International Business

The New Realities

Fifth Edition

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Pearson
Dedicated to...

This book is dedicated to all those who feel passionate about cross-border business, our readers around the world. I trust that this edition will inspire and help you discover the magic of international business. Since any journey is much more rewarding when you are accompanied by others, I also dedicate this edition to my students of four decades whom I had the opportunity to mentor over the years.

S. Tamer Cavusgil
Atlanta, Georgia

This book is dedicated to my wife, Mari, for her intellect, patience, and adventurous spirit; to Bill and Audrey, and to Hiroshi and Hisako, for being great parents and role models; and to the many students I have had the good fortune to influence over the years.

Gary Knight
Salem, Oregon

This book is dedicated to my parents, Richard and Marie Riesenberger, for their example, many sacrifices, and love. To my wife and best friend, Pat, for her enthusiasm and loving support. To my daughters, Chris and Jen, of whom I am so very proud and thankful. To Byron, Ann-Marie and Terry, who enrich my life. To my amazing grandchildren, Ryan, Paige, Ethan, and Emma—the future of the New Realities.

John R. Riesenberger
Scottsdale, Arizona
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Preface

New to This Edition

Our aim is to keep the text fully up-to-date and at a reasonable length. Thus, we have dropped some items and added new ones. From Chapter 1, we dropped the Opening Case on Facebook. From Chapter 4, we dropped the Closing Case on Bribery and Corruption at Siemens. From Chapter 5, we dropped the Closing Case on Hyundai and the Global Auto Industry. From Chapter 6, we dropped the Opening Case on Risks in Russia’s Political and Legal Systems. From Chapter 9, we dropped the Closing Case on Financial Contagion and the Global Financial Crisis. From Chapter 17, we dropped the Opening Case on International Human Resource Management at Johnson & Johnson.

To replace the above dropped items and maintain currency, we have created new or greatly revised opening and closing cases in the fifth edition of Cavusgil, Knight, and Riesenberger (CKR 5e) as follows:

Chapter 1: A new Opening Case on Instagram: A Global Phenomenon
Chapter 2: A heavily revised Opening Case on Spotify and the Rise of Born Global Firms
Chapter 4: A new Closing Case on the recent Scandal at Volkswagen
Chapter 5: A new Closing Case on Unilever’s Comparative and Competitive Advantages
Chapter 6: A new Opening Case on Odebrecht and Risks in Brazil’s Political and Legal Systems
Chapter 7: A heavily revised Closing Case on Government Intervention at Airbus and Boeing
Chapter 8: A heavily revised Closing Case on Tata Group: India’s Top Global Challenger
Chapter 9: A new Closing Case on Tesco, the European Debt Crisis, and Brexit
Chapter 15: A heavily revised Closing Case on Subway and the Challenges of Franchising in China
Chapter 16: A heavily revised Opening Case on Michael Kors: The Global Affordable Luxury Market
Chapter 17: A new Opening Case on International Human Resource Management at Google

In addition, for our feature You Can Do It: Recent Grad in IB, we have added new biographies of young graduates with careers in international business. In Chapter 1, we added Mary Lyles, who works in global sourcing for Starbucks; and in Chapter 15, we added Juanita Velez, who works in international social media at Delta Air Lines.

In various chapters, we also added several new exhibits and significant new material on such contemporary topics as preparing for international travel, the rise of digital technologies, the trade and GDP growth relationship, the meaning of colors worldwide, workplace harassment, Brexit and the UK, populism, national governance, blockchain and cryptocurrencies, carbon taxes, cross-national project management, the Global Connectedness Index, global sourcing for smartphones, reshoring and nearshoring, the best global companies to work for, and women in international business, among numerous others.

Solving Teaching and Learning Challenges

Today’s students—often called Generation Z, Post Millennials, or the iGen—have grown up in a constantly connected world. To address the unique wants, needs and learning style of Generation Z students, we have designed CKR 5e to emphasize the following features:

• Visual learning. CKR 5e emphasizes interactive media and videos as well as exhibits, maps, and other visual learning aids. The MyLab Management provides access to a wide variety of additional visual resources.

• Relevant knowledge and job-related skills. CKR 5e includes more relevant examples and activities, concise foundational course content, Intangible Soft Skills, and Tangible Process Skills that prepare Generation Z students for the work world.
• **Contemporary issues that matter to Generation Z.** CKR 5e emphasizes the new international business environment, in-depth coverage of contemporary international business topics such as emerging markets, developing economies, growth of the service sector, risks in international business, digital technologies, women in international business, and other important trends.

• **Meaningful content.** CKR 5e provides substantial content on ethics, corporate social responsibility, and sustainability in international business.

• **Digital platform.** Generation Z learners prefer content that they can read or access digitally at a time and place of their choosing. Digital learning enhances engagement, self-pacing, and the ability to customize content to individual needs. Digital platforms help ensure timely, up-to-date content and the ability to collaborate with peers. In these and other ways, CKR 5e provides such digital options. To improve Generation Z students results, we recommend pairing the text content with MyLab Management, which is the teaching and learning platform that empowers you to reach every student. By combining trusted author content with digital tools and a flexible platform, MyLab personalizes the learning experience and will help your students learn and retain key course concepts while developing skills that future employers are seeking in their candidates. From Mini Sims to Personal Inventory Assessments, MyLab Management helps you teach your course, your way. Learn more at www.pearson.com/mylab/management.

Some of the main features of the textbook and MyLab are as follows:

**HIGHLY ACCESSIBLE WRITING AND EXPLANATIONS THAT ENGAGE STUDENTS.** Opening and closing cases appeal to students, featuring firms and subjects such as Apple, IKEA, Harley-Davidson, H&M, Instagram, born global firms, social media in China, and the global movie industry. The content stimulates student desire to learn more about international business.

<table>
<thead>
<tr>
<th>Constantly fluctuating exchange rates require international managers to keep in mind three facts:</th>
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<tbody>
<tr>
<td>• The prices the firm charges can be quoted in the firm’s currency or in the currency of each foreign customer.</td>
</tr>
<tr>
<td>• Because several months can pass between placement and delivery of an order, fluctuations in the exchange rate during that time can cost or earn the firm money.</td>
</tr>
<tr>
<td>• The firm and its customers can use the exchange rate as it stands on the date of each transaction, or they can agree to use a specific exchange rate.</td>
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**MORE EXERCISES AND ACTIVITIES THAT ENABLE STUDENTS TO ACQUIRE CRITICAL THINKING AND PROBLEM-SOLVING SKILLS.** CKR 5e contains 174 exhibits (about three times more than leading competitors). Students like exhibits because they help clarify complex material and facilitate reading the chapters.

**TANGIBLE PROCESS TOOLS.** They are designed to simulate real-world decision making that will help increase effectiveness in the workplace.

**GROUP PROJECT ON INTERNATIONAL CORPORATE SOCIAL RESPONSIBILITY.** CKR 5e contains a comprehensive activity in which students debate corporate social responsibility (CSR) in international business. In this extended exercise, located in the Instructor’s Manual, students debate the merits and consequences of CSR as executives, consumers, or activists.

**YOU CAN DO IT—RECENT GRAD IN IB BIOGRAPHIES.** CKR 5e offers eleven biographies of actual university graduates who have embarked on fascinating careers in international business. These biographies include comments concerning the specific intangible soft skills that have helped them be successful in work.
LEARNING CATALYTICS™. With this tool, you'll hear from every student when it matters most. You pose a variety of questions that help students recall ideas, apply concepts, and develop critical-thinking skills. Your students respond using their own smartphones, tablets, or laptops.

NEW MINI SIMS. Mini Sims put students in professional roles and give them the opportunity to apply course concepts and develop decision-making skills through real-world business challenges. The simulations use each student’s decisions to create various scenario paths that help them understand the impact their decisions can have on an organization. These branching Mini Sims strengthen a student’s ability to think critically, help students understand the impact of their decisions, engage students in active learning, and provide students with immediate feedback on their decisions. Each decision point remediates to the Learning Objective in the eText.

CHAPTER WARM-UP. These questions help you hold your students accountable for learning key concepts in each chapter before coming to class.

VIDEOS EXERCISES. Engaging Videos explore a variety of business topics related to the theory students are learning in class. Exercise Quizzes assess students’ comprehension of the concepts in each video.
Developing Employability Skills
The Association to Advance Collegiate Schools of Business (AACSB) International increasingly advocates a more skills-oriented, practical approach in business books, which this text provides, rather than a theory-based approach.

For students to succeed in a rapidly changing job market, they should be aware of their career options and how to develop various critical skills. In this book and MyLab Management, we focus on developing these skills.

The CKR 5e Career Preparation Kit™ incorporates CKR Tangible Process Tools™ as well as CKR Intangible Soft Skills™, which constitute guidelines of the Association to Advance Collegiate Schools of Business (AACSB). CKR Intangible Soft Skills focus on the skills employers have identified as needed for employability and success in the marketplace today. The CKR Tangible Process Tools will help students increase their effectiveness in the workplace.

The Employability Skills Table below provides students with a guide to features that support the development of skills employers are looking for in today’s business graduates, helping students to see from the start of class the relevance of the course to their career goals. This table identifies which features and end-of-chapter materials will help students to develop these skills.

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<td>Apply Your Understanding - short, essay-style questions at the end of the chapter</td>
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OPENING CASE. Each chapter begins with a brief case study that illustrates chapter topics and asks key questions about real-world companies and situations covered in the case.
CLOSING CASE. Every chapter closes with an extensive case study that addresses the learning objectives highlighted in the chapter. The cases help students build managerial skills by applying chapter material to a situation faced by real-world managers. Questions accompany the case for assignment as homework. Class discussion helps students sharpen their analytical and decision-making skills.

TEST YOUR COMPREHENSION. A list of 6 to 12 short questions assesses student learning of chapter learning objectives and other chapter concepts.

APPLY YOUR UNDERSTANDING. An additional collection of three short, essay-style questions aims to have students apply chapter material to real-world international business practice.

GLOBE EDGE INTERNET EXERCISES. GlobalEDGE™ (https://globedgel.edu) was developed by CRK author S. Tamer Cavusgil and is the leading knowledge portal for professionals in international business. It provides a gateway to specialized knowledge on countries, cross-border ventures, culture, and company practice. Each chapter provides several globalEDGE exercises as the basis for student assignments and projects.

CRK TANGIBLE PROCESS TOOLS™. These practical exercises familiarize students with key managerial challenges and decision making that professionals typically encounter in international business. By completing CRK Tangible Process Tools™ exercises, students can acquire real-world skills that will help them perform better in their careers.

AACSB TAGGING. This book and MyLab Management support AACSB international accreditation. In every chapter, after each section of questions, specific AACSB tagging is provided to help instructors identify which AACSB Intangible Soft Skills that activity supports. AACSB tagging is also part of all questions in the Test Item File that accompanies the book.
Instructor Teaching Resources

At the Instructor Resource Center, www.pearsonhighered.com, instructors can easily register to gain access to a variety of instructor resources available with this text in downloadable format. If assistance is needed, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit https://support.pearson.com/getsupport for answers to frequently asked questions and toll-free user support phone numbers.

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| Instructor’s Resource Manual authored by Marta Szabo White, S. Tamer Cavusgil, Gary Knight, and John Riesenberger | - Chapter-by-chapter summaries  
- Examples and activities not in the main book  
- Teaching outlines  
- Teaching tips, including openers to help launch lectures  
- Solutions to all questions and problems in the book |
| Test Bank authored by John Capela | 1,600 multiple-choice, true/false, short-answer, and essay questions with the following annotations:  
- Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis)  
- Type (multiple-choice, true/false, short-answer, essay)  
- Learning objective  
- AACSB learning standard (Written and Oral Communication, Ethical Understanding and Reasoning, Analytical Thinking, Information Technology, Interpersonal Relations and Teamwork, Diverse and Multicultural Work Environments, Reflective Thinking, and/or Application of Knowledge) |
| TestGen® Computerized Test Bank | TestGen allows instructors to:  
- Customize, save, and generate classroom tests  
- Edit, add, or delete questions from the Test Item Files  
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- Organize a database of tests and student results |
| PowerPoints Presentations authored by S. Tamer Cavusgil, Gary Knight, and John Riesenberger | - Cover all concepts, explanations, and major examples in each chapter  
- Include all exhibits in the textbook  
- 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 |
| Image Library | - A collection of photos and other images for use in enhancing PowerPoints and other teaching materials related to CKR 5e |
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