

Module 1: The Challenging Context of International Business

YOUR CONTENT

Summary

Learning Objectives

Key Terms and Definitions

Content Outline

ENGAGEMENT & APPLICATION

Boxed Text Discussion Questions with Suggested Answers

IB in Practice

Global Debate

Get That Job! From Backpack to Briefcase

End of Module Exercises

Critical Thinking Questions

globalEDGE Research Task

MiniCase

Bonus Activities

Video Suggestions

Team Exercises

Supplemental Activities

Controversial Issues

Teaching Suggestions

CONNECT TOOLS FOR ASSESSMENT OF LEARNING

Connect Content Matrix

Connect Activities

YOUR CONTENT

SUMMARY

This module provides an overview of international business (IB) and some of the ways that IB differs from domestic business, including the three environments of IB: domestic, foreign, and international. Although the kinds of forces are the same in the domestic and foreign environments, their values often differ and changes in the values of the foreign forces can be at times more difficult to assess. In addition to providing a brief review of the history of IB, the module discusses the internationalization of business in recent decades and the driving forces that are leading firms to internationalize their operations. The increasing internationalization of business requires managers to have a global perspective gained through experience and education. Because global competition continues to increase at a rapid pace, both in terms of trade and foreign direct investment, we also present key arguments for and against the globalization of business, helping to foster a more balanced view on this important topic.

LEARNING OBJECTIVES

- LO 1-1** Show how international business differs from domestic business.
- LO 1-2** Describe the history and future of international business
- LO 1-3** Discuss the dramatic internationalization of business.
- LO 1-4** Identify the kinds of drivers that are leading firms to internationalize their operations.
- LO 1-5** Compare the key arguments for and against the globalization of business.

KEY TERMS AND DEFINITIONS

controllable forces (p. 5)	Internal forces that management administers to adapt to changes in the uncontrollable forces
domestic environment (p. 5)	All the uncontrollable forces originating in the home country that surround and influence the life and development of the firm
economic globalization (p. 16)	The tendency toward an international integration and interdependency of goods, technology, information, labor and capital, or the process of making this integration happen
environment (p. 5)	All the forces influencing the life and development of the firm
exporting (p. 12)	The transportation of any domestic good or service to a

	destination outside a country or region
foreign business (p. 4)	The operations of a company outside its home or domestic market
foreign direct investment (FDI) (p. 12)	Direct investments in equipment, structures, and organizations in a foreign country at a level sufficient to obtain significant management control; does not include mere foreign investment in stock markets
foreign environment (p. 6)	All the uncontrollable forces originating outside the home country that surround and influence the firm
importing (p. 12)	The transportation of any good or service into a country or region, from a foreign origination point
international business (p. 4)	Business that is carried out across national borders
international company (IC) (p. 4)	A company with operations in multiple nations
international environment (p. 7)	Interaction between domestic and foreign environmental forces, as well as interactions between the foreign environmental forces of two countries
self-reference criterion (p. 7)	Unconscious reference to your own cultural values when judging behaviors of others in a new and different environment
transnational corporation (p. 11)	An enterprise made up of entities in more than one nation, operating under a decision-making system that allows a common strategy and coherent policies
uncontrollable forces (p. 4)	The external forces that management has no direct control over

CONTENT OUTLINE

The following section provides the flow of information using the **LEARNING OBJECTIVES** as a guide, **KEY TERMS** learners will need to take away from the course, and **LECTURE NOTES** to drive home teaching points.

LO 1-1	Show how international business differs from domestic business • Introduction • What Is International Business and What Is Different about It? • The Influence of External and Internal Environmental Forces • The Domestic Environment • The Foreign Environment • The International Environment	Key Terms: • international business • foreign business • international company (IC) • environment • uncontrollable forces • controllable forces • domestic environment • foreign environment • international environment • self-reference criterion
--------	---	---

I. Introduction

- A. Our lives are fundamentally intertwined with international business (IB), and all managers need to have a basic knowledge of IB in order to meet the growing challenges of global competition.

II. What Is International Business and What Is Different about It?

1. IB is business that is carried out across national borders, including international trade, foreign manufacturing, and the growing service industries.
2. Foreign business refers to the operations of a company outside its home or domestic market.
3. An international company is a company with operations in multiple nations.
4. IB differs from domestic business because firms operating across borders must deal with forces of three kinds of environments—domestic, foreign, and international.
5. Although firms that only operate within the domestic environment must essentially be concerned with the domestic environment, no domestic firm is entirely free from foreign or international forces due to the potential for competition from foreign imports or foreign competitors setting up operations in the firm's domestic market.

A. The Influence of External and Internal Environmental Forces

1. Environment includes all forces influencing the firm, both external and internal.
2. External forces, commonly called uncontrollable forces, are those forces outside the firm that

management has no direct control over, including:

- a. competitive
- b. distributive
- c. economic
- d. socioeconomic
- e. financial
- f. legal
- g. physical
- h. political
- i. sociocultural
- j. labor
- k. technological

- 3. Internal forces, called controllable forces, are the forces that management does have some control over, such as factors of production and activities of the organization.
- 4. Changes in an external force, such as the political force associated with the expansion of the European Union (EU), can affect all of the controllable forces of firms that do business in or with the 28 EU nations.

B. The Domestic Environment

- 1. All the uncontrollable forces originating in the home country that surround and influence the firm's life and development.
- 2. Even if a domestic force, it can still affect foreign operations, such as when a domestic labor strike disrupts the supply of parts to a company's assembly operations in another nation.

C. The Foreign Environment

- 1. All the uncontrollable forces originating outside the home country that surround and influence the firm.
- 2. The same forces as those in the domestic environment, except they occur outside the firm's home country.
 - a. Although forces in the domestic and foreign environment are identical, their values often differ widely and can even be completely opposed to each other.
 - b. Foreign forces are frequently difficult to assess, especially for legal and political forces.
 - c. The forces are often interrelated. Although this can happen also for domestic settings, in foreign situations the kinds of interaction that occur and the outcomes that result may differ.

D. The International Environment

1. Consists of interactions between the domestic environmental forces and the foreign environmental forces, as well as interactions between the foreign environmental forces of two countries.
2. International organizations whose actions affect the international environment are also properly part of the international environment, such as worldwide bodies (e.g., World Bank), regional economic groupings of nations (e.g., European Union), and organizations bound by industry agreements (e.g., OPEC).
3. Decision making is more complex in the international environment; managers in a home office overseeing subsidiaries in 10 different nations must consider not only domestic forces but also the influence of 10 foreign national environments, both individually and collectively since there may be some interaction.
4. Self-reference criterion is another common cause of added complexity of foreign environments.
 - a. Due to managers' unfamiliarity with other cultures, some managers will ascribe to others their own preferences and reactions.
 - b. Unconscious reference to a manager's own cultural values is probably the biggest cause of international business blunders.
 - c. In IB, the international manager has three choices in deciding what to do with a concept or technique employed in domestic operations: (a) transfer it intact, (b) adapt it to local conditions, or (c) not use it overseas.
 - d. Relationships among the different IB environments are shown in Figure 1.1.

LO 1-2

Describe the history and future of international business.

- Is Internationalization of Business a New Trend, and Will It Continue?

Key Terms:

IV. VI. Is Internationalization of Business a New Trend and Will It Continue?

A. Although IB is a relatively new discipline, it is not a new business practice

1. Phoenician and Greek merchants traded abroad well before the time of Christ.
2. Expansion of agricultural and industrial production in China stimulated the emergence of an internationally integrated trading system, with China as the world's leading manufacturing country for about 1,800 years, until Britain replaced it around 1840.
3. Emergence of international trading extensively impacted other areas of human life, such as politics, arts, agriculture, industry, and public health.
4. The Ottoman Empire's emergence before 1300, ultimately spanning Europe, North Africa, and the Middle East, profoundly influenced emerging trade routes for people, goods,

money, animals, and microorganisms, raised the cost of Asian trade for Europeans, and drove a search for sea routes to Asia, including expeditions that discovered the Americas.

5. In 1600, Great Britain's British East India Company began establishing foreign branches throughout Asia, and other nations soon imitated in an effort to exploit trade opportunities for national advantage.
6. In 1602, the Dutch East India Company was formed to engage in colonial activities in Asia and open ocean trade routes to that region.
7. By the end of the 1600s, Ships commissioned by European trading companies traveled regularly to Asian markets via government-protected trade routes linking the Atlantic, Indian and Pacific oceans, bringing valuable cargoes back to Europe in the hope of gaining significant profits.
8. The 17th and 18th centuries have frequently been termed the "age of mercantilism" because the power of nations depended directly on the sponsorship and control of merchant capital operating internationally, which expanded under the direct subsidization and protection of national governments.
9. A number of multinational companies existed in the late 1800s, such as Singer Sewing Machine, J&P Coats, Ford Motor Company, and Bayer.
10. The level of intracompany trade of multinationals in 1930, as a percentage of overall world trade, may have exceeded the proportion at the end of the 20th century.
11. While most multinationals are based in developed nations, there has been a recent surge in the number arising in emerging economies.
12. The rapid urbanization of populations combined with industrialization in the emerging markets is quickly shifting the world's economic center of gravity from Europe and the Americas and back to Asia, as shown in Figure 1.2.

LO 1-3	Discuss the dramatic internationalization of business. • The Growth of International Firms and International Business • Expanding Number of International Companies • Foreign Direct Investment and Exporting Are Growing Rapidly	Key Terms: • transnational corporation • foreign direct investment (FDI) • exporting • importing
--------	--	--

VIII. IX. The Growth of International Firms and International Business

1. Expanding Number of International Companies
2. The number of international companies is expanding rapidly.
3. Transnational corporations are enterprises made up of entities in more than one nation, operating under a decision-making system that allows a common strategy and coherent

policies.

1. The United Nations Conference on Trade and Development (UNCTAD) estimates there are 82,000 transnational corporations, with 810,000 foreign affiliates and a collective level of employment of 78 million people.
 2. Transnationals account for about 25 percent of total global output and two-thirds of world trade.
 3. Sales of transnationals' foreign affiliates have grown about 700 percent in the past 20 years.
 4. The 100 largest nonfinancial transnationals account for \$13.7 trillion in assets, \$9.3 trillion in annual sales, and 16.9 million employees.
 5. State-owned transnationals, from both developed and developing nations, number at least 550, have over 15,000 foreign affiliates, have assets exceeding \$2 trillion, and account for over 11 percent of the world's foreign direct investment.
4. Subsidiaries of foreign companies are an increasingly important element in industrial and economic life in many nations. Although these subsidiaries can be perceived as a threat to the autonomy of governments, policies and attitudes toward foreign investment have markedly liberalized in recent years in both developed and developing nations.
1. Although critics may compare transnational companies' revenues with gross national income, these comparisons inaccurately compare the relative value added of companies versus countries.
5. Foreign Direct Investment and Exporting Are Growing Rapidly
- a. Foreign direct investment (FDI) refers to the direct investments in equipment, structures and organizations in a foreign country at a level sufficient to obtain significant management control; it does not include mere foreign investment in stock markets.
 1. The world stock of outward FDI was \$30.8 trillion in 2018, 14 times larger than in 1990.
 - b. Exporting is the transportation of any domestic good or service to a destination outside a country or region, while importing is the transportation of any good or service into a country or region from a foreign origination point.
 - c. Merchandise exports grew from \$2 trillion in 1980 to \$3.5 trillion in 1990, \$6.5 trillion in 2000, \$15.3 trillion in 2010, and \$17.7 trillion in 2017.
 - d. Service exports worldwide grew at a more rapid pace than merchandise exports, from \$396 billion in 1980 to \$5.3 trillion in 2017.
 - e. Figure 1.3 shows the growth in outward FDI and in services and merchandise exports from 1990-2017.

LO 1-4 Identify the kinds of drivers that are leading firms to internationalize their operations.

Key Terms:

- What Is Driving the Internationalization of Business?
 - Political Drivers
 - Technological Drivers
 - Market Drivers
 - Cost Drivers
 - Competitive Drivers

XXII. What Is Driving the internationalization of Business?

1. Five major kinds of drivers, all based on change, are leading international companies to internationalize their operations: political, technological, market, cost and competitive drivers.
2. Political Drivers
 1. Trends toward the unification and socialization of the global community, such as preferential trading arrangements that group several nations into a single market, combined with the progressive reduction of barriers to trade and foreign investment by most governments and the privatization of much of the industry in former communist nations have encouraged firms to internationalize activities to gain access to these new, larger markets.
 2. Potential protectionism by host country markets, including import barriers, may encourage exporters to invest in production facilities in the importing nation.
3. Technological Drivers
 1. Advances in computers and communications technology permit an increased flow of ideas and information across borders, enabling customers to learn about foreign goods and enhancing potential for international business.
 2. Smaller companies may find barriers reduced for being able to communicate and serve customers abroad.
 3. Computer-based communication may enhance virtual integration, allowing firms move the location of various activities to other parts of the world that are more attractive.
4. Market Drivers
 1. As firms internationalize, they also become global customers.
 2. Firms may go abroad to protect business in their home market, so that foreign suppliers do not replace them with customers.
 3. Mature home country markets may encourage companies to consider nations with rising GDP/capita, population growth, and higher rates of GDP growth.
5. Cost Drivers

1. Improved economies of scale, shared costs of research and development, investment incentives and so forth.
6. Competitive Drivers
 1. New competitors from developing nations, entry of foreign firms into a company's home market, access to supplies, and entry into downstream activities to preserve markets for product.

LO 1-5

Compare the key arguments for and against the globalization of business.

- What Is Globalization and What Are the Arguments for and Against the Globalization of Business?
 - Concerns with Globalization
 - Arguments Supporting Globalization

Key Terms:

- economic globalization

- I. II. What Is Globalization and What Are the Arguments for and Against the Globalization of Business?
 1. Globalization has implications across broad ranges of activity, such as political, social, environmental, historical, geographic, cultural, technological, and political.
 2. Most common definition of globalization is economic globalization—the tendency toward an international integration and interdependency of goods, technology, information, labor and capital, or the process of making this integration happen.
 3. There are many strong feelings about globalization, and it is important to understand the key considerations in the debate.
 4. Concerns with Globalization
 1. While many critics concede that globalization increases the size of the pie, they also claim that globalization is accompanied by a broad array of injurious social implications Globalization has produced uneven results across nations and people.
 2. Globalization has produced uneven results across nations and people.
 - a. Export-led growth has failed to materialize in several places; Latin America, for example, has not replicated Asia's success despite efforts to liberalize, privatize and deregulate its economies and sub-Saharan Africa has received only limited benefits.
 - b. The recipe for achieving economic development through opening of world markets is neither easy to do nor universal in its outcomes.
 - c. The gap between rich and poor in the world has increased due to globalization, according to critics, though the evidence is not clear in this regard.
 3. Globalization has had deleterious effects on labor and labor standards.
 - a. Companies can more readily move to other nations with lower standards and costs, in a "race to the bottom."

- d. Multinationals investing in developing nations may contribute to higher wages, improved standards, faster job creation, and enhanced R&D.
 - e. Some host countries may feel that lower standards are necessary in order to enhance competitiveness and improve prospects for investment and economic development.
 - 4. Globalization has contributed to a decline in environmental and health conditions.
 - a. Increased air, water and ground pollution along the Mexico-U.S. border due to production facilities built there and migration of workers to take jobs in these plants.
 - b. Some rules on international trade may result in the weakening of environmental standards in order to comply with these new rules, such as allowing higher polluting Mexican trucks to haul freight on U.S. highways.
 - c. Businesses may have an incentive to move their highest polluting activities to nations with the least rigorous environmental regulations or lower risk of liability.
 - 5. Economic growth fostered by globalization may help generate and distribute additional resources for protecting the environment and better technologies and best practices for use in developing nations.
5. Arguments Supporting Globalization
- 1. Free trade enhances socioeconomic development.
 - a. One of the few propositions on which almost all economists agree is that free trade is the best strategy for advancing the world's economic development.
 - b. Data show a clear and definitive link between liberalization of trade and economic growth, across a broad range of measures such as poverty, education, health, and life expectancy.
 - c. Countries that have rejected globalization are among the most impoverished countries in the world.
 - 2. Free trade promotes more and better jobs.
 - a. Expanded trade is linked with the creation of more and better jobs. Between 1990 and 2018, about 40 million more nonfarm jobs were created than destroyed in the U.S., an increase of 40 percent.
 - b. Openness to trade may cause some sectors to not be competitive and some jobs will be lost, but trade creates new jobs and they tend to be better than the old ones.
 - c. The key is not to block change but to manage the costs of trade adjustment and to support the transition of workers to more competitive employment.

ENGAGEMENT & APPLICATION**BOXED TEXT DISCUSSION QUESTIONS WITH SUGGESTED ANSWERS****IB IN PRACTICE: Adapting Listerine to Meet the Different Requirements of International Markets**

Listerine, a 135-year-old brand of mouthwash, is the dominant competitor in the U.S., but that market has matured. As a result, company managers sought new growth opportunities abroad, particularly in developing and emerging markets. While the middle class is expanding in regions such as Asia, the Middle East, Africa, and Latin America, exploiting the potential of these markets can prove challenging, and the company has responded by developing market-focused adaptations of their product.

Online and Hybrid: Assign questions to be prepared in virtual teams and submitted as a team assignment, or submitted individually and then discussed in a blog or group discussion site.

Face-to-Face: Students develop responses to the questions in class in teams/groups.

1. What challenges might arise as the managers of consumer products such as Listerine attempt to respond to the many differences of consumers from a variety of nations and regions of the world?

Identifying the proper dimensions to modify and the nature and extent of modification necessary in order to respond to differing consumer tastes and needs can be challenging from a conceptual and practical standpoint. Even within countries, there can be substantial differences among different types of consumers, and these differences may change over time as economic development, political change, and other factors evolve. How should a company go about collecting appropriate data, interpreting these data, and making decisions about what to offer or not offer, within and across different nations and regions? How do they avoid self-reference criterion problems?

2. How might these various challenges affect the different activities of a company, such as manufacturing, marketing, sales, and logistics?

Different countries may have differences in the required packaging types (e.g., glass versus plastic, recyclable versus non-recyclable), package sizes (e.g., what is affordable to a customer), product formulation (e.g., what ingredients are allowed to be used), flavors or colors or scents, and so forth. The increased variety of products being offered can quickly produce logistical challenges within the manufacturing and logistics parts of a business in terms of inventory (both inputs and finished goods) and manufacturing processes (tradeoffs between many small batches to meet the different needs of nations versus the efficiencies gained from longer runs of more standardized products). Increased variation across countries may also make it difficult to create a consistent image for marketing purposes, and there may need to be a broad range of marketing and distribution channels and practices to meet the varying requirements of different markets. Pricing may also be a challenge, since there may be challenges from such factors as grey markets (where products are sold in one country and then moved, legally or illegally, to other nations to exploit pricing or quality differences).

GLOBAL DEBATE: Is the “Bottom of the Pyramid” a Market Worth Serving?

Professor C.K. Prahalad popularized the term “Bottom of the Pyramid” to refer to the approximately 3 billion people who survive on less than \$2 per day, where basic survival needs are just barely met. Prahalad suggested that this large mass of humanity should be viewed as having tremendous market potential with untapped purchasing power, if only appropriate ways were found to service them. In addition to being a large market for multinationals, serving these consumers could benefit them and help alleviate poverty. However, although the absolute number of such consumers might be large, critics questioned whether the economics associated with serving these consumers would prove to be sufficiently compelling, and whether a profit-oriented focus on the world’s most impoverished people was appropriate from an ethical perspective, especially when marketing products that might be viewed as lower priority for health and development, for example.

Online and Hybrid: Virtual teams can be assigned questions and submit their work as a group. Alternatively, virtual teams can be assigned to take different roles or perspectives to argue for or against, and these assignments can be submitted as a group and then opened up to discussion and debate on an online class discussion site or blog, or presented and debated in a face-to-face setting.

Face-to-Face: Students develop responses to the questions in class in teams/groups, or else assign perspectives and conduct an in-class debate and discussion.

1. Do you think the base of the pyramid represents an attractive and appropriate market for multinational corporations? Why or why not? For which products or services might this market be most appropriate?

The answer to this question will vary, and it is intended to help people think through the issue. Certainly, students are likely to focus on products that are basic needs, such as those related to food, clothing, shelter, education, and health care. While there may be a tendency to look at very low priced items, there may be some discussion about exceptions to this. For example, products associated with water treatment (e.g., filtration systems) might have somewhat high costs relative to daily income levels, but they might have substantial benefits when allocated across long periods of usefulness. Similarly, although cell phones might be expensive on an initial basis, they may be justifiable due to the broad range of potential uses and benefits that they may provide to the user and his or her family and other key stakeholders.

2. If customers at the base of the pyramid could be convinced to allocate some of their meager income to products such as cigarettes, alcoholic beverages, or cosmetics, would it be socially responsible for multinationals to pursue such opportunities? Why or why not?

This question raises an issue that almost always generates strong opinions and a variety of perspectives. Some students may feel that these products are luxuries for people at the base of the pyramid, or perhaps that they are fundamentally undesirable products not only for the base of the pyramid but perhaps for all humans. The potentially addictive nature of products such as cigarettes and alcohol raises additional concerns, from a social responsibility standpoint, since it

can exploit inherited or other tendencies to become reliant on such substances. Other students will often raise the notion of allowing people to make their own choices about what represents the best options for them to spend their meager resources, and that effort to discourage or regulate such commercial efforts is inappropriate. Exploring the variety of perspectives and allowing the debate to blossom can yield a rich and insightful learning experience for the participants.

GET THAT JOB! FROM BACKPACK TO BRIEFCASE: Ryan Holtzman in Dalian, China: Challenge Yourself to Move beyond Your Comfort Zone

Ryan Holtzman describes his experience working in China for 5 months, the challenges he faced, and how he overcame them.

Online and Hybrid: Virtual teams evaluate Holtzman's advice for their own career development and their ability to understand and adapt to life in another culture, particularly one that is quite different from one's home culture. Share conclusions with class, either online or in face-to-face setting.

Face-to-Face: Students evaluate their own career strategy in light of Holtzman's advice.

1. What does Holtzman mean, "don't be afraid to step out of your comfort zone when you're abroad"?

He acknowledges that moving outside of your comfort zone may be difficult, producing uneasiness and stress. However, by undertaking such an effort, you can learn much more about yourself, about your adaptability, and about the culture you are immersing within. This can help you to appreciate and develop a passion for diversity, for experiencing other cultures and enjoying the adventures that arise from interacting within different and unpredictable contexts. This sort of experience can enhance your self-confidence about being able to perform effectively within new contexts, enable you to more readily engage and connect emotionally with people from other parts of the world, and enhance your ability to build and sustain a network of contacts with others who may initially appear quite different from you.

2. If you were to immerse into a culture that was quite different from your own and which had a language very different from your own, as Holtzman did, how effective do you think his recommendations would be for enabling you to adjust effectively? How would you assess the value of his recommendations, and what other approaches might you use to enhance the pace and effectiveness of your acculturation?

Students will have various answers to this question, depending on their experience with other cultures as well as their own self-awareness and self-confidence. Holtzman emphasizes the value of finding good friends whom he can trust, including those from the local culture. He emphasizes the benefit of finding tutors or culture guides, as well as being proactive in learning about the country and its practices. He emphasizes the value of preparing prior to arriving in the country, as well as the value of continued competence building efforts while in-country.

END OF MODULE EXERCISES**CRITICAL THINKING QUESTIONS**

1. Business is business, and every firm has to find ways to produce and market its goods. Why, then, might managers be unable to successfully apply the techniques and concepts they have learned in their own country to other areas of the world?

The answers to this question may vary. Some techniques and concepts can be applied to operations in other nations. However, the differences among the environmental forces often require that these techniques are altered and in some cases, they cannot be used at all.

2. Give examples to show how an international business manager might manipulate one of the controllable forces in answer to a change in the uncontrollable forces.

Students will come up with any number of examples such as:

- If a law is passed limiting the number of foreigners who may be employed in the firm (legal force), management will have to make the appropriate changes in the company's personnel (controllable force).
- If a new highway is built (physical force), the manager may have to make changes in the firm's physical distribution system (controllable force) to reach the new market created by the highway.

3. Although forces in the foreign environment are the same as those in the domestic environment, they operate differently. Why is this so?

The kinds of forces in the two environments are identical, but they operate differently because:

- Their values frequently differ widely and sometimes are diametrically opposed.
- Changes are often difficult to assess. A manager from a country where laws are vigorously enforced may take literally a new law passed where law enforcement is less rigorous.
- Many times, forces are interrelated so that even though the values of a force may be the same in two markets, values of other forces may be different. The resulting interactions then would not be similar.

4. Why, in your opinion, do the authors regard the use of the self-reference criterion as "probably the biggest cause of international business blunders"? Can you think of an example?

Answers may vary on this question, but when a situation familiar to the manager arises, there is a tendency to respond without analyzing the reasons from another cultural viewpoint, especially if it is something he or she has dealt with successfully before. The nearly automatic response is conditioned by the manager's experience in his or her own culture. Thus the manager would give the local personnel director a list of job descriptions for which the firm needs to fill and let the director do the job. The manager probably would not stop to think that the personnel director's extended family needs work and as a result, these people may be hired

even over others whose skills better match the job descriptions. Ricks' *International Business Blunders* is full of examples. Many of the famous "horror" stories regarding overseas business failures are directly attributable to a failure to analyze the situation from the point of view of the local culture.

5. Discuss some possible conflicts between host governments and foreign-owned companies.

International firms have grown in size and number. As a result, they have become increasingly significant in the economies of many nations. Governments have found that important segments of their industry have come under the control of foreigners whereas previously local citizens were the principal owners. This has led to a fear the absentee owners may follow policies that are in conflict with government objectives. This fear is heightened by the knowledge that headquarters can and does control their affiliates much more closely than previously.

6. "A nation whose GNI is smaller than the sales volume of a global firm is in no position to enforce its wishes on the local subsidiary of that firm." Is this statement true or false? Please explain your rationale.

The comparison of total sales to GNI is similar to comparing apples with oranges. The subsidiary must obey a nation's laws or run the risk of legal action or even expropriation. Admittedly, a global or multinational firm does have some bargaining power in some instances that a purely local firm would not have. It can threaten to leave the country, which will reduce the number of jobs available and the earning of foreign exchange if it is exporting from that country. The important factor is that a firm with operations in various countries permits management to be flexible in choosing where it wants to produce and supply other subsidiaries and markets. Sales of the subsidiary, not the entire firm, could have some bearing if they indicate that the affiliate is significant within the local economy.

7. What examples of globalization can you identify within your community? How would you classify each of these examples (as international investment, international trade, other)?

This question will have varying answers. Recent consolidation in music, supermarket, banking, aerospace, and publishing industries will yield ample examples of globalization.

8. Why is there opposition to globalization of trade and integration of the world's economy? Is there a way the debate can move beyond a simplistic argument for or against globalization and toward how best to strengthen the working of the global economy in order to enhance the welfare of the world and its inhabitants? What might this require?

Answers will vary, but essentially, the pro-globalization debate centers on free trade and its benefits. The opposition points to three areas where globalization's effects have been problematic: the gains have been unevenly distributed among developed and developing nations, globalization reduces labor and safety standards, and its impact on the environment is harmful. One could argue that these two approaches are not actually in opposition, but that trade requires management as it globalizes. The second part of the question requires a student evaluation and answers may vary substantially due to differences in training, ideology, and other factors.

9. You have decided to take a job in your hometown after graduation. Why should you study international business?

The answers will vary but no matter where a person is, he or she cannot be entirely free from the impact of international business. Foreign firms can create competition for your hometown company. Exchange rates can cause local prices for imported goods to become more or less competitive. Ask a salesperson who works for a local Toyota (or Mercedes) dealer if he or she felt the impact of the more expensive yen (or euro). If the hometown firm cannot compete with imports, you can lose your job. What you learn in the international business course will make you a more knowledgeable citizen.

GLOBALEDGE RESEARCH TASK**Exercise 1**

globalEDGE 'Global Insights' is where profiles of trade blocs, countries, U.S. states, and industries can be found. When navigated as described in the exercise (i.e. globalEDGE > Global Insights > by Country > 'country of choice'), each country's profile page will be displayed individually from where 'Indices' sub-section of countries can be accessed on the left column menu. The indicators in the 'KOF Working Paper' can be found by searching the indicator keywords. For example, the number of McDonald's restaurants and the number of IKEA stores are used to calculate the cultural globalization indicator.

Search Phrase: KOF Index of Globalization

Resource Name: KOF Index of Globalization

Resource Link: <https://globaledge.msu.edu/global-insights/by/country>

Exercise 2

globalEDGE 'Global Insights' is where profiles of trade blocs, countries, U.S. states, and industries can be found. When navigated as described in the exercise (i.e. globalEDGE > Global Insights > by Country > United States), each country's profile page will be displayed individually from where 'Statistics', 'Economy', and 'Trade Statistics' sub-section of countries can be accessed on the left column menu.

Search Phrase: by Country

Resource Name: Global Insights by Country

Resource Link: <https://globaledge.msu.edu/global-insights/by/country>

MINICASE: Are You Really Buying American?

This minicase explores the issue of the origin of products and brands and the companies that own them. From bumper stickers to tee shirts, the slogan "Buy American" has become a

common refrain from some American consumers. What does it mean to buy American? Is the Honda Accord made in Marysville, Ohio, any less American than the Nike Air athletic shoe made in China? What about that Dodge Ram truck? Nothing is more American than a pick-up truck, but Dodge is now controlled by Italy's Fiat. The globalization of markets has created cross-border investments linking the workers and consumers of the world to one another in a way that was unimaginable 50 years ago. This serves as a starting point for a stimulating class discussion, which might be expanded through discussion questions such as: "Is there such a thing as an 'American made product'?" and "As a consumer, are you more patriotic when you purchase an American made product?" This assignment gives students an opportunity to consider what is a domestic versus what is a foreign product of brand, as well as whether and how such a distinction really has meaning in the modern day world that they live in.

1. Should it matter to consumers whether the companies that make their products are based in the consumers' home country or not? Explain your rationale.

Answers are likely to vary quite a bit on this question. Many students will exhibit patriotism and nationalistic zeal, emphasizing the importance of having a strong domestic economy in order to create the jobs, developmental opportunities, and other elements that they perceive to be critical to national prosperity and identify. Other students may argue that all countries and their workers should have an opportunity to achieve success and that those who are most efficient or effective at designing, building, distributing, and selling should be the ones to benefit. Some students may argue that efficient utilization of resources within a market-based system will require that certain jobs or tasks be located in other countries, and indeed that win-win outcomes are likely if barriers to international efficiency can be reduced or eliminated. The variety of positions that are likely to be presented can provide the basis for a lively discussion or even debate within the classroom and provide a strong link to the concepts of internationalization of businesses, economic globalization, and the need for IB skills among all students and managers.

2. Why has there been almost no negative backlash among Americans to the flood of foreign investment into their country?

This question can prove to be difficult for some students to answer. On one hand, students may note that the U.S. is a major investor in foreign nations and therefore cannot be overly protectionist when investments also go the other direction. Other students may argue that people have increasingly come to terms with the notion that it is a global marketplace and that foreign investment and ownership of domestic companies and brands by foreign-based firms is the new normal. Yet other students may question the assumption, arguing that there is a strong level of discomfort or even opposition to the level of foreign investment in the U.S., and perhaps even expand on the risks that such investment creates to the sovereignty of the country and its potential for economic prosperity.

BONUS ACTIVITIES

This section provides you with support of your course above and beyond what is found in the text. We have developed these resources to support your course, to support your traditional, hybrid, online, or flipped class.

VIDEO SUGGESTIONS

McGraw Hill's collection of international business videos is available at <http://bit.ly/MHEIBVideo>. The Impact of Globalization board is rich and varied and is updated monthly.

See http://finance.yahoo.com/video/loews-hotels-chairman-international-travelers-150330341.html?soc_src=mail&soc_trk=ma for an interview with the chairman of Loews Hotels, explaining why international travelers are vital to growth.

See www.wsj.com/video/why-tesla-is-betting-big-in-china-with-a-shanghai-gigafactory/50D3AD38-2836-4CA9-B6BF-88AF0A24326E.html for a video of why Tesla decided to build a factory in China.

globalEDGE and the Academy of International Business provide links to a number of organizations that offer videos about international business. You can find these links at <https://aib.msu.edu/resources/videodepositories.asp>.

YouTube has many international business-related videos in its collection. For example, you can find a 31 minute video on How Beneficial is World Trade at <https://youtu.be/xRJZWfqWcs0?list=PL9E6D9764746EA546>.

TEAM EXERCISES

These may be done individually or in groups or teams, either in or out of class, for later class presentation. Some are also appropriate for hybrid and online courses.

1. International Business Project

One popular team exercise is to prepare a foreign market assessment and entry business plan, which can be done on a standalone basis or in multiple stages during the international business course. While the project could be done individually, we have tended to assign them to teams of 3 to 5 students to help promote diversity of perspectives and to spread the workload.

Objective: To create a foreign market entry business plan for taking an American consumer product into a foreign country.

Project Outline:

1. Size of market (demographics, socioeconomic state, urban/rural).
2. Sociocultural acceptance of product—is adaptation necessary?
3. Legal/bureaucratic environment (imports, local manufacture, taxation).

4. Competition in market.
5. Economic and political climate for foreign business.
6. Methods for marketing and distribution.
7. Managerial and labor climate.
8. Financial viability (profit margin, currency translation, profit repatriation).

Project Report: The report may essentially cover all topics in the outline plus an executive summary, introduction (country and product), and recommendations. The report will be word-processed, about 20 pages (double-spaced) and will have an appendix that contains exhibits and a complete bibliography of sources. Examples are maps of the country, tables, and charts.

Project Presentation: The project may be presented to the class either through a taped session posted online (most appropriate for online classes) or through face-to-face presentation to the class (more appropriate for hybrid or face-to-face sessions). Thirty minutes will typically be allotted to each team, including 15-20 minutes for presentation followed by question and answer. Each member of the team will typically participate in the presentation and for online submission, it may make sense to tape each individual's section separately to keep the file size manageable. Teams should develop appropriate visual supports for their presentations (e.g., PowerPoint slides, video segments from YouTube, flipcharts, etc.).

2. Debate on Globalization

Conduct a debate on issues in support of and opposing globalization. The text hints at a range of issues regarding the pros and cons of globalization, which can serve as a starting point for a stimulating debate and class discussion on globalization. Consider assigning students to “for” and “against” positions and ask them to research their positions and provide a clear and compelling argument in favor of their assigned role, with these positions either presented in written form to serve as a base for an online debate, or presented orally through a video clip posted on the class learning platform or directly in a face-to-face context. Using these differing positions as a starting point, you can follow up with an online or in-person discussion. For example, ask students to discuss how they view globalization and the reasons for their views. Potential discussion questions can include: “Discuss the benefits of globalization and the concerns regarding the globalization of markets as outlined in the module? Are you concerned with the internationalization of markets? If so, why?,” or “If international business is not a new topic, what about the globalization of international business is new? What are the roots of globalization? Is globalization accelerating? Why or why not?,” or “How have you benefited personally or been negatively impacted by the forces of globalization? Please be specific in your response.” A summary of the class discussion would offer an appreciation of the many issues related to globalization and the many views on this complex issue in which we are all involved.

3. American Brands

Following up on the minicase, “Are You Really Buying American?,” ask students to research other American brands and businesses that are owned by foreign companies. They might be surprised who really owns what in the U.S. and how brand identification and ownership may be

different. You might stimulate some of this discussion by putting the following companies/brands onto individual PowerPoint slides and asking students to identify the nationality of the owners of the brand, providing a good basis for discussing the internationalization of business in our everyday lives.

- a. 7-Eleven Stores (owned by Seven and I Holdings Co. of Japan)
- b. Chesebrough-Pond (Vaseline) (owned by Unilever of the Netherlands)
- c. Maybelline cosmetics (owned by L'Oreal of France)
- d. Diesel clothing (produced by Diesel S.p.A. of Italy)
- e. Aquafresh toothpaste (GlaxoSmithKline plc of the United Kingdom)
- f. Baby Ruth candy bars (produced by Ferrero of Italy)
- g. Holiday Inn motels (owned by InterContinental Hotels Group plc of the United Kingdom)
- h. Arrowhead water (owned by Nestle of Switzerland)
- i. Columbia Pictures motion picture studios (owned by Sony of Japan)
- j. Arco gasoline (owned by BP of the United Kingdom)
- k. Nerds candy (owned by Ferrero of Italy)
- l. Popsicle frozen treats (owned by Unilever, a British-Dutch multinational)
- m. Random House (owned by Bertelsmann of Germany)
- n. Ralston Purina pet foods (owned by Nestle of Switzerland)
- o. Motel 6 (owned by Accor of France)
- p. Pinkertons (owned by Securitas AB of Sweden)
- q. Ban deodorant (owned by Kao Corporation of Japan)
- r. RCA Records (owned by Sony of Japan)
- s. Thinkpad laptop computers (owned by Lenovo of China)
- t. Norelco electric shavers (owned by Philips of the Netherlands)

SUPPLEMENTAL ACTIVITIES

Case Studies

Case studies that focus on intercultural issues and their effects in business environments are available through Ivey Publishing and Harvard Business School. Ivey's catalog is available for browsing (www.iveycases.com); the cases are downloadable for review, and pricing is around \$3.75. Harvard Business Publishing (<https://cb.hbsp.harvard.edu/cbmp/pages/home>) requires

an account and offers downloadable review copies for educators. The case prices begin at \$7.50.

Harvard Cases

“Planet Starbucks (A)” details efforts made by Starbucks to act in a socially responsible manner and the pressures placed on the Starbucks Coffee company by the anti-globalization movement.

“Environment and International Trade” describes the conflicts present between environmental values and international trade as manifested in various multilateral treaties and institutions, such as GATT, NAFTA, and the European community.

“Worker Rights and Global Trade: The U.S.-Cambodia Bilateral Textile Trade Agreement” examines the political and economic dimensions of the campaign to improve workers’ rights around the world, through inclusion of labor standards in international trade agreements and with a specific focus on the U.S.-Cambodia Textile Trade Agreement. The latter agreement was the first to link increased access to U.S. markets with improvements in working conditions in an exporting nation.

CONTROVERSIAL ISSUES

1. Global Debate: Is the “Bottom of the Pyramid” a Market Worth Serving?

This box feature described earlier in this module’s Instructor Guide provides an excellent foundation for debating some of the issues raised in the text.

Online and Hybrid: Virtual teams can be assigned questions and submit their work as a group. Alternatively, virtual teams can be assigned to take different roles or perspectives to argue for (or against) and these assignments can be submitted as a group and then opened up to discussion and debate on an online class discussion site or blog, or presented and debated in a face-to-face setting.

Face-to-Face: Students develop responses to the questions in class in teams/groups, or else assign perspectives and conduct an in-class debate and discussion.

2. Debate on Globalization

The debate on globalization elements described earlier in this module’s Instructor Guide provides an excellent foundation to lever the content from the text’s discussion of this topic into a lively and insightful debate among the class participants. Conduct a debate on issues in support of and opposing globalization. The text hints at a range of issues regarding the pros and cons of globalization, which can serve as a starting point for a stimulating debate and class discussion on globalization. Consider assigning students to “for” and “against” positions and ask them to research their positions and provide a clear and compelling argument in favor of their assigned role, with these positions either presented in written form to serve as a base for an online debate, or presented orally through a video clip posted on the class learning platform or directly in a face-to-face context. Using these differing positions as a starting point, you can follow up with an online or in-person discussion. For example, ask students to discuss how they

view globalization and the reasons for their views. Potential discussion questions can include: "Discuss the benefits of globalization and the concerns regarding the globalization of markets as outlined in the module? Are you concerned with the internationalization of markets? If so why?," or "If international business is not a new topic, what about the globalization of international business is new? What are the roots of globalization? Is globalization accelerating? Why or why not?," or "How have you benefited personally or been negatively impacted by the forces of globalization? Please be specific in your response." A summary of the class discussion would offer an appreciation of the many issues related to globalization and the many views on this complex issue in which we are all involved.

Online and Hybrid: Virtual teams can be assigned to take different perspectives to argue for or against globalization and these assignments can be submitted as a group and then opened up to discussion and debate on an online class discussion site or blog, or presented and debated in a face-to-face setting.

Face-to-Face: Students can be assigned to take different perspectives to argue for or against globalization and then they can be asked to argue their positions within an in-class debate and discussion.

3. Current Events

A focus on current events that are relevant to the module's topics is a good way to bring home the concepts, review their application, and build news-review habits. Ask everyone to come prepared with an article for every meeting. If a meaningful percentage of the final grade is allocated to discussion (10-15), motivation is there. Devote five minutes at the beginning of class to discussion of current events. Recent relevant current events include the ongoing controversy in the U.S. about whether free trade agreements such as USMCA or the trade "war" with China and other nations will promote domestic job creation and improved economic prosperity, or whether they send jobs abroad and harm American workers and the overall economy. Depending on the online interface, this activity may be done in chat forums (Blackboard) or discussion boards, before class begins. This activity also works well in large lecture classes.

TEACHING SUGGESTIONS

1. Students find the definitions in this chapter helpful. Stress that building, understanding, and correctly using the terms associated with international business helps them move toward understanding and being able to articulate IB's complexity. This will assist them in comprehending and being able to perform effectively within a world that is increasingly international in its context and forces.
2. Focusing on the boxed material and the case study will help students achieve the objectives of the chapter. Answers for both the boxed material and case studies are provided in this module's Instructor Guide.
3. The Critical Thinking Questions at the end of the module will help in understanding chapter content. These topics may be assigned as an outside class assignment. One of the problems in

giving textbook questions as outside assignments is that students frequently do not do the assignments and wait for the instructor to give them the answers. Instructors can avoid these problems in several ways: (1) collect assignments at random and assign a grade; (2) occasionally give some of the same questions as a quiz, thus rewarding students who have done their assignments; (3) have students hand in assignments and give credit for work submitted; and (4) call on students at random to answer specific questions (giving a small number of points for correct answers or counting this as part of participation).

4. Guest lecturers willing to discuss the challenges presented by the rapidly changing aspects of international business, such as by discussing the pace of change in their own industry, are a way to underscore the importance of the information in this module. Possible guests include:

- Personnel managers who staff the overseas subsidiaries and international divisions for a local firm to talk about job possibilities.
- Retired executives who have worked as expatriates.
- Bankers from the international division of a local bank. Often, they share leads to firms in your area that are engaged in international business.
- Executives from a local international or multinational firm.
- You might also be able to contact a foreign exchange student in advance and ask him/her to discuss the nature of his/her home country and some of the differences that he/she has observed here.

5. Students tend to be aware marginally of their consumer-level dependence on international business. To arouse their early interest in the importance of this course, we use one or more of the student involvement exercises listed in the following section.

- Start the course by asking students this question: “If I snapped my finger (snap your finger) and every piece of clothing we are wearing today that was NOT manufactured in the U.S. disappeared, how we would be dressed?” The obvious answer is “naked.” Then move into a discussion of our dependence on foreign manufactured goods as a segue into your orientation for this course.
- Hold up a common object such as a lead pencil. Where do the materials come from? Rubber comes from the Far East, the copper and tin from which the brass ferrule is made may come from Chile and Malaysia respectively, etc.
- Ask if anyone in class is influenced by international business. The response is often negative, except for foreign students. This can open up a discussion to show our dependence on imports (Smartphones, tablets, laptop computers, Blu-ray, Flat Screen HDTVs, clothing, food and beverages, cars, etc.), outsourcing, and foreign direct investment. For example, foreign ownership of grocery chains in the U.S. has grown significantly in recent years (e.g., Trader Joe’s, Stop&Shop, Aldi, Food Lion, Hannaford).

CONNECT TOOLS FOR ASSESSEMENT OF LEARNING**Connect Content Matrix**

For every chapter, please refer to the Connect Content Matrix to see what application exercises are available and what Learning Objectives they help reinforce/assess.

Title	Assignment Type	Topic(s)	Learning Objective(s)	AACSB Accreditation Tagging	Bloom's Taxonomy
What is International Business?	Click and Drag	Why Study International Business?	01-01; 01-02	Analytical Thinking	Understand
Drivers of Globalization	Click and Drag	Drivers of Globalization	01-03; 01-04	Analytical Thinking	Understand
The Globalization Debate	Click and Drag	The Globalization Debate	01-05	Analytical Thinking	Understand
Growth of International Business	Click and Drag	What is Globalization?	01-02; 01-03	Reflective Thinking	Understand
Is the Future of Globalization in Doubt?	Video Case	The Globalization Debate/ Drivers of Globalization	01-05	Reflective Thinking/ Knowledge Application/ Analytical Thinking	Remember/ Understand

CONNECT ACTIVITIES**1. What is International Business?**

Activity Summary: In this click and drag activity, boxes of general characteristics are matched to the correct international business term.

How to Use Activity: For online and hybrid classes, assign this as part of the module's homework. For an in-class assignment, divide the class into small groups and have them do the assignment as a team. Monitor the team discussions to clarify any confusing terms. Or have students do this individually and then in class discuss any choices that were confusing and why.

2. Drivers of Globalization

Activity Summary: This is a click and drag activity in which boxes of international activities and implications for business are placed beside one of the five driving forces of globalization.

How to Use Activity: This can be assigned for homework. For an in-class assignment, divide the class into small groups and have them do the assignment as a team. After the teams have

completed the assignment, discuss the answers with the entire class.

3. The Globalization Debate

Activity Summary: This is a click and drag activity in which arguments related to globalization are dragged to the corresponding issue. Then students are to indicate if the argument is for or against globalization.

How to Use Activity: For online and hybrid classes, assign this as part of the module homework. For an in-class assignment, divide the class into small groups and have them do the assignment as a team. Walk around the class to listen to what the teams are discussing and use that to launch into a broader discussion on the topic.

4. Growth of International Business

Activity Summary: In this click and drag activity, general characteristics on the left are dragged to the corresponding driver of globalization on the right.

How to Use Activity: This can be assigned as part of the module homework. Have in-class teams do this during class. After the teams have completed the assignment, discuss the answers with the entire class.

5. Is the Future of Globalization in Doubt?

Activity Summary: This video case shows a short interview that discusses forces, especially in the U.S. and UK, that are pushing against globalization. Then, they answer one or more multiple-choice questions on the topic.

How to Use Activity: Have students do this individually for online courses. In face-to-face classes, have students do this before class and then discuss the issues related to globalization. Have students vote if they think that globalization will expand or shrink in the next ten years. Then have students discuss why they voted the way they did.