

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 with this second Canadian edition is to set new standards for international business textbooks. We have written 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, and (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 authors have 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 2008 and beyond. For example:

- Chapter 2, "Country Differences in Political Economy," deals with critical forces affecting Canadian businesses working in the global arena.
- Chapter 5 explains various international trade theories, while providing practical explanations of their applications within various international companies.
- Chapter 9, "The Foreign Exchange Market," provides insights into how Canadian corporations can receive payment in international transactions. Similarly, foreign exchange risks and various economic theories of exchange rate determination will prove helpful for those individuals and corporations contemplating doing business beyond Canada's borders.
- Leveraging core competencies and formulating global strategies through distributions channels and more are comprehensively covered in Chapter 11 "Global Strategy."
- 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 15, "Global Manufacturing and Materials Management" neatly clarifies the details of global

supply management through its opening case, "Managing Timberland's Global Supply Chain." Significant explanations are provided on strategy, manufacturing and logistics, the strategic roles of foreign factories, and make-or-buy decisions.

- Chapter 16, "Global Human Resource Management," underscores the benefits and disadvantages of Human Resource Management in terms of dealing with expatriate employees. International labour relations complicates the fabric of human resource departments for those companies with foreign operations.

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 2nd 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.

- 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 updated **Opening Case** and concludes with a new or updated **Closing Case** that illustrates the relevance of chapter material for the practice of international business. 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 an updated case about the ING Group and its rapid expansion of ING Direct Canada to serve over one million clients. The new closing case to Chapter 2, "McDonald's

Around The World,” looks at the flexibility needed by successful, major corporations to adapt to change. The case accentuates the need for global corporations to respect local preferences.

- Each chapter also contains two types of focus boxes. Updated **Management Focus** boxes, like the updated cases, illustrate the relevance of the chapter material for the practice of international business. 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, “Trade Missions, 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.
- **Another Perspective** sidebars help students to think critically about adjacent text material.
- **Sustainability in Practice Part-Ending Cases** help students to understand how businesses are engaging in the solutions to sustainable development challenges.
- **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/olc/hill.

THE STRUCTURE OF *GLOBAL BUSINESS TODAY*, 2ND CANADIAN EDITION

Global Business Today, 2nd 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 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 2ND CANADIAN EDITION?

This 2nd Canadian edition not only explains 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.

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. Global Financial Services statistics updates show a significant spike in the amount of foreign exchange transactions since the data published in the first edition. This chapter includes various introductory concepts that will further substantiate the successes and challenges faced by Canadian companies when doing business abroad. The emergence of global institutions is detailed. Also, the latest round of World Trade Organization talks (WTO) and revised WTO membership numbers of the troubled, yet growing membership of the WTO, are chronicled. Similarly, the innovative spirit of one of Canada’s best known corporations shines through in a new closing case, “Tim Hortons and the Donut Wars,” as this “made-in-Canada” enterprise increases its forays into the American marketplace.

The outcries resonating from 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, are 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 growing number of Internet users in Canada, and around the world sheds an insight into the broader picture of how the Internet has changed the way people and enterprises communicate in Canada and beyond. 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. A new Management Focus depicts an entrepreneur’s determination to apply internationally-learned business lessons at home in Uruguay. A new closing case, “McDonald’s around the World,” details the corporation’s ability to adapt internationally.

Chapter 3: The Cultural Environment. The Implications for Business section covers a broad cross-section of topics 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. The 2007 World Competitive Scoreboard shows Canada lagging in areas of competitiveness when compared to other countries. In areas of literacy, Canada, unlike many countries, earns strong grades, yet in terms of GDP per capita spending on education, Canada lags. 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. Canadian examples such as the Talisman company in Sudan, SARS in Toronto, Ivanhoe Mines in Myanmar, and the Conrad Black trial, all with a global focus, are updated.

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 and a strong example of trade disputes is showcased through a new case on “Pizza Wars” between the United States and Canada.

Chapter 6: The Political Economy of International Trade. The contentious bilateral 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. In particular, the unresolved softwood lumber dispute is previewed in this chapter, further discussion of which takes place in Chapter 14. In Chapter 14 we present a Canadian success story, “Clearwater Seafoods.” We explore this corpo-

ration’s competitive advantage and relate it to China’s overall status as one of the world’s low-cost seafood producers.

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. In spite of Canada’s growing presence on the world economic stage, it can still only boast two transnational corporations that manage to slip into the world’s top 100 non-financial TNCs, ranked by foreign assets.

Chapter 8: Regional Economic Integration. On January 1, 2007, two new member states joined the European Union, bringing its current membership to 27. 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 (now the Community of Andean Nations), along with similar dynamic pro-business undertakings in Asia (Association of Southeast Asian Nations—ASEAN and the Asia Pacific Economic Cooperation—APEC) and Africa.

Chapter 9: The Foreign Exchange Market. The Canadian dollar’s recent rise against the U.S. dollar and other currencies is significant for Canadian importers and exporters. Also, economic theories of exchange rate determination are explained that are all vital to business people 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. The ever-increasing U.S. trade deficit and the fall of the U.S. dollar have wreaked havoc on the international monetary system. Similarly, after reaching record-breaking prices, gold and oil prices have remained elevated through 2008, and their effect on the global monetary system remains noteworthy.

Chapter 11: Global Strategy. Multinational corporations have long 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 how the Canadian Managers Abroad component of the former “Team Canada” has been reincarnated. The expanding presence of IKEA stores, numbering 40 in North America, with more openings planned for across the United States and Canada, depicts the growth of an increasingly popular home furnishings brand.

Chapter 12: Entering Foreign Markets. The ways through which companies enter foreign markets is covered through a look at the pros and cons of greenfield investments and other forms of alternative strategies for entering foreign

markets. The Management Focus features an updated look at Globalive, which was Canada's fastest growing company in 2004, according to *Profit Magazine*.

Chapter 13: Exporting, Importing, and Countertrade.

The discussion on 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. The Another Perspective box on page 430 shows how innovative Board of Trade offices, such as the one featured (Brampton Board of Trade) partner with the private sector to enhance business opportunities for companies.

Chapter 14: Global Marketing and R&D. Global marketing and R&D are what makes or breaks a company. The Management Focus "Jean Coutu Group—Marketing to the North American Consumer," depicts one successful Canadian company's evolving foray into markets beyond our borders. Distribution and communication strategies are also discussed within this chapter. American Canadian softwood lumber irritants are further explained in the context of NAFTA and WTO rulings on this evolving and contentious issue.

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 local supermarkets are tied into inventory data that signals when certain goods should be replenished by the manufacturer. An innovative look into global manufacturing and materials management can be seen in the updated Management Focus on "Having Fun Making Money."

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 so they can act accordingly. The prickly issue of countries wanting to keep jobs at home is detailed in a Country Focus. This chapter also discusses the complete range of factors affecting human resource management in other countries.

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