Instructor Manual

Peng, Global Business, 5e; ©2023; 9780357716403; Chapter 1: Introduction

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Purpose and Perspective of the Chapter

The purpose of this chapter is to explore the concepts of international and global business. First, we discuss the importance of studying global business. Then, we develop the unified framework used in each chapter, which focuses learning on one fundamental question and two core perspectives—an institution-based view and a resource-based view. Next, we explore the concepts of globalization, semiglobalization, and risk management. As a backdrop for the remainder of the text, the Global Business and Globalization at a Crossroads section makes two points: First, a basic understanding of the global economy is necessary. Second, it is important to critically examine your own personal views and biases regarding globalization. Additionally, we outline three leading debates concerning business and globalization/deglobalization. Finally, we explore the broad implications for savvy managers and students for the future of global business in a less global world.

Cengage Supplements

The following product-level supplements provide additional information that may help you in preparing your course. They are available in the Instructor Resource Center.

- Transition Guide (provides information about what's new from edition to edition)
- Educator's Guide (describes assets in the platform with a detailed breakdown of activities by chapter with seat time)
- PowerPoint (provides text-based lectures and presentations)
- Test Bank (contains assessment questions and problems)
- Guide to Teaching Online (provides information about the key assets within the product and how to implement/facilitate use of the assets in synchronous and asynchronous teaching environments)
- Accelerated Course Syllabus (provides guidance on the recommended delivery of course materials given a 5-week, 8-week, 12-week, and 16-week course)
- MindTap User Guide (provides information on how to navigate and use MindTap)

Chapter Objectives

The following objectives are addressed in this chapter:

1-1 Explain the concepts of international business and global business.

1-2 Give three reasons why it is important to study global business.

1-3 Articulate one fundamental question and two core perspectives in the study of global business.

1-4 Describe the importance of globalization, semiglobalization, and risk management.

1-5 State the size of the global economy and its broad trends and understand your likely bias in the globalization debate.

1-6 Participate in three leading debates concerning global business.

1-7 Draw implications for action.

1-8 Understand the structure of the book and the discipline.

Complete List of Chapter Activities and Assessments

For additional guidance refer to the Teaching Online Guide.

Chapter Objective	PPT slide	Activity/Assessment	Duration
1-2	7	Opening Day Quiz in PPT and Text (Table 1.2)	5 min
1-4	19	Discussion Activity 1 in PPT	10 min
1-6	26	Polling Activity in PPT	5 min
1-6	29	Discussion Activity 2 in PPT	10 min

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What's New in This Chapter

The following elements are improvements in this chapter from the previous edition:

- Opening Case: Apple, America, and China
- Closing Case: Are US Multinationals Good for America?
- In Focus 1.1: How Firms From Emerging Economies Overcome Liability Of Foreignness
- In Focus 1.3: The Dell Theory of Peace
- Debate 1: Globalization versus Deglobalization
- Debate 2: Strategic versus Nonstrategic Industries
- Debate 3: Just-in-Time versus Just-in-Case Management
- Table 1.3: Basics of Scenario Planning
- Table 1.6: Implications for Action
- Figure 1.3: Trade-offs Between Global Value Chain Resilience and Cost Per Unit
- New Implications for Action: The future of global business in a less global world
- New Topics: Black swan events, deglobalization, global value chain, organizational slack, resilience, stakeholder, triple bottom line

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Opening Case Discussion: Emerging Markets—Apple, America, and China

This case can be used to help students understand how firms such as Apple are able compete around the world while dealing with the various rules of the game. Ask students how a company can adapt when the larger geopolitical relationship between their home and host country changes. What determines their success and failure? How can they use globalization to their advantage? How important was it for Apple to get involved in trade discussions and decisions by directly lobbying US government officials?

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Chapter Outline

In the outline below, each element includes references (in parentheses) to related content. "CH.##" refers to the chapter objective; "PPT Slide #" refers to the slide number in the PowerPoint deck for this chapter (provided in the PowerPoints section of the Instructor Resource Center); and, as applicable for each discipline, accreditation or certification standards ("BL 1.3.3"). Introduce the chapter and review learning objectives for Chapter 1. (PPT Slide 2).

I. INTERNATIONAL BUSINESS AND GLOBAL BUSINESS (LO 1-1, PPT Slides 3–4)

a. **Key Concepts**

- International business is typically defined as (1) a business (firm) that engages in international (cross-border) economic activities and (2) the action of doing business abroad.
- Global business is defined in this book as business around the globe and includes both (1) international (cross-border) business activities covered by traditional IB books and (2) domestic business activities.
- This book goes beyond competition in developed economies. It devotes extensive space to competitive battles waged in emerging economies and the base of the global economic pyramid.

b. **Key Terms**

- **International business (IB)**: (1) A business (firm) that engages in international (cross-border) economic activities and/or (2) the action of doing business abroad
- **Multinational enterprise (MNE)**: A firm that engages in foreign direct investment (FDI)
- **Foreign direct investment (FDI)**: Investment in, controlling, and managing value-added activities in other countries
- **Global business**: Business around the globe

II. WHY STUDY GLOBAL BUSINESS? (LO 1-2, PPT Slides 5–9)

a. **Key Concepts**

- Why study global business?

  (1) Enhance your employability and advance your career in the global economy
  (2) Better preparation for possible expatriate assignments abroad
  (3) Stronger competence in interacting with foreign suppliers, partners, and competitors, and in working for foreign-owned employers in your own country

b. **Key Terms**

- **Group of 20 (G-20)**: The group of 19 major countries plus the European Union whose leaders meet on a biannual basis to solve global economic problems

- **Global mindset**: Ability to “connect the dots” globally
- **Expatriate manager (expat)**: A manager who works abroad
- **International premium**: A significant pay raise when working overseas

c. **Opening Day Quiz: 5 minutes total. (PPT Slide 7, Text p. 6)**
Have students take the Opening Day Quiz in Table 1.2. Can they answer all the questions correctly? If not, they will benefit from studying global business.

III. A UNIFIED FRAMEWORK (LO 1-3, PPT Slides 10–12)

a. **Key Concepts**

- Our most fundamental question is: What determines the success and failure of firms around the globe? The two core perspectives are (1) the institution-based view and (2) the resource-based view. We develop a unified framework by organizing materials in *every* chapter according to the two perspectives guided by the fundamental question.

b. **Key Terms**

- **Triple bottom line**: Economic, social, and environmental performance
- **Stakeholder**: Any group or individual who can affect or is affected by the achievement of a firm’s objectives
- **Liability of foreignness**: The inherent disadvantage that foreign firms experience in host countries because of their nonnative status

IV. GLOBALIZATION AND SEMIGLOBALIZATION (LO 1-4, PPT Slides 13–19)

a. **Key Concepts**

- Advocates of globalization count its contributions to include greater economic growth, higher standards of living, improved technology, and more extensive cultural exchange.
- Critics argue that globalization destroys jobs in rich countries, exploits workers in poor countries, grants MNEs too much power, degrades the environment, and promotes inequality.
- This section (1) outlines three views on globalization, (2) reviews the swing of the pendulum, (3) highlights the importance of risk management, and (4) discusses the important idea of semiglobalization.

b. **Key Terms**

- **Globalization**: The close integration of countries and peoples of the world

- **Emerging economies**: A term that has gradually replaced the term "developing countries" since the 1990s
- **Emerging markets**: A term that is often used interchangeably with "emerging economies"
- **Base of the pyramid (BoP)**: Economies where people make less than $2,000 per capita per year
- **BRIC**: Brazil, Russia, India, and China
- **BRICS**: Brazil, Russia, India, China, and South Africa
- **Reverse innovation** (or **frugal innovation**): An innovation that is adopted first in emerging economies and is then diffused around the world
- **Risk management**: The identification and assessment of risks and the preparation to minimize the impact of high-risk, unfortunate events
- **Black swan event**: An unpredictable event that is beyond what is normally expected and that has severe consequences
- **Scenario planning**: A technique to prepare and plan for multiple scenarios (either high risk or low risk)
- **Semiglobalization**: A perspective that suggests that barriers to market integration at borders are high, but not high enough to insulate countries from each other completely

c. **Discussion Activity 1: 10 minutes total. (PPT Slide 19)**
Pose the question to the class.

- After comparing the three views of globalization, which seems the most sensible to you and why?
  (1) The important thing is not so much the answer as the extent to which the student demonstrates thought in providing the answer to "why."
  (2) The three major views are:
    (a) A new force sweeping through the world in recent times
    (b) A long-run historical evolution since the dawn of human history
    (c) A pendulum that swings from one extreme to another from time to time

V. GLOBAL BUSINESS AND GLOBALIZATION AT A CROSSROADS (LO 1-5, PPT Slides 20–24)

a. **Key Concepts**

- A basic understanding of the global economy is necessary. It is important to critically examine your own personal views and biases regarding globalization.

b. **Key Terms**

- **Gross domestic product (GDP)**: The sum of value added by resident firms, households, and governments operating in an economy
- **Purchasing power parity (PPP)**: A conversion that determines the equivalent amount of goods and services that different currencies can purchase
- **Gross national product (GNP)**: GDP plus income from nonresident sources abroad
- **Gross national income (GNI)**: GDP plus income from nonresident sources abroad; GNI is a term used by the World Bank and other international organizations to supersede the term GNP
- **Nongovernmental organizations (NGO)**: An organization that is not affiliated with any government

VI. DEBATES AND EXTENSIONS (LO 1-6, PPT Slides 25–29)

a. **Key Concepts**

- Debate 1: Globalization versus Deglobalization
- Debate 2: Strategic versus Nonstrategic Industries
- Debate 3: Just-in-Time versus Just-in-Case Management

b. **Key Terms**

- **Deglobalization**: The process of weakening economic interdependence among countries
- **Global value chain (GVC)**: A chain of geographically dispersed and coordinated activities involved in the production of a good or service and its supply and distribution activities
- **Organizational slack**: A cushion of resources that allow an organization to adapt successfully to pressures
- **Resilience**: Capacity to recover quickly from difficulties

c. **Polling Activity: 5 minutes total. (PPT Slide 26)**
Ask students whether or not they agree with the statement on the slide.

- Overall, globalization is good for the US economy.
  (1) The purpose of this question is not so much to resolve whether globalization is good for any given country's economy as it is to help students clarify their position in their

own mind and then examine whether it can be justified. Answers may vary depending on the national and cultural background of the student.

d. **Discussion Activity 2: 10 minutes total. (PPT Slide 29)**
Pose the question to the class.

- Given the size of the global economy and the size of some of the large firms, do you think it is possible to carve out a niche that you can exploit as a small business person? Or do you feel that the most practical way to participate in the global economy is to do so as an employee or manager in a global firm?

  (1) Students do not have to look far to find that small business people have indeed been successful by carving out a niche—an excellent strategy for entrepreneurs.

  (2) Also, many people today are finding opportunities in the US and overseas with multinational corporations that need their capabilities.

VII. IMPLICATIONS FOR ACTION: THE FUTURE OF GLOBAL BUSINESS IN A LESS GLOBAL WORLD (LO 1-7, PPT Slides 30–31)

a. **Key Concepts**

- For savvy managers and students, the future of global business in a less global world suggests at least three broad implications (Table 1.6):

  (1) From a resource-based view, instead of only focusing on delinking, shrinking, withdrawals, and divestitures (which, of course, are important), develop resources and capabilities to identify and leverage opportunities for further globalization.

  (2) From an institution-based view, enhance geopolitical savvy and be aware that globalization is a force for peace and prosperity.

  (3) From a career standpoint, even a less global world presents tremendous opportunities, especially for professionals with skills in geopolitics, tariffs and trade compliance, supply chain reorganization, and management of stakeholders and climate change challenges.

b. **Key Terms**

- None

VIII. STRUCTURE OF THE BOOK AND THE DISCIPLINE (LO 1-8)

a. **Key Concepts**

- This book has four parts:

  (1) Part I is foundations. After this chapter, Chapters 2, 3, and 4 address the two leading perspectives—namely, institution-based and resource-based views.

(2) Part II covers tools, focusing on trade (Chapter 5), FDI (Chapter 6), foreign exchange (Chapter 7), and global and regional integration (Chapter 8).

(3) Part III sheds light on strategy. We start with the internationalization of small, entrepreneurial firms (Chapter 9), followed by ways to enter foreign markets (Chapter 10), to manage competitive dynamics (Chapter 11), to make alliances and acquisitions work (Chapter 12), and to strategize, structure, and innovate (Chapter 13).

(4) Part IV builds excellence in different functional areas: marketing and supply chain (Chapter 14), HRM (Chapter 15), finance and corporate governance (Chapter 16), and CSR (Chapter 17).

- In every chapter, a significant portion is devoted to the numerous debates, which provoke more critical thinking. In addition, ethics is emphasized throughout the book. Ethical Dilemma features can be found in every chapter. Numerous review questions, critical discussion questions, and global action exercises are stamped “ON ETHICS.”

b. **Key Terms**

- None

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End-of-Chapter Guide

Review Questions

You can assign these questions several ways: in a discussion forum in your LMS; as whole-class discussions in person; or as a partner or group activity in class.

1. What is the traditional definition of IB? How is global business defined in this book?
   - International business (IB) is defined as (1) a business firm that engages in international (cross-border) economic activities and/or (2) the action of doing business abroad.
   - Global business is defined in this book as business around the globe. The activities include both (1) international (cross-border) business activities covered by traditional IB books and (2) domestic business activities.

2. *ON CULTURE:* Not all people in your country support globalization, and some feel that globalization is an economic threat. However, to what extent could it be they may also feel that it is a threat to their culture?
   - Students’ answers may vary depending on their national and cultural background.

   - The purpose of this question is not so much to resolve whether globalization is or is not a threat to any given country as it is to help students clarify their position in their own mind and then examine whether it can be justified.

3. Discuss the importance of emerging economies in the global economy. Use current news.
    - Emerging economies already command a significant part of global GDP. However, the improving economies of some countries are not keeping pace with their expanding populations. Current news examples will vary.

4. What is your interest in studying global business? How do you think it may help you succeed in the future?
    - Students' responses will vary, but they should mention that it will help to prepare them to work in a global business, perhaps even as an expat.

5. What is the most fundamental question in global business?
    - The most fundamental question in global business is this: What determines the success and failure of firms around the globe?

6. How would you describe an institution-based view of global business?
    - Institutions are the "rules of the game." Doing business around the globe requires intimate knowledge about the formal and informal rules governing competition in various countries.

7. How would you describe a resource-based view of global business?
    - The resource-based view focuses on a firm's internal resources and capabilities.

8. After comparing the three views of globalization, which seems the most sensible to you and why?
    - The three views are as follows:
        - A new force sweeping through the world in recent times
        - A long-run historical evolution since the dawn of human history
        - A pendulum that swings from one extreme to another from time to time
    - Students' opinions on which view is the most sensible will vary. The important thing is not so much the answer as the extent to which the student demonstrates thought in providing the answer to "why."

9. What are semiglobalization and deglobalization? What factors contribute to them?
    - Semiglobalization is a perspective that suggests that barriers to market integration at borders are high, but not high enough to insulate countries from each other completely. Deglobalization refers to total isolation on a nation-state basis. Trade, FDI, and barriers to market integration are all factors.

10. How can risk management deal with black swan events?
    - Black swan events occur when an unpredictable event that is beyond what is normally expected results in severe consequences. Through risk management, potential risks can be identified and assessed, leading to preparation that might minimize the impact of these high-risk, unfortunate events.

11. You may view yourself as objective and neutral regarding globalization, but do you sense any bias that you may have, one way or the other? What bias most likely exists on the part of other students taking this course?
    - Students' responses will vary. The important thing is not so much the answer as the extent to which the student demonstrates thought in providing the answer. Opponents of globalization might mention anything from job loss in their home country to taking advantage of workers in

developing economies. Proponents of globalization will probably frame their answers in terms of benefits, such as increased trade worldwide and job opportunities for workers in developing economies.

12. Given the size of the global economy and the size of some of the large firms, do you think it is possible to carve out a niche that you can exploit as a small business person? Or do you feel that the most practical way to participate in the global economy is to do so as an employee or manager in a global firm?
    - Students' answers will vary, but they do not have to look far to find that small business people have indeed been successful by carving out a niche—an excellent strategy for entrepreneurs. Also, many people today are finding opportunities in the US and overseas with multinational corporations that need their capabilities.

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Critical Discussion Questions

You can assign these questions several ways: in a discussion forum in your LMS; as whole-class discussions in person; or as a partner or group activity in class.

1. A classmate says: "Global business is relevant for top executives, such as CEOs, in large companies. I am just a lowly student who will struggle to gain an entry-level job, probably in a small domestic company. Why should I care about it?" How do you convince your classmate that global business is something to care about?
    - Even if you do not aspire to compete for the top job at a large company and instead work at a small firm or are self-employed, you may find yourself dealing with foreign-owned suppliers and buyers, competing with foreign-invested firms in your home market, or perhaps even selling and investing overseas. Alternatively, you may find yourself working for a foreign-owned firm, your domestic employer acquired by a foreign player, or your unit ordered to shut down for global consolidation. Understanding how global business decisions are made may facilitate your own career in such firms.

2. *ON ETHICS:* What are some of the darker sides (in other words, costs) associated with globalization? How can business leaders make sure that the benefits of their various actions outweigh their costs?
    - Students' responses will vary. There should be a variety of answers, including some that are not practical. This is a question in which the answer is not as important as the thought process and the ability to clearly articulate.

3. *ON ETHICS:* Why did a majority of British voters vote in favor of Brexit in 2016? Are Britain as a country and the average British citizens better off during the post-Brexit era? (Hint: See Chapter 8)
    - British citizens were frustrated by slow growth, high unemployment, an influx of immigrants, and the endless need to bail out troubled EU countries such as Greece. However, as explained in Chapter 8, the decision has had significant consequences. Automakers cut jobs and closed factories. Banks lost their "passporting rights," and finance job and assets moved out of Britain. An agricultural labor shortage led to crops being left to rot in fields. UK exporters and importers saw an increase in orders, but these proved to be temporary. On the other hand, a post-Brexit Britain was able to nimbly navigate the COVID-19 pandemic and that has been considered a crucial win for Brexit.

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Global Action

You can assign these questions several ways: in a discussion forum in your LMS; as whole-class discussions in person; or as a partner or group activity in class.

1. Not all industries and not all firms have suffered equally during COVID-19. Find two industries: one that suffered tremendously and one that suffered less. Then find two firms within each of the two industries: one that suffered tremendously and one that improved performance (a total of four firms). Investigate what are behind their performance differences.
    - Students' responses will vary. The important thing is not so much the answer as the student's thought process and the ability to clearly articulate their response.
2. *ON ETHICS:* Pick one firm among the numerous ones mentioned in the chapter (starting with Apple in the Opening Case and ending with Toyota in the Closing Case). Recommend how it can contribute to some of the 17 Sustainable Development Goals (SDGs) advocated by the United Nations.
    - Students' responses will vary. The important thing is not so much the answer as the student's thought process and the ability to clearly articulate their response.

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Closing Case: Emerging Markets—Are US Multinationals Good for America?

This case can be used to help students understand the advantages and disadvantages of US multinationals and the delicate balancing act that these firms must perform. Most debates on multinational enterprises (MNEs) around the world focus on their impact on host countries that receive foreign direct investment (FDI). However, recent debates highlight the role of homegrown MNEs in the US economy itself.

1. Who are stakeholders of US MNEs? Have US MNEs done a good job to take care of them?
    - With headquarters in the United States, participation in the US stock exchanges, and majority shareholders remaining American, US MNE stakeholders are still predominantly Americans. Shareholders enjoy these firms' global success, and executives enjoy bigger power, more pay, and higher-profile global celebrity status.
    - However, much of the expansion of these MNEs has been overseas, and the companies have not been taking very good care of their US-based stakeholders. This has been evidenced by the low taxes they contribute—with profits remaining overseas—and their abandonment of corporate social responsibility. President Trump went so far as to accuse such MNEs of unleashing "carnage" on ordinary Americans.
    - That said, abandoning the benefits of low-cost labor and employing high-cost American labor would jack up the price of goods and services. And if US MNEs shifted foreign jobs back home at US wage levels, profits would drop significantly, and dividends would plummet. Hence, debates on how to strike the balance continue to rage on.

2. *ON ETHICS*: As CEO of a major US MNE, you are in a private meeting seeing the president of the United States, who asks you: "When can you start moving jobs back?" What are you going to say?
    - Students' responses will vary. The important thing is not so much the answer as the student's thought process and the ability to clearly articulate their response. Students should address the unintended consequences such a move would have on the price of goods and services as well as profits and shareholder dividends.

3. *ON ETHICS*: Switch the country to Australia, Britain, Canada, China, France, Germany, India, Japan, or any country where you are studying. Are MNEs from that country good for that country?
    - Students' responses will vary. The important thing is not so much the answer as the student's thought process and the ability to clearly articulate their response.

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Appendix

Generic Rubrics

Providing students with rubrics helps them understand expectations and components of assignments. Rubrics help students become more aware of their learning process and progress, and they improve students' work through timely and detailed feedback.

Customize these rubric templates as you wish. The writing rubric indicates 40 points, and the discussion rubric indicates 30 points.

Standard Writing Rubric

Criteria	Meets Requirements	Needs Improvement	Incomplete
Content	The assignment clearly and comprehensively addresses all questions in the assignment. 15 points	The assignment partially addresses some or all questions in the assignment. 8 points	The assignment does not address the questions in the assignment. 0 points
Organization and Clarity	The assignment presents ideas in a clear manner and with strong organizational structure. The assignment includes an appropriate introduction, content, and conclusion. Coverage of facts, arguments, and conclusions are logically related and consistent. 10 points	The assignment presents ideas in a mostly clear manner and with a mostly strong organizational structure. The assignment includes an appropriate introduction, content, and conclusion. Coverage of facts, arguments, and conclusions are mostly logically related and consistent. 7 points	The assignment does not present ideas in a clear manner and with strong organizational structure. The assignment includes an introduction, content, and conclusion, but coverage of facts, arguments, and conclusions are not logically related and consistent. 0 points
Research	The assignment is based upon appropriate and adequate academic literature, including peer reviewed journals and other scholarly work. 5 points	The assignment is based upon adequate academic literature but does not include peer reviewed journals and other scholarly work. 3 points	The assignment is not based upon appropriate and adequate academic literature and does not include peer reviewed journals and other scholarly work. 0 points
Research	The assignment follows the required citation guidelines. 5 points	The assignment follows some of the required citation guidelines. 3 points	The assignment does not follow the required citation guidelines. 0 points
Grammar and Spelling	The assignment has two or fewer grammatical and spelling errors. 5 points	The assignment has three to five grammatical and spelling errors. 3 points	The assignment is incomplete or unintelligible. 0 points

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Standard Discussion Rubric

Criteria	Meets Requirements	Needs Improvement	Incomplete
Participation	Submits or participates in discussion by the posted deadlines. Follows all instructions for initial post and responses. 5 points	Does not participate or submit discussion by the posted deadlines. Does not follow instructions for initial post and responses. 3 points	Does not participate in discussion. 0 points
Contribution Quality	Comments stay on task. Comments add value to discussion topic.	Comments may not stay on task. Comments may not add value to	Does not participate in discussion. 0 points

	Comments motivate other students to respond. 20 points	discussion topic. Comments may not motivate other students to respond. 10 points	
Etiquette	Maintains appropriate language. Offers criticism in a constructive manner. Provides both positive and negative feedback. 5 points	Does not always maintain appropriate language. Offers criticism in an offensive manner. Provides only negative feedback. 3 points	Does not participate in discussion. 0 points

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