THE GLOBAL SOLUTION

Print + Online

GLOBAL³ delivers all the key terms and core concepts for the Global Business course.

GLOBAL Online provides the complete narrative from the printed text with additional interactive media and the unique functionality of StudyBits—all available on nearly any device!

What is a StudyBit™? Created through a deep investigation of students’ challenges and workflows, the StudyBit™ functionality of GLOBAL Online enables students of different generations and learning styles to study more effectively by allowing them to learn their way. Here’s how they work:

- **Collect What’s Important**
  - Create StudyBits as you highlight text, images or take notes!

- **Track/Monitor Progress**
  - Use Concept Tracker to decide how you’ll spend study time and study YOUR way!
  - Rate and Organize StudyBits
  - Rate your understanding and use the color-coding to quickly organize your study time and personalize your flashcards and quizzes.

- **Personalize Quizzes**
  - Filter by your StudyBits to personalize quizzes or just take chapter quizzes off-the-shelf.

- **Rate and Organize**
  - CORRECT
  - INCORRECT
  - UNSURE
  - UNASSIGNED

© 2014 Cengage Learning. All rights reserved. This content is not yet final and Cengage Learning does not guarantee this page will contain current material or match the published product.
Mike W. Peng is the Jindal Chair of Global Business Strategy at the Jindal School of Management, University of Texas at Dallas. He is also a National Science Foundation (NSF) CAREER Award winner and a Fellow of the Academy of International Business (AIB). At UT Dallas, he has been the number-one contributor to the list of 45 top journals tracked by Financial Times, which has consistently ranked UT Dallas as a top 20 school in research worldwide.

Professor Peng holds a bachelor’s degree from Winona State University, Minnesota, and a PhD degree from the University of Washington, Seattle. He had previously served on the faculty at the Ohio State University, University of Hawaii, and Chinese University of Hong Kong. He has taught in five states in the United States (Hawaii, Ohio, Tennessee, Texas, and Washington), as well as in China, Hong Kong, and Vietnam. He has also held visiting or courtesy appointments in Australia, Britain, China, Denmark, Hong Kong, and the United States, and lectured around the world.

Professor Peng is one of the most-prolific and most-influential scholars in international business (IB). Both the United Nations and the World Bank have cited his work. During the decade 1996–2006, he was the top seven contributor to IB’s number-one premier outlet: Journal of International Business Studies. In 2015, he received the Journal of International Business Studies Decade Award. A Journal of Management article found him to be among the top 65 most widely cited management scholars, and an Academy of Management Perspectives study reported that he is the fourth-most-influential management scholar among professors who obtained their PhD since 1991. Overall, Professor Peng has published more than 120 articles in leading journals, more than 30 pieces in non-referenced outlets, and five books. Since the launch of GLOBAL’s second edition, he has not only published in top IB journals, such as the Academy of Management Journal, Journal of International Business Studies, Journal of World Business, and Strategic Management Journal, but also in leading outlets in entrepreneurship (Entrepreneurship Theory and Practice), ethics (Journal of Business Ethics), and human resources (International Journal of Human Resource Management).

Used in more than 30 countries, Professor Peng’s best-selling textbooks, Global Business, Global Strategy, and GLOBAL, are global market leaders that have been translated into Chinese, Portuguese, and Spanish. A European adaptation (with Klaus Meyer) and an Indian adaptation (with Deepak Srivastava) have been successfully launched.

Truly global in scope, Professor Peng’s research has investigated firm strategies in Africa, Asia Pacific, Central and Eastern Europe, and North America. He is best known for his development of the institution-based view of strategy and his insights about the rise of emerging economies such as China in global business. With more than 18,000 Google citations and an H-index of 57, he is listed among The World’s Most Influential Scientific Minds (compiled by Thomson Reuters based on citations covering 21 fields)—in the field of economics and business, he is one of the only 95 world-class scholars listed and the only IB textbook author listed.

Professor Peng is active in leadership positions. He has served on the editorial boards of the AMJ, AMP, AMR, JIBS, JMS, JWB, and SMJ; and guest-edited a special issue for the JMS. At AIB, he co-chaired the AIB/JIBS Frontiers Conference in San Diego (2006), guest-edited a JIBS special issue (2010), chaired the Emerging and Transition Economies track for the Nagoya conference (2011), and chaired the Richard Farmer Best Dissertation Award Committee for the Washington conference (2012). At the Strategic Management Society (SMS), he was elected to be the Global Strategy Interest Group Chair (2008). He also co-chaired the SMS Special Conferences in Shanghai (2007) and in Sydney (2014). He served one term as Editor-in-Chief of the Asia Pacific Journal of Management. He managed the successful bid to enter the Social Sciences Citation Index (SSCI), which reported APJM’s first citation impact to be 3.4 and rated it as the top 18 among 140 management journals (by citation impact factor) for 2010. In recognition of his significant contributions, APJM has named its best paper award
Professor Peng has received numerous honors, including an NSF CAREER Grant ($423,000), a US Small Business Administration Best Paper Award, a (lifetime) Distinguished Scholar Award from the Southwestern Academy of Management, a (lifetime) Scholarly Contribution Award from the International Association for Chinese Management Research (IACMR), and a Best Paper Award named after him. He has been quoted by *The Economist, Newsweek, Dallas Morning News, Smart Business Dallas, Atlanta Journal-Constitution, The Exporter Magazine, The World Journal, Business Times (Singapore), CEO-CIO (Beijing), Sing Tao Daily (Vancouver), and Brasil Econômico* (São Paulo), as well as on the Voice of America.

Professor Peng is also an active consultant, trainer, and keynote speaker. He has provided on-the-job training to more than 400 professors. He has consulted and been a keynote speaker for multinational enterprises (such as AstraZeneca, Berlitz, Nationwide, SAFRAN, and Texas Instruments), nonprofit organizations (such as World Affairs Council of Dallas-Fort Worth), educational and funding organizations (such as Canada Research Chair, Harvard Kennedy School of Government, and National Science Foundation), and national and international organizations (such as the UK Government Office for Science, US-China Business Council, US Navy, and The World Bank).
Part 1: Laying Foundations  2
1 Globalizing Business  2
2 Understanding Politics, Laws, & Economics  18
3 Emphasizing Cultures, Ethics, & Norms  34
4 Leveraging Resources & Capabilities  50

Part 2: Acquiring Tools  64
5 Trading Internationally  64
6 Investing Abroad Directly  84
7 Dealing with Foreign Exchange  100
8 Capitalizing on Global & Regional Integration  116

Part 3: Managing Around the World  134
9 Growing & Internationalizing the Entrepreneurial Firm  134
10 Entering Foreign Markets  148
11 Making Alliances & Acquisitions Work  164
12 Strategizing, Structuring, & Learning Around the World  180
13 Managing Human Resources Globally  196
14 Competing in Marketing & Supply Chain Management  214
15 Managing Corporate Social Responsibility Globally  228

Notes  241
Index  245
Tear-out Cards
PengAtlas Maps
PART 1
Laying Foundations

1 Globalizing Business 2
Ethical Dilemma/Emerging Markets: Coca-Cola in Africa 3
1-1 WHAT IS GLOBAL BUSINESS? 4
1-2 WHY STUDY GLOBAL BUSINESS? 6
1-3 A UNIFIED FRAMEWORK 7
  1-3a One Fundamental Question 7
  1-3b First Core Perspective: An Institution-Based View 9
  1-3c Second Core Perspective: A Resource-Based View 9
  1-3d A Consistent Theme 10
1-4 WHAT IS GLOBALIZATION? 10
  1-4a Three Views on Globalization 10
  1-4b The Pendulum View on Globalization 11
  1-4c Semiglobalization 13
1-5 A GLANCE AT THE GLOBAL ECONOMY 13
1-6 ORGANIZATION OF THE BOOK 15
Ethical Dilemma/Emerging Markets: The Rebirth of the East India Company 16

2 Understanding Politics, Laws, & Economics 18
Ethical Dilemma/Emerging Markets: The Future of Cuba 19
2-1 UNDERSTANDING INSTITUTIONS 20

2-2 WHAT DO INSTITUTIONS DO? 21
2-3 AN INSTITUTION-BASED VIEW OF GLOBAL BUSINESS 22
2-4 POLITICAL SYSTEMS 23
  2-4a Democracy 24
  2-4b Totalitarianism 24
  2-4c Political Risk 24
2-5 LEGAL SYSTEMS 25
  2-5a Civil Law, Common Law, and Theocratic Law 25
2-6 PROPERTY RIGHTS AND INTELLECTUAL PROPERTY RIGHTS 26
  2-6a Property Rights 26
  2-6b Intellectual Property Rights 27
2-7 ECONOMIC SYSTEMS 27
  2-7a Market, Command, and Mixed Economies 27
  2-7b What Drives Economic Development? 30
2-8 MANAGEMENT SAVVY 31

3 Emphasizing Cultures, Ethics, & Norms 34
Ethical Dilemma: Cut Salaries or Cut Jobs 35
3-1 WHERE DO INFORMAL INSTITUTIONS COME FROM? 36
3-2 CULTURE 36
  3-2a Definition of Culture 36
  3-2b Language 37
  3-2c Religion 37
3-3 CLASSIFYING CULTURAL DIFFERENCES 38
  3-3a The Context Approach 38
  3-3b The Cluster Approach 39
  3-3c The Dimension Approach 40
3-4 CULTURE AND GLOBAL BUSINESS 43
3-5 ETHICS 43
  3-5a Definition and Impact of Ethics 43
  3-5b Managing Ethics Overseas 44
3-6 ETHICS AND CORRUPTION 45
3-7 NORMS AND ETHICAL CHALLENGES 46
3-8 MANAGEMENT SAVVY 47
Ethical Dilemma/Emerging Markets: Chiquita Is the Top Banana When It Comes to Social Responsibility 48
5 Trading Internationally  64

Emerging Markets: Is China the Largest Trading Nation in the World?  65
5-1 WHY DO NATIONS TRADE?  66

5-2 THEORIES OF INTERNATIONAL TRADE  67
  5-2a Mercantilism  67
  5-2b Comparative Advantage  69
  5-2c Strategic Trade  71
  5-2d Product Life Cycle  71
  5-2e National Competitive Advantage of Industries  73
  5-2f Evaluating Theories of International Trade  74

5-3 REALITIES OF INTERNATIONAL TRADE  76
  5-3a Tariff Barriers  77
  5-3b Nontariff Barriers  78
  5-3c Economic Arguments Against Free Trade  79
  5-3d Political Arguments Against Free Trade  80

5-4 MANAGEMENT SAVVY  81

6 Investing Abroad Directly  84

The Pros and Cons of Foreign Direct Investment in Britain  85
6-1 UNDERSTANDING THE FDI VOCABULARY  86
  6-1a The Key Word Is Direct  86
  6-1b Horizontal and Vertical FDI  86
  6-1c FDI Flow and Stock  86
  6-1d MNE Versus Non-MNE  87

6-2 WHY DO FIRMS BECOME MNE? BY ENGAGING IN FDI?  88

6-3 OWNERSHIP ADVANTAGES  89
  6-3a The Benefits of Direct Ownership  89
  6-3b FDI Versus Licensing  89

6-4 LOCATION ADVANTAGES  90
  6-4a Location, Location, Location  90
  6-4b Acquiring and Neutralizing Location Advantages  90

6-5 INTERNALIZATION ADVANTAGES  92
  6-5a Market Failure  92
  6-5b Overcoming Market Failure Through FDI  92

6-6 REALITIES OF FDI  93
  6-6a Political Views on FDI  93
  6-6b Benefits and Costs of FDI to Host Countries  94
  6-6c Benefits and Costs of FDI to Home Countries  95

6-7 MANAGEMENT SAVVY  96

Ethical Dilemma/Emerging Markets: Cry for Me, Argentina  98

7 Dealing with Foreign Exchange  100

Toyota's Yen Advantage  101

7-1 WHAT DETERMINES FOREIGN EXCHANGE RATES?  102
  7-1a Basic Supply and Demand  102
  7-1b Relative Price Differences and Purchasing Power Parity  102
  7-1c Interest Rates and Money Supply  104
  7-1d Productivity and Balance of Payments  104
  7-1e Exchange Rate Policies  105
  7-1f Investor Psychology  106
8 Capitalizing on Global & Regional Integration 116

Launching the Learjet 85: A NAFTA Collaboration 117

8-1 INTEGRATING THE GLOBAL ECONOMY 118
8-1a Political Benefits for Global Economic Integration 118
8-1b Economic Benefits for Global Economic Integration 119

8-2 ORGANIZING WORLD TRADE 119
8-2a General Agreement on Tariffs and Trade: 1948–1994 119
8-2b World Trade Organization: 1995–Present 119
8-2c Trade Dispute Settlement 120
8-2d The Doha Round—“The Doha Development Agenda” 120

8-3 INTEGRATING REGIONAL ECONOMIES 122
8-3a The Pros and Cons of Regional Economic Integration 122
8-3b Types of Regional Economic Integration 122

8-4 REGIONAL ECONOMIC INTEGRATION IN EUROPE 123
8-4a Origin and Evolution 123
8-4b The EU Today 123
8-4c The EU’s Challenges 125

8-5 REGIONAL ECONOMIC INTEGRATION IN THE AMERICAS 126
8-5a North America: North American Free Trade Agreement (NAFTA) 126
8-5b South America: Andean Community, Mercosur, USAN/UNASUR, and CAFTA 127

8-6 REGIONAL ECONOMIC INTEGRATION IN THE ASIA PACIFIC 128
8-6a Australia–New Zealand Closer Economic Relations Trade Agreement (ANZCERTA or CER) 128
8-6b Association of Southeast Asian Nations (ASEAN) 128
8-6c Asia-Pacific Economic Cooperation (APEC) and Trans-Pacific Partnership (TPP) 128

9 Growing & Internationalizing the Entrepreneurial Firm 134

Sriracha Spices Up American Food 135

9-1 ENTREPRENEURSHIP AND ENTREPRENEURIAL FIRMS 136
9-2 INSTITUTIONS, RESOURCES, AND ENTREPRENEURSHIP 136
9-2a Institutions and Entrepreneurship 136
9-2b Resources and Entrepreneurship 138

9-3 GROWING THE ENTREPRENEURIAL FIRM 138
9-3a Growth 139
9-3b Innovation 139
9-3c Financing 140

9-4 INTERNATIONALIZING THE ENTREPRENEURIAL FIRM 141
9-4a Transaction Costs and Entrepreneurial Opportunities 141
9-4b International Strategies for Entering Foreign Markets 142
9-4c International Strategies for Staying in Domestic Markets 144

9-5 MANAGEMENT SAVVY 146
Emerging Markets: The Rise of Alibaba 146
10 Entering Foreign Markets  148
Emerging Markets: Indian Firms Spread Their Wings in Africa  149
10-1 OVERCOMING THE LIABILITY OF FOREIGNNESS  149
10-2 WHERE TO ENTER?  151
10-2a Location-Specific Advantages and Strategic Goals  151
10-2b Cultural/Institutional Distances and Foreign Entry Locations  153
10-3 WHEN TO ENTER?  154
10-4 HOW TO ENTER?  155
10-4a Scale of Entry: Commitment and Experience  155
10-4b Modes of Entry: The First Step on Equity Versus Non-Equity Modes  156
10-4c Modes of Entry: The Second Step on Making Actual Selections  158
10-5 MANAGEMENT SAVVY  161
Emerging Markets: Business Jet Makers Eye China  162
11 Making Alliances & Acquisitions Work  164
Fiat Chrysler: From Alliance to Acquisition  165
11-1 DEFINING ALLIANCES AND ACQUISITIONS  166
11-2 HOW INSTITUTIONS AND RESOURCES AFFECT ALLIANCES AND ACQUISITIONS  167
11-2a Institutions, Alliances, and Acquisitions  167
11-2b Resources and Alliances  168
11-2c Resources and Acquisitions  170
11-3 FORMATION OF ALLIANCES  171
11-4 DISSOLUTION OF ALLIANCES  172
11-5 PERFORMANCE OF ALLIANCES  173
11-6 MOTIVES FOR ACQUISITIONS  173
11-7 PERFORMANCE OF ACQUISITIONS  174
11-8 MANAGEMENT SAVVY  176
Ethical Dilemma/Emerging Markets: Emerging Acquirers from China and India  177
12 Strategizing, Structuring, & Learning Around the World  180
Emerging Markets: GE Innovates from the Base of the Pyramid  181
12-1 MULTINATIONAL STRATEGIES AND STRUCTURES  182
12-1a Pressures for Cost Reduction and Local Responsiveness  182
12-1b Four Strategic Choices  183
12-1c Four Organizational Structures  185
12-1d The Reciprocal Relationship Between Multinational Strategy and Structure  187
12-2 HOW INSTITUTIONS AND RESOURCES AFFECT MULTINATIONAL STRATEGY, STRUCTURE, AND LEARNING  187
12-2a Institution-Based Considerations  187
12-2b Resource-Based Considerations  189
12-3 WORLDWIDE LEARNING, INNOVATION, AND KNOWLEDGE MANAGEMENT  191
12-3a Knowledge Management  191
12-3b Knowledge Management in Four Types of Multinational Enterprises  191
12-3c Globalizing Research and Development  192
12-4 MANAGEMENT SAVVY  193
Subsidiary Initiative at LEGO North America  194
13 Managing Human Resources Globally  196
Emerging Markets: Samsung's Global Strategy Group  197
13-1 STAFFING  198
13-1a Ethnocentric, Polycentric, and Geocentric Approaches in Staffing  198
13-1b The Role of Expatriates  199
13-1c Expatriate Failure and Selection  200
13-2 TRAINING AND DEVELOPMENT  201
13-2a Training for Expatriates  201
13-2b Development for Returning Expatriates (Repatriates)  201
13-2c Training and Development for Host-Country Nationals  203
13-3 COMPENSATION AND PERFORMANCE APPRAISAL  203
13-3a Compensation for Expatriates  203
13-3b Compensation for Host-Country Nationals  204
13-3c Performance Appraisal  205
13-4 LABOR RELATIONS  206
13-4a Managing Labor Relations at Home  206
13-4b Managing Labor Relations Abroad  206
13-5 INSTITUTIONS, RESOURCES, AND HUMAN RESOURCE MANAGEMENT  207
13-5a Institutions and Human Resource Management  207
13-5b Resources and Human Resource Management  208
13-6 MANAGEMENT SAVVY  210
Emerging Markets: Dallas Versus Delhi  211
Contents  ix
14 Competing in Marketing & Supply Chain Management 214

Zara Excels in Marketing and Supply Chain Management 215

14-1 THREE OF THE FOUR P's IN MARKETING 216
14-1a Product 216
14-1b Price 218
14-1c Promotion 218

14-2 FROM DISTRIBUTION CHANNEL TO SUPPLY CHAIN MANAGEMENT 219

14-3 TRIPLE AS IN SUPPLY CHAIN MANAGEMENT 220
14-3a Agility 220
14-3b Adaptability 221
14-3c Alignment 221

14-4 HOW INSTITUTIONS AND RESOURCES AFFECT MARKETING AND SUPPLY CHAIN MANAGEMENT 223
14-4a Institutions, Marketing, and Supply Chain Management 223
14-4b Resources, Marketing, and Supply Chain Management 223

14-5 MANAGEMENT SAVVY 225

Emerging Markets: Marketing to Chinese Tourists 226

15 Managing Corporate Social Responsibility Globally 228

Ethical Dilemma/Emerging Markets: The Ebola Challenge 229

15-1 A STAKEHOLDER VIEW OF THE FIRM 230
15-1a A Big Picture Perspective 230
15-1b Primary and Secondary Stakeholder Groups 232
15-1c The Fundamental Debate on CSR 232

15-2 INSTITUTIONS, RESOURCES, AND CORPORATE SOCIAL RESPONSIBILITY 234
15-2a Institutions and Corporate Social Responsibility 234
15-2b Resources and Corporate Social Responsibility 237

15-3 MANAGEMENT SAVVY 238

Ethical Dilemma: Wolf Wars 239

NOTES 241
INDEX 245
TEAR-OUT CARDS
PENGATLAS MAPS
YOUR FEEDBACK MATTERS.