revised discussion of the current state of economic freedom and predominant trends (Chapter 4)
- Assessment of the concerns and constraints that motivate national governments to reduce individuals' economic freedom (Chapter 4)
- Revised presentation of materials profiling types of economic systems (Chapter 4)
- Updated assessment of the scale and scope of state capitalism; direct evaluation of the ongoing debate regarding whether state capitalism is a detour or destination for established and emerging markets (Chapter 4)
- Summary discussion in chart profiling various specifications of emerging economy clusters (Chapter 4)
- Expanded discussion of broader conceptions of economic performance and potential, with additional emphasis given toward measures of sustainability—most notably Net National Product, Genuine Progress Indicator, and Human Development Index—and stability, most notably Your Better Life Index, Gross National Happiness, and Happy Planet (Chapter 4)
- Stronger connections drawn between economic performance and national potential (Chapter 4)
- Streamlining of the Point-Counterpoint, “Growth: Positive and Productive?” to more directly stress test the comparative benefits and costs of growth (Chapter 4)
- Revised coverage of key components of economic analysis, with particular attention given to include inflation, unemployment, debt, income distribution, poverty, and the balance of payments (Chapter 4)
- Expanded coverage of the base-of-the-pyramid concept as well as discussion of the multidimensionality of poverty (Chapter 4)

- Addition of section to discuss the explanatory usefulness of global indices to evaluate the economic potential of international markets; particular attention given to the Global Competitiveness, World Competitiveness, Global Innovation, and the Where to Be Born Indices (Chapter 4)
- Reference throughout chapter evolving implication of global credit crisis, particularly in Western economies (Chapter 4)
- Addition of new case that evaluates trends, opportunities and constraints in the BRIC markets with an overt sensitivity of the relevance of those markets to fellow emerging economies (Chapter 4)
- Updated statistics throughout chapter (Chapter 4)

PART THREE: CONNECTING COUNTRIES THROUGH TRADE AND FACTOR MOVEMENTS

- Updated trade and demographic figures for the opening case on Costa Rican trade and the closing case on LUKOIL's foreign trade and investment (Chapter 5)
- Brought in the recent upsurge in trade among developing countries, mainly due to Chinese and Indian demand for raw materials (Chapter 5)
- Added a map comparing U.S. states' GDPs with those of countries to demonstrate why the U.S. is a major trader with a low dependence on foreign trade (Chapter 5)
- Compared homogeneous and differentiated products in terms of the importance of distance in explanation of countries' trading partners (Chapter 5)
- Included new map showing recent major destinations of immigration (Chapter 5)
- Brought in new examples of technology that is causing shifts in global trade patterns, such as robots with cameras that displace agricultural pickers and fracking for natural gas that displaces petroleum trade (Chapter 5)
- Discussed the effect of ethnic networks on trade patterns (Chapter 5)
- Updated the opening case on U.S.–Vietnamese disputes on catfish trade, such as with later figures and the 2012 U.S. repeal on inspections of Vietnamese catfish (Chapter 6)
- Replaced old with recent export restrictions to maintain domestic supplies (Chapter 6)
- Brought in the effect on workers in exporting countries when importing countries impose an optimum tariff (Chapter 6)
- Introduced the Committee on Foreign Investment in the United States (CFIUS) (Chapter 6)
- Augmented discussion of trade sanctions with examples of recent trade bans with Iran (Chapter 6)
- Discussed the problem and documentation needed to explain a product's origin, such as with imports when animals were born in one country, raised in a second one, and slaughtered in a third (Chapter 6)
- Showed how the image of a country's products changes when some of its exported products are rejected for health or safety reasons (Chapter 6)
- Dropped the U.S. Cuban trade case, and introduced the case of Doing Business in Singapore that examines the pro-business climate in the country (Chapter 6)