

Preface

We are pleased to present the eleventh edition of *International Business: The Challenge of Global Competition*.

Purpose and Scope of This Text

Whether students are advanced undergraduates or are in MBA programs, an international business course is an ideal venue for a varied number of questions. Our hope is that this book will answer these questions about business in different cultures, the impact of geography, why products are the same (or different) across cultures, why people have different practices, the effect of the Internet on international business, and many, many more. There are always new questions, and sometimes there are new answers to old questions.

International Business 11/e is organized into four sections in order to maximize its utility to instructors and students alike. The opening section defines the nature of international business and the three environments in which it is conducted. Section Two is devoted to the continuing importance of international organizations and the international monetary system and how both affect business. Section Three focuses on the uncontrollable forces at work in all business environments and discusses their inevitable impact on business practice. We devote the final section of the book to a discussion of how managers deal with all the forces affecting international business. In the eleventh edition, we have continued section opening dialogues to help students better understand what they have learned and are about to learn.

Changes for the Eleventh Edition

With each new edition we have been blessed by an expanding network of those making helpful suggestions. Professors, reviewers, and business professionals who bought the book or received it at a conference and our own graduate and undergraduate students have made useful and constructive comments. We believe that *International Business 11/e* continues to offer you a solid and superior text infused with current topics relevant to current challenges. In this edition, we have extensively revised and updated the material in each chapter to reflect recent world events and new international business issues.

As with every new edition, tables, figures, and graphs have been updated to include the most current data available as of the publication of this text. Keeping an international business text topical and current is a challenge, and we have worked hard to provide you with the most recent information possible. We have also updated examples where relevant and replaced dated examples where appropriate. We have reorganized Chapter 4 to increase its focus on international institutions that influence international business. Chapter 12 (“Labor Forces”) and Chapter 20 (“Human Resource Management”) have been completely reorganized to avoid redundancies and better focus their respective content. The chapter on organizational design and control (Chapter 14) has been moved so that it follows directly after the discussion of strategy, reflecting suggestions of reviewers and users. As a result, the numbering and ordering of Chapters 15 through 21 have been modified slightly to improve the organization and flow of content. Chapter 21 has been renamed “Financial Management and Accounting” to emphasize an increased emphasis on issues of international accounting in addition to financial management.

Chapter 1 The Rapid Change of International Business

The opening case on the importance of international business experience has been updated and expanded; the popular Worldview box on buying American has been updated; new and updated examples have been added throughout the chapter to enhance understanding of key

issues; the discussion of definitions and terminology has been refocused and is now more concise; discussion of the history of international business has been enhanced; the Worldview on the debate on globalization of trade and investment has been revised; and a new minicase exercise has been added at the end of the chapter dealing with the ownership and nationality associated with many well-known companies and brands.

Chapter 2 International Trade and Foreign Direct Investment

This is a shorter, more focused chapter with an updated introduction and discussion of trade in goods and services. The data on international trade and investment have been updated throughout the chapter, to the most current figures available at the time of publication, and the presentation of these data has been improved to enhance the reader's ability to analyze and understand trends and traits of international trade and investment. Discussion of small and medium-size enterprises and their role in exporting has been updated and enhanced. There is a new Worldview box that examines how trade and investment impact economic and social development, as well as an enhanced Worldview examining why more investment does not flow to Africa. The discussion of maquiladoras has been fundamentally revised and made more concise, and the end-of-chapter minicase on a Mexican company trying to remain competitive in the face of emerging low-cost competition from China has been updated.

Chapter 3 Theories of International Trade and Investment

In Chapter 3 we have revised, reorganized, and clarified the discussion of theories of international trade and added new examples in order to facilitate student comprehension of these topics. Discussion has been added on imperfect competition as a theoretical explanation of trade; the Worldview on comparative advantage and offshoring of service jobs to India has been updated and enhanced; discussion of trade restrictions has been substantially updated, and new examples and discussion of sanctions have been added; and the Worldview on subsidies to the sugar industry has been updated. The discussion of theories of foreign investment has been substantially expanded and reorganized, including new discussion of theories such as financial factors and dynamic capabilities and expanded discussion of internalization and the eclectic theory. A new minicase added at the end of the chapter addresses issues associated with fair trade in cocoa and the use of child labor in Africa.

Chapter 4 International Institutions from an International Business Perspective

Chapter 4 has been renamed to reflect its more focused orientation, including an increased emphasis on the usefulness of international institutions for international business. The chapter's organization has been modified to reflect the political, economic, and shared purposes of the various international institutions. The United Nations' Millennium goals have been included, along with a progress report regarding their attainment. Cooperative military agreements (e.g., NATO) have been included as a type of political institution. Discussion of NAFTA, the World Trade Organization, the European Union, and OPEC has been expanded. A new Worldview has been added on the uneven benefits of trade.

Chapter 5 Understanding the International Monetary System

We have added more discussion on the historical background of the gold standard; added a section on the connection between monetary systems and terrorism; and modified the coverage of the IMF to focus on its contributions to trade growth. We have added an explanation of the Triffin paradox, and there is a new discussion of Jeffrey Sachs's challenges to the IMF. Other changes include additional discussion of the historical background of the emergence of the floating rate system; additional descriptions of the major currency arrangements and their users; and an expanded explanation of balance of payments.

Chapter 6 Sociocultural Forces

Chapter 6 emphasizes the critical area of culture as an uncontrolled force that influences international business. To enhance the chapter's focus, discussion of education has been moved to Chapter 12 ("Labor Forces"). We carefully reedited the section on religion and particularly the material dealing with Islam, after consulting with Muslims from several different national backgrounds. The Worldview on Disneyland has been updated. Information on changes in

the South Korean workweek, as well as information on South Korea as an international leader in design, has been added. A new minicase has been added on the wine industry in India.

Chapter 7 Natural Resources and Environmental Sustainability

This chapter has been updated and expanded to better address the increasingly important areas of environmental sustainability and sustainable business. Changes include the use of Porter's diamond as a framework for discussing geographic factor conditions. China, Afghanistan, and Latin America have been added to the chapter's discussion, as well as an expanded section on natural resources. Further additions to the chapter include a consideration of the connection between innovation and factor conditions, a section on environmental sustainability, a review of the stakeholder model for sustainable business, and examples of sustainable businesses.

Chapter 8 Economic and Socioeconomic Forces

This chapter opens with an updated reflection of the reality of India's middle class—increasingly well-to-do and with a penchant for “getting ahead.” A new section addresses levels of economic development, to help the reader understand how economic development is categorized by different institutions, and a new Worldview discusses characteristics of developing nations. The discussion of economic development indicators such as gross national income (GNI) and GNI/capita has been updated and expanded. There is a new discussion of the limitations of GNI-based measures, such as the underground economy and currency conversions. A new Worldview has been added that discusses new approaches to the assessment of economic development, such as the human-needs approach and the United Nations' Human Development Index, including a list of the top- and bottom-ranked nations on this index. Figures, tables, and examples have been updated throughout the chapter in order to provide current, relevant support for the concepts being discussed. There are two minicases at the end of the chapter to provide relevant opportunities to apply the concepts in a practical manner.

Chapter 9 Political Forces

In this chapter we examine the renationalization of Bolivia's natural gas industry and discuss the more general leftward turn in several Latin American countries. At the same time, we note the continued shrinkage of communism as, for example, China's millionaires continue to multiply. The section on terrorism reflects recent developments relevant to international business, and a new mini-MNE box discusses the resiliency of businesses and people in the face of hostilities. The material on international debt crises has been removed, and examples throughout the chapter have been updated to enhance comprehension of issues associated with political forces.

Chapter 10 Legal Forces

Chapter 10's discussion of legal forces has been revised to make the content more international and less U.S.-centric. We have eliminated the discussion of the dual court system of the United States. The section on taxation of expatriates has been updated and simplified, and the section on litigation has been made less U.S.-centric and shorter. New material has been introduced on the issue of a harmonized bankruptcy code. Examples in the chapter have been updated as well. A new section explores career prospects for those with a specialization in international law. The emerging issue of “patent trolls” is introduced.

Chapter 11 Financial Forces

Chapter 11 covers the rapidly changing and largely uncontrollable financial forces that are important to international businesspeople. The chapter has been reorganized to focus on exchange rates; their quotation, fluctuation, and forecasting; and then balance-of-payments accounts and other external financial forces. Euro-US\$ relationships are used in many of the examples. The chapter contains an expanded discussion of why currencies fluctuate; a new discussion of the law of one price; an added discussion of parity relationships, the Fisher effect, and purchasing power parity; and an expanded section on exchange rate forecasting. We have added discussion of currency exchange controls, tariffs, and taxation and have expanded

the discussion on inflation. There is a new Worldview on the effect of foreign aid in developing countries.

Chapter 12 Labor Forces

Labor is a critical element of all business. Labor's role in international business has become increasingly salient as a consequence of globalization and outsourcing. This chapter has been completely reorganized and refocused to avoid redundancies with the chapter on human resource management (Chapter 20) and to update and emphasize key labor issues relevant to international business. There are new examples, as well as new and updated data, throughout the chapter. We have included a new opening case example on differences in labor conditions in Japan and China. The discussion on labor conditions and trends has been revised and refocused, including discussion of the overall size and sector of a nation's work force, aging of populations, the shift of populations from rural to urban areas, unemployment considerations across nations and regions, the issue of immigrant labor and labor mobility, including brain drain, and considerations associated with child labor and forced labor. We have included a new mini-MNE box on the role of small business in generating jobs internationally. We have updated the Worldview on guest workers in Japan; updated and expanded the discussion of sexism in international business; and prepared a more concise and focused discussion of labor unions and their role internationally.

Chapter 13 International Competitive Strategy

Chapter 13 introduces Section Four, on the organizational environment. We have included a new opening case on the use of scenario planning to help manage the strategic uncertainties associated with international business activities. The discussion has been expanded on why firms need to engage in strategic planning if they want to compete successfully in international markets. Throughout the chapter, we have included new and updated examples to promote the reader's comprehension of international strategy concepts and tools. There is an expanded discussion, with examples, of mission, vision, and values statements and their role in international strategy. The use of quantitative and qualitative objectives in international strategic planning activities has been updated. There is an expanded discussion of the typology of multidomestic, global, and transnational strategies for international business, as well as a new section discussing home replication strategies. We have included a new Worldview on regional strategies for competing internationally. The discussion has been revised and expanded on the issue of managing standardization in international strategy, as well as on the use of scenarios in international strategy formulation. We have added a new section on performance measurement in international strategy and have updated the discussion on approaches and trends in the use of strategic planning for international business, including who is involved in the planning and what is incorporated in planning processes. There is an updated discussion of sources and techniques for competitor assessment. The minicase on Wal-Mart's internationalization efforts at the end of the chapter has been updated to include the company's failures in Korea and Germany, its efforts to dramatically expand operations in China through acquisitions and internal growth, and its strategic plans to enter India and other emerging markets.

Chapter 14 Organizational Design and Control

The discussion of organizational design and control in international business has been moved so that it now follows directly after the discussion of international strategy. The opening case on Kraft Foods has been updated to highlight the company's global reorganization of its structure in an effort to enhance Kraft's international competitiveness in a changing marketplace. There are new and updated examples throughout the chapter to help illustrate key concepts associated with the structure and design of international organizations. There are two new Worldviews, one on Accenture's "virtual" global structure and another on structural changes that can help enhance companies' global competitiveness. The minicase at the end of the chapter has been updated as well.

Chapter 15 Assessing and Analyzing Markets

This chapter's material, which addresses the assessment and analysis of markets, was in Chapter 14 in the previous edition. We begin this chapter with a vignette of a wealthy

consultant who believes that we cannot consciously express our motivations for purchases but that these motivations can be uncovered in the “reptilian” part of the brain. Further, this insight should apply to national groups as well as individuals. We anticipate lively discussion of this issue in classrooms around the world! We continue to clarify the difference between country and segment screening. We continue our coverage—perhaps the most detailed anywhere—of the methods used in doing market research abroad. The chapter’s appendix, “Sources of Information Used in Screenings,” has been moved from the text to the book’s Web site, www.mhhe.com/ball11e, hosted by McGraw-Hill Higher Education.

Chapter 16 Entry Modes

This chapter provides an expanded treatment of the critical topic of how businesses make decisions about the best way to enter foreign markets. We have significantly reorganized the material in this chapter to improve coherency and flow and to promote improved student comprehension of this material. Data and examples have been updated throughout the chapter. There is new and expanded discussion of management contracts, contract manufacturing, and other nonequity forms of market entry.

Chapter 17 Export and Import Practices

In this chapter on exporting and importing we have continued to expand our emphasis on services as well as tangible products. We have added an update of export–import terminology and shortened the chapter slightly by reducing some detail on paperwork procedures. A discussion of changes in procedures as a result of security concerns has also been added.

Chapter 18 Marketing Internationally

The international marketing chapter continues to emphasize the standardization-adaptation dilemma. To reflect current trends in international marketing, we have included new and further developed examples, such as the opening case study on Procter & Gamble’s path to globalization. All of the data in the chapter have been updated to maintain the currency of the topics being addressed. The discussion of international advertising has been expanded to include consideration of the pervasive impact of culture on advertising decisions at subtle levels. The chapter’s Building Your Global Résumé box includes a wide variety of sources of information on career opportunities in international marketing, advertising, and sales. The discussion of international channels and the issue of disintermediation has been updated.

Chapter 19 Global Operations and Supply Chain Management

Chapter 19 focuses on global supply chain management, an increasingly critical part of global operations and a key to the international competitiveness of businesses. The presentation of material in this chapter has been made more concise. The updated opening case examines the Spanish company Zara and the use of operations management capabilities for achieving competitive advantage in the fashion industry. There are new and updated examples throughout the chapter. The mini-MNE box on Cognizant Technology Solutions of India and its global offshoring model has been updated. There is an expanded discussion on the use of mass-customization techniques. The Worldview on Johnson Controls has been updated to emphasize the company’s use of design and manufacturing excellence to achieve competitive advantage in global markets for automobile interiors. We have included a new Worldview on Nestlé’s GLOBE program for using global standardization of processes and systems to create strategic advantage within and across its worldwide network of food industry operations.

Chapter 20 Human Resource Management

Chapter 20’s discussion of HRM issues in international business has been reorganized to reduce redundancies with Chapter 12’s discussion of international labor forces. A new opening case addresses issues associated with expatriate positions. The section on the global mind-set of the international human resource management approach, and how that approach links strategy, selection, and training, has been revised. A new Worldview box examines the role of cultural backgrounds and nationality in selecting candidates for international positions. There is also a new Worldview on the appropriateness of women for international assignments, and the section on expatriates has been substantially revised. Another new Worldview considers culture shock and its effect on expatriate and repatriate personnel. The

discussion of families of expatriates, including issues faced by trailing spouses and children, has been substantially revised. We have revised the discussion of challenges associated with repatriation, expatriate support services, and compensation and benefits for expatriates and other international personnel. A new minicase at the end of the chapter deals with considerations facing an employee who is deciding whether to accept an international position that has been offered to her.

Chapter 21 Financial Management and Accounting

This chapter has been renamed in order to highlight its increased emphasis on issues of international accounting in addition to financial management. The chapter has been reorganized to move from an emphasis on the capital structure of the firm to an emphasis on cash flow management and discussion of international exposure and hedging. Examples, including Chinese trends in initial public offerings, have been updated throughout the chapter. A new mini-MNE box examines the use of micro-lending in developing country environments. The discussion of multilateral netting has been expanded. Our discussion of financial risk management has been expanded with examples of transaction, translation, and economic exposure and their hedging. A new Worldview examines unintended consequences of U.S. law on repatriated cash flows. The discussion on swaps and derivatives has been expanded, and there is a new section that addresses the importance of networking for financial partners. Discussion of making sales without money has been expanded, and we have added sections on transfer pricing and taxation, international accounting, the role of foreign currency, accounting and culture, convergence of accounting standards, and triple-bottom-line accounting. There is a new Worldview on Sarbanes-Oxley as an unpopular export, and we have expanded the discussion of international finance centers.

Glossary

The Glossary is a very extensive collection of definitions of documents, institutions, concepts, and terms used in international business. The Glossary is an extremely valuable resource for students and instructors.

New Features

With the eleventh edition we introduce an innovative and unique set of Building Your Global Résumé boxes that appear in each of the chapters. Prepared by Bernard Yevin, dean of the Business Informational Technology Division of Forsyth Technical Community College, each box presents valuable tools and insights to help students build a foundation for entering and excelling in international business activities and careers. These boxes cover such topics as finding international job opportunities, building international skills and experience, gaining relevant knowledge and tools to increase success in finding and performing international business jobs, and learning from the practical experience and recommendations of global mentors who have successfully pursued careers involving international business activity.

The eleventh edition also continues to use the innovative globalEDGE™ Research Tasks, created by Tunga Kiyak and Tomas Hult of the CIBER Center at Michigan State. These end-of-chapter exercises challenge students to solve problems similar to those faced by practicing international business managers, and they acquaint students with the tools and data real managers use. The globalEDGE™ Research Tasks are ideal for Web-based courses. For example, in working on a product launch, students may be asked to compile a list of the top 10 countries in terms of their attractiveness for potential return of FDI. Students can access all the Internet resources needed to solve the problems at www.globaledge.msu.edu.

A new video collection features original business documentaries as well as NBC news footage. Featured titles include “Will Rallies Help Immigrants?” “Is China Cheating When It Comes to Trade?” “Cirque du Soleil: A Truly Global Workforce,” and “J&J: Creating a Global Learning Organization.” Videos correspond to the video cases (with discussion questions) at the end of the book.

Another source of new videos now available with the book is iGlobe, a ground-breaking online video Web site (www.mhhe.com/iglobe) where you can download two or three “on-demand” PBS videos per month on breaking stories on international business issues. The

Web site is updated with new video selections each month, and the videos are archived monthly for easy accessibility. Updated monthly, these streaming videos are complete with teaching notes and discussion questions. Key concepts for each video are identified to save you time! iGlobe is free to adopters of McGraw-Hill/Irwin *International Business* textbooks. Students can purchase access to these streaming videos online at www.mhhe.com/iglobe for only \$10 with a new or used textbook. This is ideal for online courses or for homework assignments outside class.

Other Useful Elements

- Mini-MNE boxes discuss smaller-size businesses and how they function and compete in the global business world.
- Worldview boxes highlight real-world applications of key concepts to help students relate the material they are learning to their own business careers.
- An extensive set of maps throughout the text gives students important geographic perspectives.
- End-of-chapter tools include Summaries, Key Words, Questions, globalEDGE™ Research Tasks, and Minicases to further help students in their comprehension.

CESIM: Global Challenge Simulation

This online simulation involving international markets for mobile handsets is packaged with new copies of the text. There are three market areas (North America, Europe, and Asia). The simulation presents a range of features that could be offered (impacting product differentiation), a choice of production sites (in Asia or North America), price options, and exposure to exchange rate fluctuations. It can be used with 3 to 12 teams (6 to 50 students per simulation) and can involve teams from more than one class or university, if desired. There is an enhanced online support facility with the eleventh edition, as well as an improved user interface to enhance the performance and appearance of the simulation. The simulation can be used at no additional expense for either instructors or students who use new copies of the text.