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International Business
The Challenges of Globalization

Ninth Edition

John J. Wild
University of Wisconsin, Madison

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University of London, England

Pearson
New York NY
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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 it is important to select the right book for your course. Instructors say this book’s clear and lively writing style helps students learn international business. The book’s streamlined and clutter-free design is a competitive advantage that will never be sacrificed.

The accompanying cutting-edge technology package also helps students to better understand international business. MyLab Management 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, MyLab Management 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
Welcome to the ninth 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 approach to international business. The reception of this textbook in the United States and across the world has exceeded all expectations.

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.

**New to This Edition**

- Learning Objectives for each chapter now appear in the margins of the text right next to where the corresponding material begins. This allows the reader to better follow the material presented in each chapter and increases student comprehension.
- New material in Chapter 1 includes coverage of highly useful capabilities we call employability skills. Where appropriate, the book presents material that helps students to develop critical thinking skills, refine their sense of business ethics and social responsibility, develop their communication skills, and expand their ability to apply and analyze knowledge.
- Chapter 1 topic of the world’s largest companies and its accompanying Figure 1.1 has been updated, as is material on the most globalized nations and the timely and important topic of global inequality.
- The Manager’s Briefcase feature in Chapter 1 appears earlier to emphasize the textbook’s applied and managerial treatment of material.
- Presentation of national illiteracy rates and its accompanying Table 2.1 are updated to present the most recent data available.
- Figure 3.2 and its discussion reflect recent data on business software piracy rates around the world.
- The most recently available Human Development Index is presented in Table 4.1 along with its updated in-text explanation.
- Table 5.1 presents most recently available data on the world’s top exporters and importers, by both US dollar value and share of the world total.
- Chapter 5 discussion of regional merchandise trade has been removed to present the material in a more streamlined and less complicated fashion.
- Chapter 6 contains an update to the discussion of the WTO Doha Round of negotiations.
- Figures 7.1 and 7.2 and their explanations update the annual value of foreign direct investment inflows and cross-border mergers and acquisitions, respectively.
- Chapter 8 presentation of regional trading blocs contains the latest available information on Britain’s exit (Brexit) from the European Union, Venezuela’s suspension from the Southern Common Market, and other events.
- Chapter 10 updates the discussion of exchange rates among major world currencies, value of the US dollar over time, and the addition of China’s currency to the IMF’s special drawing right (SDR).
- Table 12.1 updates the ranking of the world’s top market research firms.
Solving Teaching and Learning Challenges

Students who take the international business course can have difficulty seeing the relevance of certain key concepts to their lives and future careers. These topics can include political economy, trade theory, foreign exchange rates, and the international financial system. This can reduce the willingness of a student to prepare for class and be engaged in class.

We use the ever-present and salient subject of culture to present real-world examples and engaging features to bring international business to life and pique student interest. We present complex material in concrete, straightforward terms and illustrate it appropriately to make international business accessible for all students. This approach makes the material interesting and relevant and shows students the importance of these concepts to their future employability and careers. We use the following additional methods and resources to engage students with the content of international business:

Interactive Approach to International Business

Pearson’s MyLab Management is now fully integrated into the text. These features are outlined below. The online assessment activities enable you to quiz your students before class so you have more time in class to focus on areas that students find most challenging.

Watch It Cases expose students to life in other cultures by asking them to view a video clip on a key topic. Each video corresponds to the chapter material and is accompanied by multiple choice questions that reinforce student comprehension.

Try It Simulations ask students to apply what they have learned in a textbook section and provide immediate feedback. Students make choices based on realistic business scenarios, which reinforces student comprehension of key concepts.

Quick Study Concept Checks appear at the end of each textbook section to verify that students have learned key terms and concepts before moving on. Students obtain immediate feedback on answers they provide in an online environment.

Making International Business Relevant

This textbook captures the real-world characteristics of international business today by emphasizing the importance of cultural influences, sustainable business practices, and managerial implications.

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

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.
A company adapts its business strategy to the nuances of the market it enters. The world’s population of 7.5 billion people lives in three different types of markets:

- **Developed Markets.** These include the world’s established consumer markets, around one billion people. The population is solidly middle class, and people can consume almost any product desired. The infrastructure is highly developed and efficient.
- **Emerging Markets.** Those markets, around two billion 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 four billion 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.

Business strategy, sustainability strategies reflect local conditions. Examples of businesses working toward sustainability in these three markets include the following:

- **Toyoda** focused on the environment in its developed markets. After extensively researching gas-electric hybrid technologies, Toyoda launched the Prius. An Motorcar of the Year, the Prius drove Toyoda’s profits to record highs and gave it a “green” image.
- **Shine Cement** faced limited access to low-cost energy in India’s emerging market, so it developed the world’s most energy-efficient process for making its products. The world’s leading cement companies now visit Shine to learn from its innovations in energy usage.
- **Blommer Chocolate** of the United States works closely with cocoa farmers in traditional markets. Blommer received the Rainforest Alliance’s “Sustainable Standard-Setter” award for training farmers in safe farming practices, environmental stewardship, and HIV awareness.

### GLOBAL SUSTAINABILITY

Three Markets, Three Strategies

- **Developed Markets.** These include the world’s established consumer markets, around one billion people. The population is solidly middle class, and people can consume almost any product desired. The infrastructure is highly developed and efficient.

### MANAGER'S BRIEFCASE

The Keys to Global Success

- **Communicate Effectively.** Cultural differences in business relationships and etiquette are central to global business and require cross-cultural competence. Effective global managers welcome uniqueness and ambiguity while demonstrating flexibility, respect, and empathy.
- **Know the Customer.** Successful managers understand how a company’s different products serve the needs of international customers. Then, they ensure the company remains flexible and capable enough to customize products that meet those needs.
- **Emphasize Global Awareness.** Good global managers integrate foreign markets into business strategy from the outset. They ensure that products and services are designed and built with global markets in mind, and not used as dumping grounds for the home market’s outsourced products.
- **Market Effectively.** The world will beat a path to your door to buy your “better mousetrap” only if it knows about it. A poor marketing effort can cause great products to fail into obscurity while an international marketing blunder can bring unwanted media attention. Top global managers match quality products with excellent marketing.
- **Monitor Global Markets.** Successful managers keep a watchful eye on business environments for shifting political, legal, and socioeconomic conditions. They make obtaining accurate information a top priority.

### Tools for Active Learning

Carefully chosen assignment materials span the full range of complexity to test students’ knowledge and ability to apply key principles. Assignment materials are often experiential in nature to help students develop decision-making skills.

**Talk About It** questions raise important issues currently confronting entrepreneurs, international managers, policy makers, consumers, and others.

**Ethical Challenge** exercises 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.

**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. 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.

### Talk About It 1

Today, international businesspeople must think globally about production and sales opportunities. Many global managers will eventually find themselves living and working in other cultures, and entrepreneurs might find themselves taking flights to places they had never heard about.

1-1. What can companies do now to prepare their managers for international markets?
1-2. How can entrepreneurs and small businesses with limited resources prepare?

### Talk About It 2

In the past, national governments influenced the pace of globalization through agreements to lower barriers to international trade and investment.

1-3. Is rapid change now outpacing the capacity of governments to manage the global economy?
1-4. Will national governments grow more or less important to international business in the future?
Ethical Challenge

You are the executive director of Qualitative Research Consultants Association (QRCA), an organization designed to assist market research practitioners. Every QRCA member must agree to abide by a ten-point code of ethics that forbids practices such as discriminating in respondent recruitment and offering kickbacks or other favors in exchange for business. The code also calls for research to be conducted for legitimate research purposes and not as a front for product promotion.

12-5. Why do you think the QRCA and other market research organizations create such codes?

12-6. Do you believe such codes are helpful in reducing unethical research practices? Explain.

12-7. As QRCA director, what other areas of marketing research do you believe should be covered by ethical codes of conduct?

Teaming Up

Imagine that you and several of your classmates own a company that manufactures cheap sunglasses. To lower production costs, you decide to move your factory from your developed country to a more-effective location.

1-8. Which elements of the national business environment might influence your decision of where to move production?

1-9. What aspects of the globalization of production and marketing do you expect will benefit your company after the move?

Market Entry Strategy Project

This exercise corresponds to the MESP online simulation. With several classmates, select a country that interests you. For the country, your team researches, integrate your answers to the following questions into your completed MESP report.

1-10. Is the nation the home base of any large multinational companies?

1-11. How does globalization influence the country’s jobs and wages, its income inequality, and its culture, sovereignty, and physical environment?

1-12. How does the country rank in terms of its degree of globalization?

1-13. What benefits can the country offer to businesses seeking a new market or production base?

PRACTICING INTERNATIONAL MANAGEMENT CASE

Toyota’s Strategy for Production Efficiency

Toyota Motor Corporation (www.toyota-global.com) commonly appears in most rankings of the world’s most respected companies. One reason for Toyota’s strong showing in such rankings is that the company always seems to maintain profitability in the face of economic downturns and shocks. Another reason is that leaders in a wide range of industries have high regard for Toyota’s management and production practices.

Toyota first began producing cars in 1937. In the mid-1990s, a machine named Taiichi Ohno began developing a new concept of automobile production. Today, the approach known as the Toyota Production System (TPS) has been intensely studied and widely copied throughout the automobile industry. Ohno, who is addressed by fellow employees as sensei (“teacher and master”), followed the lead of the family that founded Trym (spelled Toyoda by exhibi-

teering high regard for company employees. Ohno also believed that mass production of automobiles was obsolete and that a flexible production system that produced cars according to specific customer requests would be superior.

It was at Toyota that the well-known just-in-time approach to inventory management was developed and perfected. Implementing just-in-time required kaizen, a simple system of colored paper cards that accompanied the parts as they progressed down the assembly line. Kanban allowed inventory buildup by quickly telling the production personnel which parts were being used and which were not. The third pillar of the TPS was quality circles, groups of workers who determined ways to improve the work process and make home cars. Finally, the entire system was based on jidoka, which literally means “autonoma.” As wired at Toyota, however, the word expressions management’s faith in the worker as a human being and a thinker.

A simple example illustrates the benefits of Toyota’s system. Toyota dealerships found that customers kept returning their vehicles with faulty sunroofs. When a team of workers at the US plant where the vehicle was made was asked to help find a solu-

ton, they concluded the problem was the clamp on the sunroof. In assembly, the clamp is put over the hose, a pin on the side is pulled out, and the hose is secured. But sometimes the operator would forget to pull out the pin. The hose would remain loose and would leak. The team matched a defect rate to the hose that contained electric and electrical wire. If you must unwind the fuse (passing the leak into the fuel line) over 20 seconds, the device senses that the operator must have forgotten to pull the pin and stops the line. As a result, a minor problem at the dealership was eliminated, customer cholle-

satisfaction was reduced, and productivity increased.

Nearly 50 years after the groundwork for the TPS was laid, the results speak for themselves. Toyota’s superior approach to manufacturing has led to an extra advantage of $1000 to $3000 per car due to more efficient production, plus another $500 savings per car because fewer defects mean lower warranty repair

work. Ohno’s success in flexible production can also be seen in the fact that Toyota’s Sienna minivan is produced on the same assembly line in Georgetown, Kentucky, as the company’s Carney models. The Sienna and Carney share the same base chassis and 50 percent of their parts. Out of 300 different nations on the assembly line, Sienna models require different parts at only 26 minutes. Toyota expects to build one Sienna for every three Camry that come off the assembly line.

Thinking Globally

15-13. Chrysler engineers helped Toyota develop its Sienna minivan. In return, Toyota provided input on automobile production techniques to Chrysler. Why do you think Chrysler was willing to share its knowledge how this will benefit Chrysler?

15-14. Considering financial, marketing, and human resource management issues, what other benefits do you think Toyota obtains from this production system?

Developing Employability Skills

Some students enrolled in this course are majoring in international business or a related area. Other students are not business majors and are taking this course to gain insight into how businesses operate in the global economy today. Regardless of the chosen field of study, this course helps students develop useful capabilities we call employability skills.

Critical thinking involves purposeful and goal-directed thinking used to define and solve problems, make decisions, or form judgments related to a set of circumstances. This textbook requires students to use critical thinking skills to, for example, study how a country designs its political, economic, and legal systems into a complex arrangement to achieve a specific set of priorities for the nation and its people.

Business ethics and social responsibility are sets of guiding principles that influence the way individuals and organizations behave within society. Throughout the book students encounter the issues of personal ethical responsibility and reasoning as they read how managers made ethical decisions under specific circumstances and how they fared.

Communication skills involve the use of oral, written, and nonverbal language, and technology to communicate ideas effectively and to listen effectively. This book teaches that articulating one’s thoughts and ideas in another language and culture must be done to not offend other’s values and beliefs. The reader will encounter many examples of appropriate communication and thoughtful communication.
Knowledge application and analysis refers to one’s ability to learn a concept and appropriately apply that knowledge in another setting to achieve a higher level of understanding. Students will apply analytical reasoning and research skills in numerous assignments, projects, mini-cases, and, perhaps, the market entry strategy project developed for use with this textbook.

Instructor Teaching Resources

This program comes with the following teaching resources.

<table>
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<tr>
<th>Supplements available to instructors at <a href="http://www.pearsonhighered.com/irc">www.pearsonhighered.com/irc</a></th>
<th>Features of the Supplement</th>
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| **Instructor’s Resource Manual**  
authored by John Capela from St. Joseph’s College, New York |  
- Chapter-by-chapter summaries  
- Examples and activities not in the main book  
- Learning outlines  
- Teaching tips  
- Solutions to all questions and problems in the book |
| **Test Bank**  
authored by John Capela from St. Joseph’s College, New York |  
1600 multiple-choice, true/false, short-answer, and graphing questions with these annotations:  
- Difficulty level (1 for straight recall, 2 for some analysis, and 3 for complex analysis)  
- Answer  
- Skill  
- Learning outcome  
- AACSB learning standard (ethical understanding and reasoning; analytical thinking; information technology; diverse and multicultural work; reflective thinking; application of knowledge) |
| **Computerized TestGen®** | TestGen allows instructors to:  
- Customize, save, and generate classroom tests  
- Edit, add, or delete questions from the Test Item Files  
- Analyze test results  
- Organize a database of tests and student results |
| **PowerPoints**  
authored by Carol Heeter from Ivy Tech Community College | Slides include all the figures, tables, maps, and equations in the textbook. PowerPoints meet accessibility standards for students with disabilities. Features include, but not limited to:  
- Keyboard and screen reader access  
- Alternative text for images  
- High color contrast between background and foreground colors |
Acknowledgments

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About the Authors

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.

**John J. Wild** is a distinguished Professor of Business at the University of Wisconsin at Madison. He previously held appointments at the University of Manchester in England and at Michigan State University. He received his BBA, MS, and PhD degrees from the University of Wisconsin at Madison.

Teaching business courses at both the undergraduate and graduate levels, Professor Wild has received several teaching honors, including the Mabel W. Chipman Excellence-in-Teaching Award, the Teaching Excellence Award from the business graduates of the University of Wisconsin, and a departmental Excellence-in-Teaching Award from Michigan State University. He is a prior recipient of national research fellowships from KPMG Peat Marwick and the Ernst and Young Foundation. Professor Wild is also a frequent speaker at universities and at national and international conferences.

The author of more than 60 publications, in addition to 5 best-selling textbooks, Professor Wild conducts research on a wide range of topics, including corporate governance, capital markets, and financial analysis and forecasting. He is an active member of several national and international organizations, including the Academy of International Business, and has served as associate editor and editorial board member for several prestigious journals.

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Dr. Wild’s research covers a range of international business topics, including market entry modes, country risk in emerging markets, international growth strategies, and globalization of the world economy.