MediaShare for Business offers a curated collection of business videos that provide customizable, auto-scored assignments. MediaShare for Business helps students understand why they are learning key concepts and how they will apply those in their careers.

Pearson eText enhances student learning—both in and outside the classroom. Take notes, highlight, and bookmark important content, or engage with interactive lecture and example videos that bring learning to life (available with select titles). Accessible anytime, anywhere via MyLab or the app.

% of students who found learning tool helpful

86% of students would tell their instructor to keep using MyLab Management

The MyLab Gradebook offers an easy way for students and instructors to view course performance. Item Analysis allows instructors to quickly see trends by analyzing details like the number of students who answered correctly/incorrectly, time on task, and median time spend on a question by question basis. And because it's correlated with the AACSB Standards, instructors can track students' progress toward outcomes that the organization has deemed important in preparing students to be leaders.

“I was able to find myself actually learning at home rather than memorizing things for a class.”
— Katherine Vicente, Student at County College of Morris

For additional details visit: www.pearson.com/mylab/management
International Business
The Challenges of Globalization
Ninth Edition

John J. Wild
University of Wisconsin, Madison

Kenneth L. Wild
University of London, England

New York NY
Microsoft and/or its respective suppliers make no representations about the suitability of the information contained in the documents and related graphics published as part of the services for any purpose. All such documents and related graphics are provided "as is" without warranty of any kind. Microsoft and/or its respective suppliers hereby disclaim all warranties and conditions with regard to this information, including all warranties and conditions of merchantability, whether express, implied or statutory, fitness for a particular purpose, title and non-infringement. In no event shall Microsoft and/or its respective suppliers be liable for any special, indirect or consequential damages or any damages whatsoever resulting from loss of use, data or profits, whether in an action of contract, negligence or other tortious action, arising out of or in connection with the use or performance of information available from the services.

The documents and related graphics contained herein could include technical inaccuracies or typographical errors. Changes are periodically added to the information herein. Microsoft and/or its respective suppliers may make improvements and/or changes in the product(s) and/or the program(s) described herein at any time. Partial screen shots may be viewed in full within the software version specified.

Microsoft® and Windows® are registered trademarks of the Microsoft Corporation in the U.S.A. and other countries. This book is not sponsored or endorsed by or affiliated with the Microsoft Corporation.

Copyright © 2019, 2016, 2014 by Pearson Education, Inc. or its affiliates. All Rights Reserved. Manufactured in the United States of America. This publication is protected by copyright, and permission should be obtained from the publisher prior to any prohibited reproduction, storage in a retrieval system, or transmission in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise. For information regarding permissions, request forms, and the appropriate contacts within the Pearson Education Global Rights and Permissions department, please visit www.pearsoned.com/permissions/.

Acknowledgments of third-party content appear on the appropriate page within the text which constitutes as an extension of this copyright page.

PEARSON, ALWAYS LEARNING, and MYLAB are exclusive trademarks owned by Pearson Education, Inc. or its affiliates in the U.S. and/or other countries.

Unless otherwise indicated herein, any third-party trademarks, logos, or icons that may appear in this work are the property of their respective owners, and any references to third-party trademarks, logos, icons, or other trade dress are for demonstrative or descriptive purposes only. Such references are not intended to imply any sponsorship, endorsement, authorization, or promotion of Pearson's products by the owners of such marks, or any relationship between the owner and Pearson Education, Inc., or its affiliates, authors, licensees, or distributors.

Library of Congress Cataloging-in-Publication Data
Identifiers: LCCN 2017044961 | ISBN 9780134729220 (student edition)
LC record available at https://lccn.loc.gov/2017044961
Brief Contents

Preface xviii

PART 1 Global Business Environment 2
   Chapter 1 Globalization 2

PART 2 National Business Environments 40
   Chapter 2 Cross-Cultural Business 40
   Chapter 3 Political Economy and Ethics 70
   Chapter 4 Economic Development of Nations 102

PART 3 International Trade and Investment 128
   Chapter 5 International Trade Theory 128
   Chapter 6 Political Economy of Trade 152
   Chapter 7 Foreign Direct Investment 174
   Chapter 8 Regional Economic Integration 196

PART 4 The International Financial System 220
   Chapter 9 International Financial Markets 220
   Chapter 10 International Monetary System 244

PART 5 International Business Management 268
   Chapter 11 International Strategy and Organization 268
   Chapter 12 Analyzing International Opportunities 290
   Chapter 13 Selecting and Managing Entry Modes 314
   Chapter 14 Developing and Marketing Products 340
   Chapter 15 Managing International Operations 360
   Chapter 16 Hiring and Managing Employees 380

Endnotes 398
Glossary 403
Name Index 411
Subject Index 413
PART 2 National Business Environments 40

Chapter 2 Cross-Cultural Business 40

Hold the Pork, Please! 41

2.1 What is Culture? 42
National Culture 42
Subcultures 43
Physical Environment 43
Need for Cultural Knowledge 44

CULTURE MATTERS: Creating a Global Mindset 44

2.2 Values and Behavior 45
Values 45
Attitudes 46
Aesthetics 46
Appropriate Behavior 46

MANAGER’S BRIEFCASE: A Globetrotter’s Guide to Meetings 47

2.3 Social Structure and Education 48
Social Group Associations 48
Social Status 48
Social Mobility 49
Education 50

2.4 Religion 51
Christianity 51
Islam 51
Hinduism 54
Buddhism 54
Confucianism 55
Judaism 55
Shinto 56

2.5 Personal Communication 56
Spoken and Written Language 56

GLOBAL SUSTAINABILITY: Speaking in Fewer Tongues 57
Body Language 58

2.6 Culture in the Global Workplace 59
Perception of Time 59
View of Work 60
Material Culture 60
Cultural Change 61
Studying Culture in the Workplace 62

BOTTOM LINE FOR BUSINESS 65

Chapter Summary 66  •  Key Terms 67  •  Talk About It 1 67  •  Talk About It 2 68  •  Ethical Challenge 68  •  Teaming Up 68  •  Market Entry Strategy Project 68

PRACTICING INTERNATIONAL MANAGEMENT CASE 69

Chapter 3 Political Economy and Ethics 70

PepsiCo’s Global Challenge 71

3.1 Political Systems 73
Totalitarianism 73

GLOBAL SUSTAINABILITY: From Civil War to Civil Society 75
Democracy 75

MANAGER’S BRIEFCASE: Your Global Security Checklist 77
3.2 Economic Systems 78
   Centrally Planned Economy 78
   Market Economy 81

3.3 Legal Systems 83
   • Culture Matters: Playing by the Rules 83
   Common Law 86
   Civil Law 86
   Theocratic Law 87

3.4 Global Legal Issues 87
   Intellectual Property 87
   Taxation 89
   Antitrust Regulations 90

3.5 Ethics and Social Responsibility 91
   • Bottom Line for Business 97
   Philosophies of Ethics and Social Responsibility 91
   Bribery and Corruption 92
   Labor Conditions and Human Rights 92
   Fair Trade Practices 93
   Environment 93

Chapter 4 Economic Development of Nations 102
   India's Tech King 103

4.1 Economic Development 104
   Classifying Countries 104
   National Production 105
   Purchasing Power Parity 108
   Human Development 109

4.2 Economic Transition 110
   Managerial Expertise 110
   Shortage of Capital 110
   Cultural Differences 111
   Sustainability 111

4.3 Political Risk 111
   • Global Sustainability: Public Health Goes Global 114
   Conflict and Violence 114
   Terrorism and Kidnapping 115
   Property Seizure 115
   Policy Changes 116
   Local Content Requirements 116

4.4 Managing Political Risk 117
   Adaptation 117
   Information Gathering 117
   Political Influence 118
   International Relations 118
   The United Nations 118
4.5 Emerging Markets and Economic Transition 119
China’s Profile 119
Chinese Patience and Guanxi 120
China’s Challenges 121
○ CULTURE MATTERS: Guidelines for Good Guanxi 121
Russia’s Profile 122
Russia’s Challenges 122
○ MANAGER’S BRIEFCASE: Russian Rules of the Game 123
○ BOTTOM LINE FOR BUSINESS 124
Chapter Summary 124 • Key Terms 125 • Talk About It 1 125 • Talk About It 2 126 • Ethical Challenge 126 • Teaming Up 126 • Market Entry Strategy Project 126
○ PRACTICING INTERNATIONAL MANAGEMENT CASE 127

PART 3 International Trade and Investment 128

Chapter 5 International Trade Theory 128
From Bentonville to Beijing 129

5.1 Benefits, Volume, and Patterns of International Trade 130
Benefits of International Trade 130
Volume of International Trade 130
International Trade Patterns 131
○ CULTURE MATTERS: Business Culture in the Pacific Rim 134

5.2 Mercantilism 135
How Mercantilism Worked 135
Flaws of Mercantilism 136

5.3 Theories of Absolute and Comparative Advantage 136
Absolute Advantage 137
Comparative Advantage 138

5.4 Factor Proportions Theory 140
Labor Versus Land and Capital Equipment 141
Evidence on Factor Proportions Theory: The Leontief Paradox 141

5.5 International Product Life Cycle 142
Stages of the Product Life Cycle 142
Limitations of the Theory 142
○ MANAGER’S BRIEFCASE: Five Fulfillment Mistakes 143

5.6 New Trade Theory 144
First-Mover Advantage 144

5.7 National Competitive Advantage 144
Factor Conditions 145
○ GLOBAL SUSTAINABILITY: Foundations of Development 145
Demand Conditions 146
Related and Supporting Industries 146
Firm Strategy, Structure, and Rivalry 146
Government and Chance 146
○ BOTTOM LINE FOR BUSINESS 147
Chapter Summary 148 • Key Terms 149 • Talk About It 1 149 • Talk About It 2 149 • Ethical Challenge 150 • Teaming Up 150 • Market Entry Strategy Project 150
○ PRACTICING INTERNATIONAL MANAGEMENT CASE 151
Chapter 6  Political Economy of Trade 152

Lord of the Movies 153

6.1 Why do Governments Intervene in Trade? 154
   Political Motives 154
   • GLOBAL SUSTAINABILITY: Managing Security in the Age of Globalization 155
   Economic Motives 156
   Cultural Motives 157
   • CULTURE MATTERS: Myths of Small Business Exporting 158

6.2 Instruments of Trade Promotion 159
   Subsidies 159
   Export Financing 159
   Foreign Trade Zones 160
   • MANAGER’S BRIEFCASE: Experts in Export Financing 160
   Special Government Agencies 161

6.3 Instruments of Trade Restriction 161
   Tariffs 161
   Quotas 162
   Embargoes 164
   Local Content Requirements 164
   Administrative Delays 164
   Currency Controls 165

6.4 Global Trading System 165
   General Agreement on Tariffs and Trade (GATT) 165
   World Trade Organization (WTO) 167
   • BOTTOM LINE FOR BUSINESS 169

Chapter Summary 170 • Key Terms 171 • Talk About It 1 171 • Talk About It 2 171 • Ethical Challenge 171 • Teaming Up 172 • Market Entry Strategy Project 172
   • PRACTICING INTERNATIONAL MANAGEMENT CASE 173

Chapter 7  Foreign Direct Investment 174

Das Auto 175

7.1 Pattern of Foreign Direct Investment 176
   Ups and Downs of FDI 176
   • CULTURE MATTERS: The Cowboy of Manchuria 178
   Worldwide Flows of FDI 178

7.2 Theories of Foreign Direct Investment 179
   International Product Life Cycle 179
   Market Imperfections (Internalization) 179
   Eclectic Theory 180
   Market Power 180

7.3 Management Issues and Foreign Direct Investment 181
   Control 181
   Purchase-or-Build Decision 182
   Production Costs 182
   • MANAGER’S BRIEFCASE: Surprises of Investing Abroad 182
   Customer Knowledge 184
   Following Clients 184
   Following Rivals 184
   • GLOBAL SUSTAINABILITY: Greening the Supply Chain 184
7.4 Why Governments Intervene in FDI 185
    Balance of Payments 185
    Reasons for Intervention by the Host Country 186
    Reasons for Intervention by the Home Country 187

7.5 Government Policy Instruments and FDI 189
    Host Countries: Promotion 189
    Host Countries: Restriction 190
    Home Countries: Promotion 190
    Home Countries: Restriction 190

BOTTOM LINE FOR BUSINESS 191
Chapter Summary 191 • Key Terms 192 • Talk About It 1 193 • Talk About It 2 193 • Ethical Challenge 193 • Teaming Up 193 • Market Entry Strategy Project 194

PRACTICING INTERNATIONAL MANAGEMENT CASE 195

Chapter 8 Regional Economic Integration 196
Nestlé’s Global Recipe 197

8.1 Levels of Integration and the Debate 198
    Free Trade Area 198
    Customs Union 199
    Common Market 199
    Economic Union 199
    Political Union 199
    The Case for Regional Integration 199
    The Case Against Regional Integration 201

8.2 Integration in Europe 202
    European Union 203
    CULTURE MATTERS: Czech List 208
    European Free Trade Association (EFTA) 209

8.3 Integration in the Americas 209
    North American Free Trade Agreement 209
    Central American Free Trade Agreement (CAFTA-DR) 211
    Andean Community (CAN) 211
    Southern Common Market (MERCOSUR) 212
    Central America and the Caribbean 212
    Free Trade Area of the Americas (FTAA) 213

8.4 Integration in Asia and Elsewhere 213
    Association of Southeast Asian Nations (ASEAN) 213
    Asia Pacific Economic Cooperation (APEC) 213
    MANAGER’S BRIEFCASE: The Ins and Outs of ASEAN 214
    Closer Economic Relations (CER) Agreement 214
    Gulf Cooperation Council (GCC) 214
    Economic Community of West African States (ECOWAS) 215
    African Union (AU) 215

BOTTOM LINE FOR BUSINESS 216
Chapter Summary 216 • Key Terms 217 • Talk About It 1 217 • Talk About It 2 218 • Ethical Challenge 218 • Teaming Up 218 • Market Entry Strategy Project 218

PRACTICING INTERNATIONAL MANAGEMENT CASE 219
PART 4 The International Financial System 220

Chapter 9 International Financial Markets 220

Wii Is the Champion 221

9.1 Importance of the International Capital Market 222

Purposes of National Capital Markets 223
Purposes of the International Capital Market 223

GLOBAL SUSTAINABILITY: Big Results from Microfinance 224
Forces Expanding the International Capital Market 224
World Financial Centers 225

9.2 International Capital Market Components 226

International Bond Market 226
International Equity Market 227
Eurocurrency Market 227

9.3 The Foreign Exchange Market 228

Functions of the Foreign Exchange Market 228

9.4 Currency Quotes and Rates 230

Quoting Currencies 230
Spot Rates 233
Forward Rates 233
Swaps, Options, and Futures 234

9.5 Market Instruments and Institutions 235

Trading Centers 235
Important Currencies 235
Interbank Market 236
Securities Exchanges 236
Over-the-Counter Market 237

MANAGER'S BRIEFCASE: Managing Foreign Exchange 237
Instruments for Restricting Currencies 238

BOTTOM LINE FOR BUSINESS 238

Chapter Summary 239 • Key Terms 240 • Talk About It 1 240 • Talk About It 2 241 • Ethical Challenge 241 • Teaming Up 241 • Market Entry Strategy Project 241

PRACTICING INTERNATIONAL MANAGEMENT CASE 242

Chapter 10 International Monetary System 244

Euro Rollercoaster 245

10.1 Importance of Exchange Rates 246

Desire for Predictability and Stability 247
Efficient versus Inefficient Market View 247
Forecasting Techniques 248
Difficulties of Forecasting 248

CULTURE MATTERS: The Long Arm of the Law 249

10.2 What Factors Determine Exchange Rates? 249

Law of One Price 249
Purchasing Power Parity 250

10.3 Fixed Exchange Rate Systems 254

The Gold Standard 254
Bretton Woods Agreement 255
10.4 System of Floating Exchange Rates 257
   Today’s Exchange-Rate Arrangements 258
   • MANAGER'S BRIEFCASE: Adjusting to Currency Swings 259
   European Monetary System 259
   Recent Financial Crises 260
   Future of the International Monetary System 262
• BOTTOM LINE FOR BUSINESS 263

Chapter Summary 264 • Key Terms 265 • Talk About It 1 265 • Talk About It 2 265 • Ethical Challenge 265 • Teaming Up 266 • Market Entry Strategy Project 266

PART 5  International Business Management 268

Chapter 11  International Strategy and Organization 268
   Flying High with Low Fares 269
11.1 Company Analysis 270
   Company Mission and Goals 270
   Core Competency and Value-Creation 271
   • MANAGER'S BRIEFCASE: Ask Questions before Going Global 273
11.2 Strategy Formulation 274
   Two International Strategies 274
   Corporate-Level Strategies 276
   Business-Level Strategies 276
   Department-Level Strategies 278
11.3 Issues of Organizational Structure 279
   Centralization versus Decentralization 279
   Coordination and Flexibility 280
11.4 Types of Organizational Structure 281
   International Division Structure 281
   International Area Structure 282
   Global Product Structure 282
   Global Matrix Structure 283
   Work Teams 283
A Final Word 285

Chapter Summary 286 • Key Terms 287 • Talk About It 1 287 • Talk About It 2 287 • Ethical Challenge 287 • Teaming Up 288

Chapter 12  Analyzing International Opportunities 290
   Starbucks Causes Global Jitters 291
12.1 Basic Appeal and National Factors 292
   Step 1: Identify Basic Appeal 292
   Step 2: Assess the National Business Environment 294
   • MANAGER'S BRIEFCASE: Conducting Global e-Business 298
12.2 Measure and Select the Market or Site 298
   Step 3: Measure Market or Site Potential 298
   Step 4: Select the Market or Site 301
12.3 Secondary Market Research 304
   International Organizations 304
   Government Agencies 305
Chapter 14 Developing and Marketing Products 340
  Wings for Life 341
  14.1 Developing Product Strategies 342
    Laws and Regulations 342
    Cultural Differences 343
    Brand and Product Names 343
    National Image 344
    Counterfeit Goods and Black Markets 345
    Shortened Product Life Cycles 345
  14.2 Creating Promotional Strategies 346
    Push and Pull Strategies 346
    • MANAGER’S BRIEFCASE: Managing an International Sales Force 347
      International Advertising 347
    Blending Product and Promotional Strategies 349
    • CULTURE MATTERS: Localizing Websites 351
  14.3 Designing Distribution Strategies 352
    Designing Distribution Channels 352
    Influence of Product Characteristics 353
    Special Distribution Problems 353
  14.4 Developing Pricing Strategies 354
    Worldwide Pricing 354
    Dual Pricing 355
    Factors That Affect Pricing Decisions 355
  A Final Word 356
  Chapter Summary 357 • Key Terms 357 • Talk About It 1 358 • Talk About It 2 358 • Ethical Challenge 358 • Teaming Up 358
  • PRACTICING INTERNATIONAL MANAGEMENT CASE 359

Chapter 15 Managing International Operations 360
  Toyota Races Ahead 361
  15.1 Production Strategy 362
    Capacity Planning 362
    Facilities Location Planning 362
    Process Planning 364
    Facilities Layout Planning 365
  15.2 Acquiring Physical Resources 365
    Make-or-Buy Decision 365
    Raw Materials 368
    Fixed Assets 368
  15.3 Key Production Concerns 369
    Quality Improvement Efforts 369
    Shipping and Inventory Costs 370
    • MANAGER’S BRIEFCASE: World-Class Standards 370
    Reinvestment versus Divestment 371
  15.4 Financing Business Operations 371
    Borrowing 372
    Issuing Equity 372
    Internal Funding 373
    • CULTURE MATTERS: Financing Business from Abroad 374
    Capital Structure 374
  A Final Word 375
  Chapter Summary 376 • Key Terms 377 • Talk About It 1 377 • Talk About It 2 377 • Ethical Challenge 377 • Teaming Up 378
  • PRACTICING INTERNATIONAL MANAGEMENT CASE 379
Chapter 16 Hiring and Managing Employees 380
Leaping Cultures 381

16.1 International Staffing Policies 382
Ethnocentric Staffing 382
Polycentric Staffing 384
Geocentric Staffing 384

16.2 Recruiting and Selecting Human Resources 385
Human Resource Planning 385
MANAGER’S BRIEFCASE: Growing Global 385
Recruiting Human Resources 386
Selecting Human Resources 386
Culture Shock 387
Reverse Culture Shock 387
CULTURE MATTERS: A Shocking Ordeal 388

16.3 Training and Development 388
Methods of Cultural Training 389
Compiling a Cultural Profile 390
Nonmanagerial Worker Training 391

16.4 Employee Compensation 391
Managerial Employees 391
Nonmanagerial Workers 392

16.5 Labor–Management Relations 393
Importance of Labor Unions 393
A Final Word 394
Chapter Summary 394 • Key Terms 395 • Talk About It 1 395 • Talk About It 2 396 • Ethical Challenge 396 • Teaming Up 396
PRACTICING INTERNATIONAL MANAGEMENT CASE 397

Endnotes 398
Glossary 403
Name Index 411
Subject Index 413
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
Preface

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.

- Chapter 13 discussion of letter-of-credit financing and its related Figure 13.4 have been revised for precision and a smoother presentation.
- All chapter-opening company profiles and chapter-closing mini-cases are updated to reflect the most recent data and facts available at the time of publication.
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 slowly 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.

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

- **Toyota** focused on the environment in its developed market. After extensively researching gas-electric hybrid technologies, Toyota launched the Prius. At Motor Show Car of the Year, the Prius drove Toyota’s profile to record highs and gave it a “green” image.

- **Shree 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 Shree to learn from its innovations in energy usage.

- **Bloomer Chocolate** of the United States works closely with cocoa farmers in traditional markets. Bloomer 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

**Key Terms**

- **business practices, see the Global Sustainability feature, “Three Markets, Three Strategies.”**

They are consumed, some services can be performed at remote locations where labor costs are decreasing, and sometimes businesses may find it more efficient to outsource certain tasks.

**ACCESS TECHNICAL EXPERTISE**

**ACCESS LOWER-COST WORKERS**

**UNIQUELY INTEGRATIVE**

International business is not simply a collection of separate business functions and environmental forces. The model shown below (and detailed in Chapter 1) is a unique organizing framework that helps students to understand how the elements of international business are related. It depicts a dynamic, integrated system that weaves together national business environments, the international business environment, and international business management. It also shows that characteristics of globalization (new technologies and falling barriers to trade and investment) are causing greater competition.

**Topics**

- Include the factors that contribute to sustainable development, and how companies can make their supply chains more environmentally friendly.

**Manager’s Briefcase**

Boxes address issues facing companies active in international business. Issues presented can be relevant to entrepreneurs and small businesses or to the world’s largest global companies. Topics include obtaining capital to finance international activities, getting paid for exports, and how to be mindful of personal security while abroad on business.

**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**

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.

**Managers’ Briefcase**

Boxes address issues facing companies active in international business. Issues presented can be relevant to entrepreneurs and small businesses or to the world’s largest global companies. Topics include obtaining capital to finance international activities, getting paid for exports, and how to be mindful of personal security while abroad on business.

---

**Uniquely Integrative**

International business is not simply a collection of separate business functions and environmental forces. The model shown below (and detailed in Chapter 1) is a unique organizing framework that helps students to understand how the elements of international business are related. It depicts a dynamic, integrated system that weaves together national business environments, the international business environment, and international business management. It also shows that characteristics of globalization (new technologies and falling barriers to trade and investment) are causing greater competition.

**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**

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 businesses 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?
Toyota’s Strategy for Production Efficiency

Toyota Motor Corporation (www.toyota-global.com) continuously 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.

Toyots first began producing cars in 1937. In the mid-1950s, 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 intensively studied and widely copied throughout the automobile industry. Ohno, who was addressed by fellow employees as sensei (“teacher and master”), identified the lead of the family that founded Toyota named Tsuichi Ohno as exemplifying high regard for exhibiting 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 requirements 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 a fresh, simple system of colored paper cards that accompanied the parts as they progressed down the assembly line. Kanban allowed inventory building 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 better cars. Finally, the entire system was based on continuous improvement, which literally means “automation.”

As usual, at Toyota, however, the word “management” is a misnomer. It is the work itself that arranged to operate in a human being and a machine. One simple example illustrates the benefits of Toyota’s system. Toyota dealerships found that customers kept returning their cars with leaking radiator hoses. When a team of workers at the US plant where the vehicle was made was asked to help find a solution, they fashioned a clamp that could be used on almost any hose. In assembly, the clamp is put over the hose, a pin on each 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 marked a dot near the hose that contains an electric eye. If you, the customer, move too fast (passing the electric eye) over 60 seconds, the device senses that the operator must have forgotten to pull the pin and stops the line. As a result, a warranty claim at the dealership was eliminated, customer dissatisfaction was reduced, and productivity was increased.

Nearly 50 years after the groundwork, the TPS is still the smallest and the most productive. The six key concepts of Toyota’s system are the following:

1-4. Continuous improvement
1-5. Production pull system
1-6. Customer focus
1-7. Just-in-time production
1-8. Elimination of waste
1-9. Quality circles

This approach helps students master difficult concepts, such as foreign exchange rates.

Teaching the course your way Your course is unique. So whether you’d like to build your own assignments, teach multiple sections, or set prerequisites, MyLab gives you the flexibility to easily create your course to fit your needs. You can teach chapters or individual modules in the order you prefer, for example, by covering global economic topics before teaching culture.

Improve student results When you teach with MyLab, student performance improves. That’s why instructors have chosen MyLab for over 15 years, touching the lives of over 50 million students.

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 others’ 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 appropri-
ately apply that knowledge in another setting to achieve a higher level of understanding.
Students will apply analytical reasoning and research skills in numerous assignments, proj-
ects, 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>
<thead>
<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>
</tr>
</thead>
</table>
| **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 graph-
ing questions with these annotations:  
• Difficulty level (1 for straight recall, 2 for some analy-
sis, 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 fore-
ground colors |
Acknowledgments

We are grateful for the encouragement and suggestions provided by many instructors, professionals, and students in preparing this ninth edition of International Business: The Challenges of Globalization. We especially thank the following instructors who provided valuable feedback to improve this and previous editions:

Rob Abernathy
Hadi S. Alhorr
Gary Anders
Madan Annavarjula
Ogugua Anunoby
Robert Armstrong
Wendell Armstrong
Mernoush Banton
George Barnes
Constance Bates
Marca Marie Bear
Leta Beard
Tope A. Bello
Robert Blanchard
David Boggs
Chuck Bohleke
Erin Boyer
Todd Brachman
Richard Brisebois
Bill Brunsen
Thierry Brusselle
Mikelle Calhoun
Martin Calkins
Lisa Cherivitch
Kenichiro Chinen
Joy Clark
Randy Cray
Tim Cunha
Robert Engle
Herbert B. Epstein
Blair Farr
Stanley Flax
Ronelle Genser
Carolina Gomez
Jorge A. Gonzalez
Andre Graves
Kenneth R. Gray
James Gunn
James Halteman
Alan Hamlin

University of North Carolina, Greensboro
Drake University
Arizona State University West
Northern Illinois University
Lincoln University
University of North Alabama
Central Virginia Community College
Florida International University
University of Texas at Dallas
Florida International University
University of Tampa
University of Washington, Washington
East Carolina University
Salem State College
Eastern Illinois University
Owens Community College
Central Piedmont Community College
Marquette University, Wisconsin
Everglades University
Eastern New Mexico at Portales
Chaffey College
Ohio State University
Santa Clara University
Oakton Community College
California State University at Sacramento
Auburn University–Montgomery
University of Wisconsin at Stevens Point
Eastern New Mexico University at Portales
Quinnipiac University
University of Texas at Tyler
Jarvis Christian College
St. Thomas University
Devry University
University of Houston
University of Wisconsin at Milwaukee
SUNY Buffalo
Florida A&M University
Berkeley College
Wheaton College
Southern Utah University
Dale Hartley  
Laramie County Community College

Charles Harvey  
University of the West of England, UK

M. Anaam Hashmi  
Minnesota State University at Mankato

Les Jankovich  
San Jose State University

R. Sitki Karahan  
Montana State University

Bruce Keillor  
Youngstown State University

Ken Kim  
University of Toledo

Ki Hee Kim  
William Paterson University

Anthony C. Koh  
University of Toledo

Donald J. Kopka Jr.  
Towson University

James S. Lawson Jr.  
Mississippi State University

Ian Lee  
Carleton University

Tomasz Lenartowicz  
Florida Atlantic University

Joseph W. Leonard  
Miami University (Ohio)

Antoinette Lloyd  
Virginia Union University

Carol Lopilato  
California State University at Dominguez Hills

Jennifer Malarski  
North Hennepin Community College

Donna Weaver McCloskey  
Widener University

James McFillen  
Bowling Green State University

Mantha Vlahos Mehallis  
Florida Atlantic University

John L. Moore  
Oregon Institute of Technology

David Mosby  
University of Texas, Arlington

Richard T. Mpowi  
Middle Tennessee State University

Tim Muth  
Florida Institute of Technology

Christopher “Kit” Nagel  
Concordia University Irvine

Rod Oglesby  
Southwest Baptist University

Sam Okoroafo  
University of Toledo

Patrick O’Leary  
St. Ambrose University

Jaime Ortiz  
Texas International Education Consortium

Yongson Paik  
Loyola Marymount University

Thomas Passero  
Owens Community College

Hui Pate  
Skyline College

Clifford Perry  
Florida International University

Susan Peterson  
Scottsdale Community College

Janis Petronis  
Tarleton State University

William Piper  
William Piedmont College

Abe Qastin  
Lakeland College

Krishnan Ramaya  
Pacific University of Oregon

James Reinnoldt  
University of Washington–Bothell

Elva A. Resendez  
Texas A&M University

Nadine Russell  
Central Piedmont Community College

C. Richard Scott  
Metropolitan State College of Denver

Deepak Sethi  
Old Dominion University

Charlie Shi  
Diablo Valley College

Coral R. Snodgrass  
Canisius College
Mark J. Snyder  
University of North Carolina

Rajeev Sooreea  
Penn State—University Park

John Stanbury  
George Mason University

William A. Stoever  
Seton Hall University

Kenneth R. Tillery  
Middle Tennessee State University

William Walker  
University of Houston

Paula Weber  
St. Cloud State University

James E. Welch  
Kentucky Wesleyan College

Steve Werner  
University of Houston

David C. Wyld  
Southeastern Louisiana University

Robert Yamaguchi  
Fullerton College

Bashar A. Zakaria  
California State University, Sacramento

Man Zhang  
Bowling Green State University, Kentucky

It takes a dedicated group of individuals to take a textbook from first draft to final manuscript. We thank our partners at Pearson for their tireless efforts in bringing the ninth edition of this book to fruition. Special thanks on this project go to Stephanie Wall, Editor-in-Chief; Neeraj Bhalla, Senior Sponsoring Editor; Melissa Feimer, Managing Producer, Business; Sugandh Juneja, Content Producer; Nicole Suddeth and Thomas Murphy, Project Managers, SPi Global; Roxanne McCarley, Vice President, Product Marketing; Becky Brown, Senior Product Marketer; Adam Goldstein, Manager of Field Marketing, Business Publishing; and Nicole Price, Field Marketing Manager.
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.

Kenneth L. Wild is affiliated with the University of London, England. He previously taught at Pennsylvania State University. He received his PhD from the University of Manchester (UMIST) in England and his BS and MS degrees from the University of Wisconsin. Dr. Wild also undertook postgraduate work at École des Affaires Internationale in Marseilles, France.

Having taught students of international business, marketing, and management at both the undergraduate and graduate levels, Dr. Wild is a dedicated contributor to international business education. An active member of several national and international organizations, including the Academy of International Business, Dr. Wild has spoken at major universities and at national and international conferences.

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.