

THE *GLOBAL BUSINESS TODAY* APPROACH

Global Business Today is intended for the first international business course at either the undergraduate or the MBA level. Our goal in writing this Canadian edition has been to set a new standard for international business textbooks. We have attempted to write a book that (1) integrates the Canadian perspective on international business and Canada's place within the international business environment, (2) is comprehensive and up-to-date, (3) goes beyond an uncritical presentation and shallow explanation of the body of knowledge, (4) focuses on implications for business and makes important theories, issues, and practices accessible and interesting to Canadian students.

INTEGRATED COVERAGE OF THE CANADIAN PERSPECTIVE

Although this book is geared to the Canadian reader, this does not mean that all examples within are Canadian examples. The author has written about those realities and examples that best portray chapter topical themes, as well as writing about what the market wants, based upon market research in the academic field. The textbook pays particular attention to small- and medium-sized enterprises and their push onto the international business scene.

COMPREHENSIVE AND UP-TO-DATE COVERAGE

To be comprehensive, an international business textbook must clearly communicate:

- How and why the world's countries differ
- Why a comprehensive review of economics and politics of international trade and investment is necessary in understanding international trade
- How the functions and form of the global monetary system are tied into global trade

- How the strategies, objectives, and international structures of international business need to conform to certain guidelines set out by international organizations and other bodies
- The special roles of an international business's activities

This book pays close attention to these issues. Ultimately, a successful business is an informed business. It is our intention to cover, in an in-depth manner, the linkages between success and knowledge on the global business stage. As time moves forward, an increasing number of students will become international managers, and this book will better equip them with knowledge about the strategies, operations, and functions of small and large businesses alike.

The theories behind international trade help students to grasp the scope and execution of international business. Many books convey an adequate task of communicating long established theories (e.g., the theory of comparative advantage and Vernon's product life-cycle theory) but they ignore important newer works included in *Global Business Today*, such as:

- The new trade theory and strategic trade policy
- The work of Nobel prize-winning economist Amartya Sen on economic development
- Samuel Huntington's influential thesis on the "clash of civilizations"
- The new growth of economic development championed by Paul Romer and Gene Grossman
- Recent 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 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

In addition to cutting-edge theory and the exponentially quickening pace of the international business environment, every effort has been made to ensure that this book is as current as possible when it goes to press. This Canadian edition contains current data from the World Trade Organization, The Organization for Economic Cooperation and Development (OECD), the United Nations Commission on Trade and Development (UNCTAD), Statistics Canada, and Export Development Canada, among others. This book provides readers with a fresh insight into factors influencing Canada and other countries in the world of international trade, Canadian businesses' forays into world markets, and reactions to ongoing economic structural readjustments in 2006 and beyond. For example:

- Chapter 1, "Globalization," looks at the changing global economy and uses Bombardier and Embraer as examples of Canadian companies competing globally and locally.
- The Management Focus, "Working in China," in Chapter 3, "The Cultural Environment," presents some cultural guidelines from a Canadian business student while working and travelling in China.
- Chapter 6, "The Political Economy of International Trade," provides an example of how a Canadian company has brought a global perspective to the fishing industry.
- In Chapter 8, "Regional Economic Integration," we can see that Canadian companies are breaking through the challenges brought forth by the NAFTA agreement and are achieving excellence in exporting.
- In Chapter 10, "The Global Monetary System," an example is given to show how currency exchange rates, among other factors, have bolstered the Canadian film industry.
- Chapter 12, "Entering Foreign Markets," offers insight into reactions in other countries to privatization issues, as described in the Country Focus, "What Privatization Means to the Residents of Bolivia."
- Chapter 13, "Exporting, Importing, and Countertrade" provides hands-on perspectives into the "logistics" of international trade, e.g., letters of credit, along with other areas where export advice can be received. One such world-class export training program is offered through the Forum for International Trade Training (FITT) in Ottawa, where learning modules in eight fields of international trade are taught at higher learning institutes across Canada.
- Chapter 14, "Global Marketing and R&D," highlights the current stalemate in the Canadian–U.S. softwood lumber negotiations in the Country Focus, "Lumberjacks or Robber Barons."

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. These theories and phenomena typically are explained in more depth in *Global Business Today* than they are in competing textbooks.

FOCUS ON BUSINESS IMPLICATIONS AND ACCESSIBLE PRESENTATION

The Canadian edition of *Global Business Today* offers many opportunities for students to engage with and apply the material to their lives and their future careers. The features listed below are explained in greater detail in the Learning Features section beginning on page xviii.

- NEW to the Canadian edition, each chapter concludes with an **Implications for Business** section that explains the managerial implications of the chapter material. This feature helps business students to understand the linkage between practice and theory.
- Each chapter begins with an **Opening Case** and concludes with a **Closing Case** that illustrates the

relevance of chapter material for the practice of international business. Ten Closing Cases are new to the Canadian edition. The opening case in Chapter 4, “Imagine No Metal,” looks at mining and how “big business” in northern Ontario is also an important and growing sector worldwide. Chapter 12 opens with the ING Group case and its rapid expansion of ING Direct Canada to serve over one million clients. The closing case to Chapter 2, “Delivering Electricity in Canada,” looks at the challenges of ensuring energy supplies through the electrical grid in Canada. The case accentuates the regulatory aspects of companies delivering electricity within Canada, in the context of Canada being the fifth largest electricity producer in the world.

- Each chapter also contains two types of focus boxes. **Management Focus** boxes, like the cases, illustrate the relevance of the chapter material for the practice of international business; eleven are new to the Canadian edition. Examples include: “Bringing Gambling to Your Home” in Chapter 2, “Four Seasons Hotels and Resorts” in Chapter 7, “NAFTA—Friend or Foe of Canadian Business” in Chapter 8, “Barrick Gold” in Chapter 9, and “The ‘Reel’ Threat to the Canadian Film Industry” in Chapter 10. **Country Focus** boxes provide background on the political, economic, social, or cultural aspects of countries grappling with an international business issue. For example, “40 Years of Corruption in Nigeria” in Chapter 2, “Foreign Direct Investment in China” in Chapter 7, “Team Canada, A Vital Part of the Canadian Government’s Global Business Strategy” in Chapter 11, and “Countries Want to Hold on to Their Jobs” in Chapter 16. Seven Country Focus boxes are new to the Canadian edition.
- **Another Perspective** sidebars help students to think critically about adjacent text material.
- **NEW Sustainability in Practice Part-Ending Cases** help students to understand how businesses are engaging in the solutions to sustainable development challenges.
- **NEW GlobalEdge™ Research Tasks** allow students to practise using real business data.
- **“Could You Do This?” Entrepreneurial Peer Profiles** featuring real students’ experiences with starting their own global businesses are available at the text’s Online Learning Centre Web site at www.mcgrawhill.ca/college/hill.

THE STRUCTURE OF *GLOBAL BUSINESS TODAY, CANADIAN EDITION*

Global Business Today, Canadian Edition, offers a tight, integrated flow of topics from chapter to chapter.

Part One: Globalization

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

Part Two: Country Differences

Chapters 2, 3, and 4 focus on national differences in political economy and culture and the implications of these differences for ethical decision making. Most international business textbooks place this material later, 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 understand these issues, students must first appreciate the differences in countries and cultures.

Part Three: Cross-Border Trade and Investment

Chapters 5 through 8 investigate the political economy of international trade and investment, fostering understanding of the trade and investment environment in which international business occurs.

Part Four: Global Money System

Chapters 9 and 10 detail the global monetary system, while detailing the monetary framework in which international business transactions are carried out.

Part Five: Competing in a Global Marketplace

Chapters 11 through 16 move away from the macro environment of the international business realities into the workings of companies within this framework. How do companies adapt their strategies in order to compete beyond their own borders? How does manufacturing on a global scale proceed? These chapters explain how firms can perform their key functions—manufacturing, marketing, R&D, and human resource management—to compete and succeed in the international business environment.

WHAT’S NEW IN THE CANADIAN EDITION?

As stated above, the Canadian edition integrates the Canadian perspective with regard to current events, statistics, and examples in addition to providing up-to-date global examples and statistics.

This book attempts to not only explain theoretical aspects of international trade, but more importantly, attempts to connect

the practical applications involving international trade, into a framework of helpful understanding for those exporters, both new and experienced in this field.

In addition to offering fully integrated Canadian content, the Canadian edition offers three significant changes to meet student and instructor needs:

- NEW Chapter 4, “Ethics in International Business,” adapted by Tim Richardson, was added in response to feedback for more expansive coverage of the important role that ethics plays. Ethical dilemmas arise frequently in international business because of the many cultural differences among countries. This chapter discusses the challenges Canadian and international companies face when dealing with human rights issues, environmental pollution, and corruption.
- At the end of every part, we have added a NEW feature called “Sustainability in Practice,” originally compiled for the U.S. edition by Debra Rowe, professor of Environmental Systems and Behavioral Sciences at Oakland Community College. Dr. Rowe is also the Senior Fellow of University Leaders for a Sustainable Future. By offering this new feature on business and sustainable development, global business educators have a unique opportunity to help students understand how businesses are engaging in the solutions to sustainable development challenges.
- This edition also welcomes the addition of new GlobalEdge™ Research Tasks. By using the text and the GlobalEdge Web site, globaledge.msu.edu, students solve realistic international business problems related to each chapter. These exercises expose students to the types of tools and data sources international managers use to make informed business decisions.

CHAPTER-BY-CHAPTER CHANGES

Chapter 1: Globalization. All of the statistics have been updated to the most recent available at the time of this book going to production. This chapter includes an introductory concept of global manufacturing as seen from a Canadian perspective, and provides current examples of Canadian companies succeeding at doing business abroad. The emergence of global institutions is detailed along with the latest round of World Trade Organization talks (WTO) aimed at further liberalizing global trade. Likewise, in Canada, the role of the Internet sheds an insight into the broader picture of how the Internet has changed the way people and enterprises communicate in Canada and beyond.

Also, the latest outcry by some high profile pro-Canada crusaders, such as Maude Barlow, in the sensitive area of job

losses in Canada due to outsourcing to companies in developing countries, such as India and Mexico, is detailed.

Chapter 2: Country Differences in Political Economy. The section on economic development includes a review of the work of Nobel prize-winning economist Amartya Sen. Sen has argued that development should be assessed less by material output measures such as GNP per capita and more by the capabilities and opportunities that people enjoy. The discussion of differences in legal systems provides insight into the linkage between corruption and negative economics within a country. Intellectual property is discussed in the framework of inroads being made into allowing the sale of cheaper generic versions of patented medicines—including a powerful new drug for AIDS, without permission from the patent owner.

Chapter 3: The Cultural Environment. The Implications for Business section covers a broad cross-section ranging from cross-cultural literacy to culture and competitive advantage to culture and business ethics. These themes pose problems for Canadians doing business abroad. In many cases, countries now have legal frameworks in place to regulate and interpret what constitutes proper ethics in doing business, internationally. Bill S-21, passed into law in the late 1990s, lays out ethical business standards to be adhered to by Canadian businesspeople when dealing abroad. Some areas of contravention allow for criminal prosecutions of those Canadian individuals and/or corporations in breach of this law. Other areas of cultural differences are described within this chapter. Various religions and their significance within the world are discussed.

Chapter 4: Ethics in International Business. New Chapter 4 features Canadian examples such as the Talisman company in Sudan, SARS in Toronto, Ivanhoe Mines in Myanmar, and the Gomery Inquiry, while maintaining a global focus.

Chapter 5: International Trade Theories. Over the past few years, numerous empirical studies have been published that look at the relationship between a country's “openness” to international trade and its economic growth. This work is discussed in this chapter. The work gives empirical support to the theory of comparative advantage.

Chapter 6: The Political Economy of International Trade. The contentious bi-lateral trade issues that have periodically soured Canadian trade relations with the United States over the past couple of decades are dealt with in the context of the World Trade Organization and the North American Free Trade Agreement.

Chapter 7: Foreign Direct Investment. Both up-to-date international Foreign Direct Investment (FDI) Flows and FDI figures show the importance of FDI, in its different forms, including mergers and acquisitions, in the economies of Canada and other countries, around the world.

Chapter 8: Regional Economic Integration. On May 1, 2004, 10 new member states joined the European Union. This chapter covers the post-World War II levels of economic integration within Europe, leading to the European Union and its monetary union, while covering lesser initiatives, including the

Free Trade Agreement, now NAFTA, including Mexico, Canada, and the United States. Other efforts of regional economic integration are also discussed and these include customs unions in South America such as Mercosur and the Andean Pact countries, along with similar undertakings in Asia (Association of Southeast Asian Nations–ASEAN and the Asia Pacific Economic Cooperation–APEC) and Africa.

Chapter 9: The Foreign Exchange Market. Even if the Canadian dollar does not figure onto the stage of major international currencies, it still plays a vital role in Canada's export industries. Also, economic theories of Exchange Rate Determination are explained that are all vital to businesspeople conducting business abroad.

Chapter 10: The Global Monetary System. One of the more interesting phases of the development and growth of the Canadian economy came during the period of time in which Canada was under the gold standard from 1854–1914 and 1914–1926. Internationally, many policies and institutions have influenced and shaped the value of currencies.

Chapter 11: Global Strategy. Multinational corporations have long ago recognized the importance of leveraging skills, strategic alliances, and competencies in their foreign locations for improved business practices at home and abroad. How Canadian companies apply their know-how in foreign situations is discussed in several sections within this chapter, including the Canadian Managers Abroad component on "Team Canada."

Chapter 12: Entering Foreign Markets. The ways through which companies enter foreign markets is covered through a look at the pros and cons of Green-Field investments and other forms of alternative strategies for entering foreign markets. The Management Focus features Globalive, Canada's fastest growing company, according to the June 2004 issue of *Profit Magazine*.

Chapter 13: Exporting, Importing, and Countertrade. Export assistance to Canadian companies provides a detailed look at the institutional means and mechanisms through which many Canadian companies engage in export, for example, Export Development Canada and the Canadian Commercial Corporation.

Chapter 14: Global Marketing and R&D. Global marketing and R&D are what makes or breaks a company. The Management Focus "The Jean Coutu Group," depicts one successful Canadian company's foray into markets beyond our borders. Distribution and communication strategies are also discussed within this chapter.

Chapter 15: Global Manufacturing and Materials Management. Web-based IT systems now play a vital role in materials management around the world. Global tracking systems enable goods to be located within a 45-metre (50-yard) radius, as they travel to their destination. Cashier entries in the local supermarket are also tied into inventory data signaling when certain goods should be replenished by the manufacturer.

Chapter 16: Global Human Resource Management. Employment legislation can have both positive and negative impacts for foreign businesses operating abroad and it impinges upon each company to be aware of rules and guidelines, accordingly.

This chapter discusses the complete range of factors affecting human resource management in other countries.

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