International Business
Strategy, Management, and the New Realities

S. Tamer Cavusgil
Michigan State University
Gary Knight
Florida State University
John R. Riesenberger
Executive in Residence, CIBER
Michigan State University

Pearson
Prentice Hall
Upper Saddle River, New Jersey, 07458
Dedicated to…

This book is dedicated to: my parents, Mehmet and Naciye Cavusgil, who never received much formal education but passed on a deep sense of appreciation for knowledge to their children; my wife Judy, and my children Erin and Emre Cavusgil who graciously provided much-needed understanding, support, and encouragement; and my students whom I had the opportunity to mentor over the years.

S. Tamer Cavusgil
East Lansing, Michigan

To my wife Mari, for her patience, intellect and adventurous spirit, and to Bill and Audrey, for being great parents and role models.

Gary Knight
Tallahassee, Florida

This book and the accompanying knowledge portal are dedicated to my parents, Richard and Marie Riesenberger, for their example, many sacrifices and love. To my wife and best friend, Pat, for her enthusiasm and loving support. To my daughters Jenny and Chris and their husbands, Martijn and Byron, of whom I am so very proud and thankful. To my amazing grandchildren Ryan and Paige—the future of the New Realities.

John R. Riesenberger
Basking Ridge, New Jersey
About the Authors

S. Tamer Cavusgil
Michigan State University, University Distinguished Faculty, The John William Byington Endowed Chair in Global Marketing, Executive Director, Center for International Business Education and Research (CIBER)

Professor Cavusgil has been mentoring students, executives, and educators in international business for the past three decades. A native of Turkey, Professor Cavusgil’s professional work has taken him to numerous other emerging markets. Professor Cavusgil has authored over 160 refereed journal articles and three dozen books including Doing Business in the Emerging Markets (Sage). His work is among the most cited contributions in international business. He is the founding editor of the Journal of International Marketing and Advances in International Marketing. He serves on the editorial review boards of professional journals.

Professor Cavusgil is an elected Fellow of the Academy of International Business, a distinction earned by a select group of intellectual leaders in international business. He also served as Vice President of the AIB, and on the Board of Directors of the American Marketing Association. Michigan State University bestowed him with its highest recognition for contributions to the international mission: the Ralph H. Smuckler Award for Advancing International Studies. He was named “International Trade Educator of the Year” in 1996 by the National Association of Small Business International Trade Educators (NASBITE). At Michigan State University, he also earned the distinction of University Distinguished Faculty, the highest award given to a faculty member. In 2007, he was named an Honorary Fellow of the Sidney Sussex College at the University of Cambridge.

Professor Cavusgil holds MBA and Ph.D. degrees in business from the University of Wisconsin. Previously, he held positions at the Middle East Technical University in Turkey, University of Wisconsin-Whitewater, and Bradley University. He also served as Senior Fulbright Scholar to Australia and taught at Monash University and other Australian institutions. He served as a visiting Professor at Manchester Business School, and as Gianni and Joan Montezemolo Visiting Chair at the University of Cambridge, the United Kingdom.

Gary Knight
Florida State University
Associate Professor
Director of Program in International Business

Professor Knight has extensive experience in international business in the private sector. In his position as Export Manager for a medium-sized enterprise, he directed the firm’s operations in Canada, Europe, Japan, and Mexico, supervising the business activities of some 50 distributors in these regions. Previously, he worked for a leading manufacturer of electrical machinery at its headquarters in Tokyo, Japan, and for the Japan office of the State of Washington.

Professor Knight developed the study Abroad Programs in business in Britain, France, Japan, and Spain, as well as the university’s online courses in international business. He has won several awards for research and teaching, including best teacher in the MBA program and the Hans B. Thorelli Best Paper Award for his article “Entrepreneurship and Strategy: The SME Under Globalization.”
research emphasizes regional integration, international business strategy, international services, and internationalization of small and medium-sized firms.

Professor Knight is a member of the Academy of International Business. He has authored three books and nearly one hundred refereed articles in academic journals and conference proceedings, including *Journal of International Business Studies, Journal of World Business*, *International Executive*, and *Management International Review*. He is on the editorial review boards of several international journals. The United States House of Representative’s Committee on Small Business recently invited Professor Knight to provide expert testimony on terrorism’s effects on international business.

Professor Knight earned his MBA at the University of Washington and Ph.D. at Michigan State University, both in international business. Earlier degrees were in Finance and Modern Languages. He also attended the University of Paris in France and Sophia University in Japan, and is fluent in French, Japanese, and Spanish.

**John R. Riesenberger**
Michigan State University
Executive in Residence
Center for International Business Education and Research

John’s international business career spans over three decades in the global pharmaceutical industry. He has conducted business transactions in 21 countries. His passion is to help students develop the managerial skills frequently required of new graduates entering careers in international business. Currently, John is a Principal in a “born global” science-branding communications agency with clients that include the majority of the leading global pharmaceutical companies headquartered in Europe, Japan, and the United States.

John worked with Pharmacia & Upjohn and The Upjohn Company as a senior executive. His experience covers a diverse range of divisional, geographic, and functional accountabilities. His most recent position was Vice-President, Business Intelligence, Global Business Management. Previous assignments included: Vice-President of The Upjohn Company of Canada, Vice-President of Business Information, Executive Director-Worldwide Strategic Marketing Services, Executive Director-Worldwide Medical Sciences Liaison, and Director of Sales. Prior to joining The Upjohn Company, he served as a Customer Service Supervisor with the Chase Manhattan Bank.


John holds a Bachelor of Science degree in Economics-Business and a Masters of Business Administration in Management from Hofstra University. He attended the Harvard Business School’s International Senior Management Program (ISMP 89).
Brief Contents

Preface xxv

Part I Foundation Concepts 2
  2. Globalization of Markets and the Internationalization of the Firm 28
MAP 2.4 Gross National Income in U.S. Dollars 38
MAP 2.6 The Growth of World GDP, Average Annual Percent Change, 1998–2007 48
  3. Organizational Participants that Make International Business Happen 60
  4. Theories of International Trade and Investment 92

Part 2 The Environment of International Business 124
  5. The Cultural Environment of International Business 124
MAP 5.6 World Religions 142
  6. Political and Legal Systems in National Environments 158
MAP 6.9 Corruption Perceptions Index (CPI) 2006 182
  7. Government Intervention in International Business 192
MAP 7.5 Countries Ranked by Level of Economic Freedom 208
  8. Regional Economic Integration 222
MAP 8.2 The Most Active Economic Blocs 230
MAP 8.3 Economic Integration in Europe 232
  9. Understanding Emerging Markets 254
MAP 9.1 Advanced Economies, Developing Economies, and Emerging Markets 259
  10. The International Monetary and Financial Environment 284
MAP Closing Case Euro Zone Member Countries 305

Part 3 Strategy and Opportunity Assessment for the International Environment 312
  11. Global Strategy and Organization 312
  12. Global Market Opportunity Assessment 344

Part 4 Entering and Operating in International Markets 380
  13. Exporting and Countertrade 380
  14. Foreign Direct Investment and Collaborative Ventures 416
  15. Licensing, Franchising, and Other Contractual Strategies 450
  16. Global Sourcing 482
Part 5 Functional Area Excellence 514
17. Marketing in the Global Firm 514

Appendix: The Math of Currency Trading 416

Endnotes 614
Glossary 615
Photo Credits xxx
Author Index 640
Companies Index 642
Subject Index xxx
Contents

Preface xxv

Part I: Foundation Concepts 2

   > A Day in the Global Economy 2
   What Is International Business? 4
   What Are the Key Concepts in International Trade and Investment? 5
   The Nature of International Trade 5
   The Nature of International Investment 6
   Services as Well as Products 8
   The International Financial Services Sector 10
   How Does International Business Differ from Domestic Business? 11
   The Four Risks in Internationalization 11
   Who Participates in International Business? 13
   Multinational Enterprise (MNE) 13
   Global Trend: DIESEL S.p.A.: A Smaller Firm’s Smashing Success in International Markets 15
   Non-governmental Organizations (NGOs) 16
   Why Do Firms Pursue Internationalization Strategies? 16
   Why Should You Study International Business? 18
   Facilitator of the Global Economy and Interconnectedness 18
   Contributor to National Economic Well-Being 19
   A Competitive Advantage for the Firm 20
   An Opportunity for Global Corporate Citizenship 20
   A Competitive Advantage for You 21
   Recent Grad in IB: Ashley Lumb 22
   Closing Case: Whirlpool’s Dramatic Turnaround Through Internationalization 23
   Chapter Essentials: Key Terms 25 Summary 25 Test Your Comprehension 26 Apply Your Understanding 26
   globalEDGE™ Internet Exercises 27

2 Globalization of Markets and the Internationalization of the Firm 28
   > Bangalore: The New Silicon Valley 28
   Why Globalization Is Not a New Phenomenon 31
   Phases of Globalization 31
   An Organizing Framework for Market Globalization 34
Dimensions of Market Globalization 35
Drivers of Market Globalization 37
MAP 2.4 Gross National Income in U.S. Dollars 38
Technological Advances as a Driver of Market Globalization 40
Information Technology 42
Communications 42
■ Global Trend: Globalization and E-Business in the Online World 43
Manufacturing 44
Transportation 44
Societal Consequences of Market Globalization 44
Loss of National Sovereignty 44
Offshoring and the Flight of Jobs 45
Effect on the Poor 46
Effect on the Natural Environment 47
Effect on National Culture 47
MAP 2.6 The Growth of World GDP, Average Annual Percent Change, 1998–2007 48
Firm-Level Consequences of Market Globalization: Internationalization of the Firm’s Value Chain 51
■ Closing Case: Diverse Perspectives on Globalization of Markets 53
■ Chapter Essentials: Key Terms 55 Summary 55
Test Your Comprehension 56 Apply Your Understanding 56
☐ globalEDGE™ Internet Exercises 57
■ MSB What is a C/K/R Management Skill Builder©? 58
■ MSB Corporate Social Responsibility: Coffee, Ethiopia, and Starbucks 59

3 Organizational Participants that Make International Business Happen 60
➢ Born Global Firms 60
Three Types of Participants in International Business 62
Participants Organized by Value-Chain Activity 63
An Illustration of an International Value Chain: Dell Inc. 64
Focal Firms in International Business 66
The Multinational Enterprise 66
Small and Medium-Sized Enterprises 68
Born Global Firms 68
Foreign Market Entry Strategies of Focal Firms 69
A Framework for Classifying Market Entry Strategies 69
Focal Firms other Than the MNE and SME 71
Distribution Channel Intermediaries in International Business 75
Intermediaries Based in the Foreign Market 75
Intermediaries Based in the Home Country 76
4 Theories of International Trade and Investment 92

Dubai’s Successful Transformation into a Knowledge-Based Economy 92
Theories of International Trade and Investment 94
Why Nations Trade 96
Classical Theories 96
How Nations Enhance Their Competitive Advantage: Contemporary Theories 102
The Competitive Advantage of Nations 102
Michael Porter’s Diamond Model 103
National Industrial Policy 106
National Industrial Policy in Practice: An Example 107
New Trade Theory 108
Why and How Firms Internationalize 108
Internationalization Process of the Firm 108

Global Trend: Repositioning to Create National Comparative Advantage 109
Born Globals and International Entrepreneurship 110
How Firms Gain and Sustain International Competitive Advantage 110
FDI-Based Theories 111
Non-FDI Based Explanations 116

Closing Case: Hyundai: The Struggle for International Success 117
Chapter Essentials: Key Terms 119 Summary 119
Test Your Comprehension 120 Apply Your Understanding 121

globalEDGE Internet Exercises 122
MSB Finding and Evaluating Freight Forwarders 91

5 The Cultural Environment of International Business 124

American Football . . . in Europe? 124
Contents

The Challenge of Crossing Cultural Boundaries 126
The Meaning of Culture: Foundation Concepts 129
Why Culture Matters in International Business 131

■ Recent Grad in IB: Zhibo (Lawrence) Yu 133
National, Professional, and Corporate Culture 134

Interpretations of Culture 135
Cultural Metaphors 135
Stereotypes 135
Idioms 135
Hall’s High- and Low-Context Cultures 136
Hofstede’s Research on National Culture 137

Key Dimensions of Culture 139
Values and Attitudes 139
Deal versus Relationship Orientation 139
Manners and Customs 140
Perceptions of Time 140
Perceptions of Space 141
Religion 141

MAP 5.6 World Religions 142
Symbolic Productions 144
Material Productions and Creative Expressions of Culture 144

Language as a Key Dimension of Culture 144
Culture and Contemporary Issues 146
Culture and the Services Sector 146
Technology, the Internet, and Culture 147
Globalization’s Effect on Culture: Are Cultures Converging? 147

Managerial Guidelines for Cross-Cultural Success 148

■ Global Trend: Minimizing Cross-Cultural Bias with Critical Incident Analysis 150
■ Closing Case: Hollywood and the Rise of Cultural Protectionism 151
■ Chapter Essentials: Key Terms 153 Summary 153
Test Your Comprehension 154 Apply Your Understanding 155

globalEDGE™ Internet Exercises 156

■ MSB Developing an Incentive Plan for Sales Personnel from Different Cultures 157

6 Political and Legal Systems in National Environments 158

■ Doing Business in Russia: Evolving Legal and Political Realities 158
What Is Country Risk? 160
How Prevalent Is Country Risk? 161
What Are Political and Legal Systems? 163
Political Systems 164
Totalitarianism 164
Socialism 165
Contents

Investment Barriers 204
Subsidies and Other Government Support Programs 205
Government Intervention, Economic Freedom, and Ethical Concerns 207
  MAP 7.5 Countries Ranked by Level of Economic Freedom 208
Evolution of Government Intervention 210
  ■ Global Trend: The World Trade Organization and International Services:
    The Doha Round 211
    How Firms Should Respond to Government Intervention 212
    Strategies for Managers 212
  ■ Closing Case: Airbus versus Boeing: When is Intervention Not Intervention? 215
  ■ Chapter Essentials: Key Terms 217  Summary 217
Test Your Comprehension 218  Apply Your Understanding 218
  globalEDGE™ Internet Exercises 220
■ MSB Harmonized Code Tariffs as Trade Barriers for Developing Country Exporters 221

8 Regional Economic Integration 222

  > The European Union 222
    Regional Integration and Economic Blocs 224
    Types of Regional Integration 225
    Leading Economic Blocs 228
    The European Union (EU) 228
  ■ Global Trend: Integrating Eastern Europe and Turkey into the EU 229
    MAP 8.2 The Most Active Economic Blocs 230
  ■ Global Trend: Economic Integration in Europe 232
    European Free Trade Association (EFTA) 234
    North American Free Trade Agreement (NAFTA) 234
    El Mercado Comun del Sur (MERCOSUR) 236
    The Caribbean Community (CARICOM) 236
    Comunidad Andina de Naciones (CAN) 237
    Association of Southeast Asian Nations (ASEAN) 237
    Asia Pacific Economic Cooperation (APEC) 237
    Australia and New Zealand Closer Economic Relations Agreement (CER) 238
    Economic Integration in the Middle East and Africa 238
    Why Countries Pursue Regional Integration 239
    Success Factors for Regional Integration 240
    Drawbacks and Ethical Dilemmas of Regional Integration 241
    Management Implications of Regional Integration 243
  ■ Closing Case: Russell Corporation: The Dilemma of Regional Free Trade 246
  ■ Chapter Essentials: Key Terms 249  Summary 249
Test Your Comprehension 250  Apply Your Understanding 251
9 Understanding Emerging Markets 254

The New Global Challengers: Newly Internationalizing MNEs from Emerging Markets 254

The Distinction between Advanced Economies, Developing Economies, and Emerging Markets 256

Advanced Economies 257

Developing Economies 257

MAP 9.1 Advanced Economies, Developing Economies, and Emerging Markets 259

Emerging Market Economies 260

Global Trend: China: Growing Role in International Business 264

What Makes Emerging Markets Attractive for International Business 265

Emerging Markets as Target Markets 265

Emerging Markets as Manufacturing Bases 265

Emerging Markets as Sourcing Destinations 266

Estimating the True Potential of Emerging Markets 266

Per-capita Income as an Indicator of Market Potential 267

Middle Class as an Indicator of Market Potential 268

Use of a Comprehensive Index to Measure Market Potential 269

Risks and Challenges of Doing Business in Emerging Markets 270

Political Instability 271

Weak Intellectual Property Protection 271

Bureaucracy, Red Tape, and Lack of Transparency 271

Partner Availability and Qualifications 271

Dominance of Family Conglomerates 272

Strategies for Doing Business in Emerging Markets 272

Partnering with Family Conglomerates 273

Marketing to Governments in Emerging Markets 273

Skillfully Challenge Emerging Market Competitors 274

Catering to Economic Development Needs of Emerging Markets and Developing Economies 275

Fostering Economic Development with Profitable Projects 275

Microfinance to Facilitate Entrepreneurship 276

Closing Case: Arcelik: International Aspirations of an Emerging Market Firm 277

Chapter Essentials: Key Terms 279

Test Your Comprehension 280

Apply Your Understanding 281

globalEDGE Internet Exercises 282
MSB Learning About and Assessing Emerging Markets 283

10 The International Monetary and Financial Environment 284

- The Complex Monetary and Financial Relationship between China and the United States 284
- Currencies and Exchange Rates in International Business 286
  - Convertible and Nonconvertible Currencies 287
- Foreign Exchange Markets 288
- Exchange Rates Are in Constant Flux 288
- How Exchange Rates Are Determined 290
  - Economic Growth 290
  - Interest Rates and Inflation 291
  - Market Psychology 292
  - Government Action 292
- Development of the Modern Exchange Rate System 293

- Global Trend: Is the U.S. Trade Deficit Good or Bad? 294
  - The Exchange Rate System Today 295
- The International Monetary and Financial Systems 296
  - International Monetary System 296
  - Global Financial System 297
- Key Players in the Monetary and Financial Systems 298
  - The Firm 298
  - National Stock Exchanges and Bond Markets 298
  - Commercial Banks 300

- Recent Grad in IB: Chip Besse 301
  - Central Banks 302
  - The Bank for International Settlements 302
  - International Monetary Fund 302
  - World Bank 304
- MAP Closing Case Euro zone Member Countries 305

- Closing Case: The European Union and the Euro 305
- Chapter Essentials: Key Terms 308
  - Summary 308
  - Test Your Comprehension 309
  - Apply Your Understanding 309
- globalEDGE™ Internet Exercises 310

MSB Identifying the Best Location for a Bank Branch Abroad 311

Part 3 Strategy and Opportunity Assessment for the International Environment 312

11 Global Strategy and Organization 312

- IKEA’s Global Strategy 312
The Role of Strategy in International Business 315
Strategy in Multidomestic and Global Industries 316
The Integration-Responsiveness Framework 317
Pressures for Local Responsiveness 318
Pressures for Global Integration 318
Distinct Strategies Emerging from the Integration-Responsiveness Framework 319
Organizational Structure 322
Centralized or Decentralized Structure? 322
Alternative Organizational Arrangements for International Operations 323
Export Department or International Division 324
Decentralized Structure (Geographic Area Division) 325
Centralized Structure (Product or Functional Division) 326
Global Matrix Structure 327
Building the Global Firm 328
Visionary Leadership 329
Organizational Culture 331
Global Trend: Global Corporate Social Responsibility Rises to the Top of the MNE Agenda 332
Organizational Processes 333
Common Organizational Processes Designed to Achieve Coordination 333
Putting Organizational Change in Motion 334
Closing Case: Carlos Ghosn and Renault-Nissan: Leading for Global Success 336
Chapter Essentials: Key Terms 338  Summary 339
Test Your Comprehension 340  Apply Your Understanding 340
globalEDGE™ Internet Exercises 342
MSB The Critical Role of Negotiations in International Business 343
12 Global Market Opportunity Assessment 344
Estimating Market Demand in Emerging Markets and Developing Countries 344
Global Market Opportunity Assessment: An Overview 346
Task One: Analyze Organizational Readiness to Internationalize 347
Task Two: Assess the Suitability of the Firm’s Products and Services for Foreign Markets 351
Factors Contributing to Product Suitability for International Markets 351
Key Issues for Managers to Resolve in Determining Product Potential 352
Task Three: Screen Countries to Identify Target Markets 353
Targeting Regions or Gateway Countries 354
Screening Methodology for Potential Country Markets 354
Global Trend: Global Macro Trends That Affect International Business 355
Screening Countries for Direct Investment and Global Sourcing 360
Part 4  Entering and Operating in International Markets  380

13 Exporting and Countertrade  380

- Exporter’s Dogged Pursuit of International Customers  380
  An Overview of Foreign Market Entry Strategies  382
  The Internationalization of the Firm  383
  Diverse Motives for Pursuing Internationalization  383
  Characteristics of Firm Internationalization  384
- Exporting as a Foreign Market Entry Strategy  385
  Exporting: A Popular Entry Strategy  387
  Service Industry Exports  388
  Advantages of Exporting  389
  Disadvantages of Exporting  390
- Global Trend: The Emergence of SME Exporters  390
  A Systematic Approach to Exporting  391
  Importing  394
- Managing Export-Import Transactions  394
  Documentation  395
  Shipping and Incoterm  396
- Methods of Payment in Exporting and Importing  396
  Cash in Advance  397
  Letter of Credit  398
Open Account 399
Consignment Sales 399
Cost and Sources of Export-Import Financing 400
Commercial Banks 400
Factoring, Forfaiting, and Confirming 400
Distribution Channel Intermediaries 401
Buyers and Suppliers 401
Intracorporate Financing 401
Government Assistance Programs 401
Multilateral Development Banks (MDBs) 402
Identifying and Working with Foreign Intermediaries 402
Working with Foreign Intermediaries 402
When Intermediary Relations Go Bad 404
Countertrade 405
The Magnitude and Drivers of Countertrade 406
Types of Countertrade 407
Risks of Countertrade 407
Why Countertrade? 408
Closing Case: Barrett Farm Foods: A Small Firm’s International Launch 409
Chapter Essentials: Key Terms 411 Summary 411
Test Your Comprehension 412 Apply Your Understanding 413
globalEDGE™ Internet Exercises 414
MSB Identifying An Attractive Export Market 415

14 Foreign Direct Investment and Collaborative Ventures 416
Deutsche Post’s Global Buying Spree 416
An Organizing Framework for Foreign Market Entry Strategies 418
Trends in Foreign Direct Investment and Collaborative Ventures 419
Low, Moderate, and High-Control Foreign Market Entry Strategies 419
Motives for Foreign Direct Investment (FDI) and Collaborative Ventures 421
Market-Seeking Motives 421
Resource or Asset-Seeking Motives 422
Efficiency-Seeking Motives 423
Foreign Direct Investment 423
Key Features of FDI 424
Who Is Active in Direct Investment? 425
Service Multinationals 426
Leading Destinations for FDI 427
Factors to Consider in Selecting FDI Locations 427
Types of Foreign Direct Investment 429
Greenfield Investment versus Mergers and Acquisitions 429
The Nature of Ownership in FDI 430
  ■ Global Trend: Consolidation in Global Industries 430
  Vertical versus Horizontal FDI 432
International Collaborative Ventures 432
  Equity Joint Ventures 432
  Project-Based, Nonequity Ventures 433
  Differences between Equity versus Project-Based, Nonequity Ventures 433
  Consortium 434
  Cross-Licensing Agreements 434
Managing Collaborative Ventures 435
  Understand Potential Risks in Collaboration 435
  Pursue a Systematic Process for Partnering 435
  Ensure Success with Collaborative Ventures 437
  Success Factors in Collaborative Ventures 437
The Experience of Retailers in Foreign Markets 438
  Challenges of International Retailing 439
  International Retailing Success Factors 439
  Foreign Direct Investment, Collaborative Ventures, and Ethical Behavior 440
  ■ Closing Case: AUTOLATINA: A Failed International Partnership 443
  ■ Chapter Essentials: Key Terms 445  Summary 445
  Test Your Comprehension 447  Apply Your Understanding 447
globalEDGE™ Internet Exercises 448
  ■ MSB Selecting a Site for a Manufacturing Plant 449

15 Licensing, Franchising, and Other Contractual Strategies 450
  > Harry Potter: The Magic of Licensing 450
  The Nature of Contractual Entry Strategies in International Business 452
  Unique Aspects of Contractual Relationships 453
  Types of Intellectual Property 453
Licensing 454
  Trademark and Copyright Licensing 456
  Know-How Licensing 456
  Who Are the Top Licensing Firms? 457
Advantages and Disadvantages of Licensing 457
  Advantages of Licensing 457
  Disadvantages of Licensing 459
Franchising 460
  Who Are the Top Franchisors? 462
Advantages and Disadvantages of Franchising 463
  The Franchisor Perspective 463
  The Franchisee Perspective 464
Other Contractual Entry Strategies 464
Contents

16 Global Sourcing  482

Global Sourcing of Pharmaceutical Drug Trials  482
Trends Toward Outsourcing, Global Sourcing, and Offshoring  484
Decision 1: Outsource or Not?  486
Decision 2: Where in the World Should Value-Adding Activities Be Located?  487
Global Sourcing from Subsidiaries versus Independent Suppliers  487
Contract Manufacturing: Global Sourcing from Independent Suppliers  488
Offshoring  489
Limits to Global Sourcing  490
Strategic Implications of Outsourcing and Global Sourcing  490
Evolution of Global Sourcing  491
Phases in the Evolution: From Global Sourcing of Inputs to Offshoring Value-Adding Activities  491
Magnitude of Global Sourcing  492
Diversity of Countries That Initiate and Receive Outsourced Work  492
Global Trend: China: Rivaling India in the Global Sourcing Game  493
Benefits and Challenges of Global Sourcing for the Firm  494
Cost Efficiency  495
Achievement of Strategic Goals  495
Implementing Global Sourcing through Supply-Chain Management  497
Logistics and Transportation  500
Transportation Modes  500
Risks in Global Sourcing  501
Strategies for Minimizing Risk in Global Sourcing  502
Implications of Global Sourcing for Public Policy and Corporate Citizenship  504
Potential Harm to Economies from Global Sourcing  504
18 Human Resource Management in the Global Firm 546

- International Human Resources: Management at Johnson & Johnson 546
- The Strategic Role of Human Resources in International Business 548
  - Three Employee Categories 549
  - Differences between Domestic and International HRM 549
  - Key Tasks in International Human Resource Management 551
- International Staffing Policy 551
  - Searching for Talent 553
  - Expatriate Failure and Culture Shock 555
- Preparation and Training of Personnel 556
  - Preparing Employees for Repatriation 557
  - Cultivating Global Mindsets 557
  - Charting Global Careers for Employees 558
- International Performance Appraisal 558
- Compensation of Personnel 559
- International Labor Relations 561
  - Distinctive Features of Labor around the World 563
  - The Cost and Quality of Labor 563
  - Workforce Reduction 564
  - Trends in International Labor 565
  - Firm Strategy in International Labor Relations 566
- Diversity in the International Workforce 566
  - Women in International Business 566
- Global Trend: Global Corporate Citizenship in International Human Resource Management 567
  - Success Strategies for Women Managers in International Business 570
- Closing Case: Sony's Evolving Human Resource Challenges 571
- Chapter Essentials: Key Terms 573  Summary 573
- Test Your Comprehension 575  Apply Your Understanding 575
- globalEDGE™ Internet Exercises 576
- MSB Evaluating International Locations for Quality of Life 577

19 Financial Management and Accounting in the Global Firm 578

- How a Small Firm Rides Foreign-Exchange Waves 578
- Primary Tasks in International Financial Management 580
  - Task One: Decide on the Capital Structure 582
  - Task Two: Raise Funds for the Firm 582
- Financial Centers 583
  - Sources of Funds for International Operations 584
- Global Trend: Emerging Markets as International Investment Destinations 586
Contents

Debt Financing 587
Intracorporate Financing 588

Task Three: Working Capital and Cash Flow Management 588
Methods for Transferring Funds within the MNE 589
Multilateral Netting 590

Task Four: Capital Budgeting 591
Net Present Value Analysis of Capital Investment Projects 591

Task Five: Currency Risk Management 592
Three Types of Currency Exposure 593
Foreign Exchange Trading 594
Types of Currency Traders 595
Exchange Rate Forecasting 596
Management of Exposure to Currency Risk through Hedging 597
Best Practice in Minimizing Currency Exposure 599

Task Six: Manage the Diversity of International Accounting and Tax Practices 599
Transparency in Financial Reporting 600
Trends toward Harmonization 600

Recent Grad in IB: Maria Keeley 601
Consolidating the Financial Statements of Subsidiaries 603
International Taxation 604

Closing Case: International Financial Operations at Tektronix 607

Chapter Essentials: Key Terms 609  Summary 609
Test Your Comprehension 611  Apply Your Understanding 611

globalEDGE™ Internet Exercises 612

MSB Understanding Currencies: Big Macs and Dell Computers 613

Appendix: The Math of Currency Trading 614

Endnotes 417
Glossary 615
Photo Credits xxx
Author Index 640
Companies Index 642
Subject Index xxx
Preface

Why We Created This Book And Teaching System

The book you are holding, International Business: Strategy, Management, and the New Realities, is a component of an innovative educational system we have been developing over the past several years. The system represents an innovative and exciting approach to teaching international business. The insights we gained from comprehensive research and discussions with hundreds of practitioners, students, and faculty have been instrumental in refining our pedagogical philosophy and resources. The book attempts to impart the core body of knowledge in international business in an interesting and lively manner. Our teaching system works from the ground up, where cases, exercises, and management skill builders are seamlessly integrated and matched to the topics covered in each chapter. The accompanying knowledge portal, the C/K/R Educator’s Consortium©, is designed as a clearinghouse for learning, networking, and sharing for International business educators worldwide.

The C/K/R Educational System is based on the following guiding principles:

New Realities

There are new realities in international business that are critical for today’s students to embrace. We are witnessing remarkable changes in the cross-border flow of products, services, capital, ideas, and people. Today’s volume of international trade, ease of communication and travel, and technological advances compel, and help, large and small firms to internationalize. We designed the content, organization, and features of the book and other resources to motivate and prepare future managers to grasp these new realities. These include: global sourcing; the impact of technological advances on globalization; globalization of finance; and the success of the smaller firm in international markets. Three other new realities are worth elaborating here: emerging markets, the diversity of international business participants, and corporate social responsibility.

Emerging Markets Students need an improved understanding of the changing nature of the international business landscape, not just the Triad regions (Europe, North America, and Japan). Over the past two decades, some 30 high-growth, high-potential countries have sprung into the forefront of cross-border business with rapid industrialization, privatization, and modernization.

We introduce emerging markets in Chapter 1, “Introduction: What is International Business” and discuss how companies such as Renault and Microsoft achieve efficiencies by sourcing to countries such as Romania and India. In Chapter 9, “Understanding Emerging Markets,” we explain what makes emerging markets attractive for international business and the risks and challenges of doing business in these markets. We also discuss in Chapter 9 Mexico’s Cemex, Egypt’s Orascom Telecom, and China’s Shanghai Automotive.

The Diversity of International Business Participants Multinational enterprises (MNEs) have historically been the most important type of focal firm. However, students need to be familiar with a variety of firms active in international business. We therefore provide balanced coverage of MNEs, small and medium-sized enterprises (SMEs), and born globals. We introduce these three types of firms in Chapter 1 and revisit them throughout the book. Here are a few examples of the firms we discuss:

• Diesel, a fashion design company that grew from an SME into an MNE (Chapter 1, “Introduction: What is International Business?”)
• Electrolux, a Swedish MNE in the kitchen appliance industry
  (Chapter 2, Globalization of Markets and the Internationalization of the Firm)
• Geo Search, a Japanese born global in the electronics industry
  (Chapter 3, “Organizational Participants that Make International Business Happen”)
• L’Oreal, a French MNE in the cosmetic industry
  (Chapter 5, “The Cultural Environment of International Business”)
• The challenges MNEs and SMEs encounter in Russia
  (Chapter 6, “Political and Legal Systems in National Environments”)
• How trade barriers affect SMEs
  (Chapter 7, “Government Intervention in International Business”)
• IKEA, a Swedish MNE in the furniture industry
  (Chapter 11, “Global Strategy and Organization”)
• PMI Mortgage Insurance Co., a U.S. service firm
  (Chapter 13, “Exporting and Countertrade”)

**Corporate Social Responsibility** Firms are increasingly aware of their role as good corporate citizens. We introduce corporate social responsibility in Chapter 1, “Introduction: What is International Business?” and provide examples from firms such as Starbucks and McDonald’s. In Chapter 6, “Political and Legal Systems in National Environments,” we summarize ethical practices and values.

In Chapter 9, “Understanding Emerging Markets,” we cover how firms foster economic development with profitable projects. In Chapter 16, “Global Sourcing,” we address ethical and social implications of global sourcing. In Chapter 18, “International Human Resource Management,” we discuss how firms can create more equitable working environments for foreign employees.

**Educator’s Consortium©**
Instructors need an innovative educational solution that goes beyond the textbook and its traditional supplements. We address this need with the C/K/R Educator’s Consortium©. The Educator’s Consortium© is the first online, global community to bring together international business instructors who are dedicated to preparing today’s students to be creative, open-minded, and socially responsible.

The CKR Educator’s Consortium© is a dynamic virtual library of pedagogical content and tools: It is designed to make every instructor look good in the classroom, as well as to save them time. The Educator’s Consortium© offers these advantages:
• Connects IB educators all over the world, providing opportunities for collaboration through the Educator’s Directory.
• Gives the instructor the ability to customize material to suit his or her own needs and teaching style by searching through community-generated material that is constantly updated.
• Offers an asynchronous bulletin board, inviting all adopters to exchange teaching ideas, post questions, and dialog through threaded discussions with one another and with the author team. The authors ensure quality content by screening contributed material.
• Includes unlimited access to ft.com, the portal of the Financial Times.

globalEDGE™ Knowledge Portal

globalEDGE™ was developed at Michigan State University’s Center for International Business Education and Research (CIBER) under the direction of S. Tamer Cavusgil. globalEDGE™ has become the leading knowledge portal for professionals in international business, providing a gateway to specialized knowledge on countries, cross-border transactions, culture, and firm practice. In each chapter, the authors provide several globalEDGE™ exercises as the basis for student assignments and projects.

Textbook Features Of Special Note

Maps

In today’s globalized world, it is more important than ever for students to understand world geography. Our maps are large, easy to read, and colorful. Here is an example of a map from Chapter 9: Note the clear labeling of countries, the use of color coding, and the cut-out of Europe to make countries easy to identify:
Recent Grad in IB

Select chapters include a special feature entitled Recent Grad in IB, which highlights IB graduates now working in exciting international careers. We hope this feature will motivate today’s students to travel, learn another language, and be open to working internationally.

Closing Case

Each chapter closes with an extensive case study that is new, developed specifically to address the learning objectives in the chapter and written by the authors. The cases help students build their managerial skills by applying what they have learned in the chapter to a situation faced by a real-world manager. Questions accompany the case for assignment as homework. Class discussion helps students sharpen their analytical and decision-making skills. Here are a few examples of the closing cases:

- Chapter 1: Whirlpool’s Dramatic Turnaround through Internationalization
- Chapter 4: Hyundai: The Struggle for International Success
- Chapter 5: Hollywood and the Rise of Cultural Protectionism
- Chapter 6: Pillaging Patents: The New War on Pharmaceutical Drugs
- Chapter 7: Airbus Versus Boeing: When is Intervention Not Intervention?
- Chapter 11: Carlos Ghosn and Renault-Nissan: Leading for Global Success
- Chapter 12: Advanced Biomedical Devices: Assessing Readiness to Export
- Chapter 14: AUTOLATINA: A Failed International Partnership
- Chapter 15: Subway and the Challenges of Franchising in China
- Chapter 17: MTV India: Balancing Global and Local Marketing

Additional cases are provided at the Educator’s Consortium©.

C/K/R Management Skill Builder©

As future managers, students must learn how to gather and analyze market information. We have devised an entirely new educational tool—the C/K/R Management Skill Builder (MSB)©. The MSB is a practical exercise that helps students gain familiarity with key managerial challenges they are likely to encounter as entry-level professionals. Students complete their C/K/R MSBs© by starting out with author-provided guidelines and a suggested presentation template available on the student knowledge portal. The MSBs will give students practical, real-world skills that will help them perform well in their careers. Here are a few examples of the MSBs:

- Chapter 2: Corporate Social Responsibility: Coffee, Ethiopia, and Starbucks
- Chapter 5: Developing an Incentive Plan for Sales Personnel from Different Cultures
- Chapter 6: Performing a Preliminary Country Risk Analysis
- Chapter 9: Learning About and Assessing Emerging Markets
- Chapter 12: Global Market Opportunity Assessment for Cancer Insurance
- Chapter 14: Selecting a Site for a Foreign Manufacturing Plant
This Book Supports Association to Advance Collegiate Schools of Business (AACSB) International Accreditation

Each chapter ends with two sets of questions: “Test Your Comprehension” and “Apply Your Understanding.” “Test Your Comprehension” questions assess the student’s overall knowledge of the chapter terms and concepts. “Apply Your Understanding” problems require students to apply concepts of the chapter to a business situation. The globalEDGE™ internet exercises, the closing case questions, and Management Skill Builder© provide additional assignment options. We use the AACSB logo to help instructors identify those questions and problems that support that organization’s learning goals.

What is the AACSB? AACSB is a not-for-profit corporation of educational institutions, corporations and other organizations devoted to the promotion and improvement of higher education in business administration and accounting. A collegiate institution offering degrees in business administration or accounting may volunteer for AACSB accreditation review. The AACSB makes initial accreditation decisions and conducts periodic reviews to promote continuous quality improvement in management education. Pearson Education is a proud member of the AACSB and is pleased to provide advice to help you apply AACSB Learning Standards.

What are AACSB Learning Standards? One of the criteria for AACSB accreditation is the quality of the curricula. Although no specific courses are required, the AACSB expects a curriculum to include learning experiences in such areas as:

- Communication
- Ethical reasoning
- Analytical skills
- Use of information technology
- Multiculturalism and diversity
- Reflective thinking

These six categories are AACSB Learning Standards. Questions that test skills relevant to these standards are tagged with the appropriate standard. For example, a question testing the moral questions associated with externalities would receive the Ethical Reasoning tag.

How can I use these tags? Tagged questions help you measure whether students are grasping the course content that aligns with AACSB guidelines noted above. In addition, the tagged questions may help to identify potential applications of these skills. This, in turn, may suggest enrichment activities or other educational experiences to help students achieve these goals.

Resources in Support of the Text

Instructor’s Resource Center

At www.prenhall.com/irc, instructors can access a variety of print, digital, and presentation resources available with this text in downloadable format. Registration is simple and gives you immediate access to new titles and new editions. As a registered faculty member, you can download resource files and receive
immediate access and instructions for installing course management content on your campus server.

If you ever need assistance, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit www.247.prenhall.com for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available to adopting instructors

- **Instructor’s Resource Center (IRC) on CD-ROM**—ISBN: 0-13-156318-1

  All instructor resources in one place. It’s your choice. The Instructor’s Resource Center on CD-Rom includes the following supplements:
  - Instructor’s Manual
  - Test Item File
  - Image Bank
  - PowerPoints

  Authored by Professor Carol Sanchez of Grand Valley State University and Professor Marta Szabo White of George State University, the Instructor’s Manual offers much more than just the traditional, limited chapter outline and answers to the end-of-chapter materials. In addition to these basic items, you will find suggested teaching strategies for 45-, 90-, and 180-minute sessions, chapter coverage suggestions for semester and quarter-length courses, and modular suggestions for courses focused on general management, strategy, and/or organizational behavior. The coverage for each chapter includes a variety of resources such as exercises, critical-thinking assignments, debate topics, and research assignments. Two appendices contain complete PowerPoint slides and an in-depth Video Guide.

- **Printed Test Item File**—ISBN: 0-13-156319-X

  The test bank, authored by Cara Cantarella of Acumen Enterprises, Inc., contains approximately 75 questions per chapter, including multiple-choice, true/false, short answer, and essay questions based on a short business scenario. Cara is an assessment expert with extensive experience in test authoring. Each question for each chapter has been carefully reviewed and edited by the authors and Professor Candan Celik of Michigan State University to ensure accuracy and appropriateness.

  Test questions are annotated with the following information:
  - Page number from the main text of where the question’s topic is covered
  - Learning Objective from the main text
  - Difficulty level: Easy for straight recall, Moderate for some analysis, or Analytical for complex analysis
  - Topic: the term or concept the question supports
  - Skill: concept or application

  For each question that tests a standard from the Association to Advance Collegiate Schools of Business (AACSB), we use one of the following annotations:
  - Communication
  - Ethical Reasoning
  - Analytical Skills
  - Use of Information Technology
  - Multicultural and Diversity
  - Reflective Thinking
TestGen Test Generating Software—Available at the IRC online

This easy-to-use software allows instructors to custom design, save, and generate classroom tests. Instructors can edit, add, or delete questions from the test bank; edit existing graphics and create new graphics; analyze test results; and organize a database of tests and student results. It provides many flexible options for organizing and displaying tests, along with a search-and-sort feature.

- **PowerPoint Slides**—created by the authors—are available at the IRC (online or on CD-ROM).
- **Image Bank**—Visit the IRC on CD-ROM for this resource

All of the exhibits from the textbook are available electronically for instructors to download, print, display in class, or produce customized materials.

- **Custom Videos on DVD**—ISBN: 0-13-232207-2


Knowledge Portal Online Courses

The Knowledge Portal online courses offer the best teaching and learning online resources all in one place. It is all that instructors need to plan and administer their courses and all that students need for anytime, anywhere access to online course material. All of the materials for *International Business: Strategy, Management, and the New Realities*, are conveniently organized by chapter in the Knowledge Portal. The Knowledge Portal online courses are available in three course management platforms: BlackBoard, CourseCompass, and WebCT and features the following materials:

- **For the Student:** Student PowerPoints
- Link to FT.com for an additional $25 six-month subscription
- Market Entry Strategy Project
- Chapter quizzes
- Link to [www.globaledge.msu.edu](http://www.globaledge.msu.edu)
- Selection of short video clips
- Management Skill Builder exercises
- **For the Instructor:** All of the instructor’s supplements, including the materials from the Instructor’s Resource Center—(Test Bank, Instructor’s Manual, and PowerPoint® slides)—have been pre-loaded into the Knowledge Portal online courses. Instructors choose can easily modify these materials for their online courses.

The Knowledge Portal online courses require an access code, which can be shrink-wrapped free of charge with new copies of this text. Please contact your local sales representative for the correct ISBN.

Knowledge Portal Companion Website

The Knowledge Portal Companion Website (for those who do not desire course management functionality) at [www.prenhall.com/cavusgil](http://www.prenhall.com/cavusgil) contains valuable resources for both students and professors. This content is open access except as indicated. An access code is shipped with each copy of the book.
• Student PowerPoints
• Link to FT.com for an additional $25 six-month subscription
• Market Entry Strategy Project (Pass Code Protected)
• Chapter quizzes
• Link to www.globaledge.msu.edu
• Selection of short video clips (Pass Code Protected)
• Management Skill Builder exercises (Pass Code Protected)

Vango Notes

Study on the go with VangoNotes (www.VangoNotes.com), detailed chapter reviews in downloadable MP3 format. Now wherever you are and whatever you’re doing, you can study on the go by listening to the following for each chapter of your textbook:

• Big Ideas: Your “need to know” for each chapter
• Key Terms: Audio “flashcards”—help you review key concepts and terms
• Rapid Review: Quick-drill session—use it right before your test

VangoNotes are flexible: Download all the material (or only the chapters you need) directly to your player. And VangoNotes are efficient: Use them in your car, at the gym, walking to class, wherever you go. So get yours today, and get studying.

CourseSmart eTextbooks Online

CourseSmart is an exciting new choice for students looking to save money. As an alternative to purchasing the print textbook, students can purchase an electronic version of the same content at a savings of up to 50 percent off the suggested list price of the print text. With a CourseSmart eTextbook, students can search the text, make notes online, print out reading assignments that incorporate lecture notes, and bookmark important passages for later review. For more information, or to purchase access to the CourseSmart eTextbook, visit www.coursesmart.com.

Feedback

The authors and the product team would appreciate hearing from you! Let us know what you think about this textbook by writing to college_marketing@prenhall.com. Please include “Feedback about Cavusgil/Knight/Reisenberger 1e” in the subject line.

For any questions related to this product, please contact our customer service department online at www.247.prenhall.com.
Acknowledgments

Our Reviewers

Through three drafts of the manuscript, we received guidance and insights at several critical junctures from many trusted reviewers who provided specific recommendations on how to improve and refine the content, presentation, and organization. Their contributions were invaluable in crystallizing our thinking. We extend our gratitude to:

Raj Aggarwal, University of Akron
Richard Ajayi, University of Central Florida
Allen Amason, University of Georgia
Bulent Aybar, Southern New Hampshire University
Nizamettin Aydin, Suffolk University
Peter Banfe, Ohio Northern University
Eric Baumgardner, Xavier University
Lawrence Beer, Arizona State University
David Berg, University of Wisconsin-Milwaukee
Jean Boddewyn, Baruch College, State University of New York
Kirt Butler, Michigan State University
Tom Cary, City University, Seattle
Aruna Chandra, Indiana State University
Tim Curran, University of South Florida
Madeline Calabrese Damkar, California State University-East Bay
Seyda Deligonul, St. John Fisher College
Peter Dowling, Victoria University of Wellington, New Zealand
Bradley Farnsworth, University of Michigan
David Griffith, Michigan State University
Tom Head, Roosevelt University
Bruce Heiman, San Francisco State University
Ali Kara, Pennsylvania State University-University Park
Daekwan Kim, Florida State University
Ahmet Kirca, Michigan State University

Tatiana Kostova, University of South Carolina
Chuck Kwok, University of South Carolina
Yikuan Lee, San Francisco State University
Bijou Lester, Drexel University
Barbara Moebius, Waukesha County Technical College
Bruce Money, Brigham Young University
Bill Murray, University of San Francisco
Matthew B. Myers, University of Tennessee
Jeffrey W. Overby, Belmont University
Susan Peterson, Scottsdale Community College
Iordanis Petras, University Scranton
Zahir Quraishi, Western Michigan University
Roberto Ragozzino, University of Central Florida
Hakan Saraoglu, Bryant University
Carol Sanchez, Grand Valley State University
Kurt Stanberry, University of Houston-Downtown
John Stanbury, George Mason University
Philip Sussan, University of Central Florida
Charles Ray Taylor, Villanova University
Deanna Teel, Houston Community College
Thuhang Tran, Middle Tennessee State University
Cheryl Van Deusen, University of North Florida
Linn Van Dyne, Michigan State University
William Walker, University of Houston
Marta Szabo White, Georgia State University
Betty Yobaccio, Bryant University

Focus Group Participants

We were also fortunate that so many colleagues generously gave their time and offered perspectives on our teaching resources and the Educator’s Consortium. We met with these colleagues in person, teleconferenced with them, or otherwise received their input. The insights and recommendations of these educators were instrumental in the design and format of the C/K/R Portal. We extend our gratitude and thanks to the following reviewers and colleagues:

Yusaf Akbar, Southern New Hampshire University
Victor Alicea, Normandale Community College
Gail Arch, Curry College
Anke Arnaud, University of Central Florida
Choton Basu, University of Wisconsin, Whitewater
Paula Bobrowski, Auburn University

Teresa Brosnan, City University, Bellevue
Nichole Castater, Clark Atlanta University
Mike C.H. (Chen-Ho) Chao, Baruch College, State University of New York
David Chaplin, Waldorf College
Dong Chen, Loyola Marymount University
Acknowledgments

Our Colleagues, Doctoral Students, and Practitioners

Numerous individuals have contributed to our thinking over the years. Through conversations, conferences, seminars, and writings, we have greatly benefited from the views and experience of international business educators and professionals from around the world. The senior author also had many rich conversations with the doctoral students whom he mentored over the years. Their names appear below if they have not been previously mentioned above. Directly or indirectly, their thoughtful ideas and suggestions have had a significant impact on the development of this book. Some have also contributed specific content to the Educator’s Consortium. Our appreciation goes to many individuals including:

- Billur Akdeniz, Michigan State University
- Lyn Amine, Saint Louis University
- Catherine N. Axinn, Ohio University
- Ted Bany, The Upjohn Company
- Nigel Barrett, University of Technology Sydney, Australia
- Christopher Bartlett, Harvard Business School
- Simon Bell, University of Cambridge
- Daniel C. Bello, Georgia State University
- Muzaffer Bodur, Bogazici University, Istanbul, Turkey
- Nakiye Boyacigiller, Sabanci University
- Christopher Ziemnowicz, Concord University

- Chen Oi Chin, Lawrence Technological University
- Patrick Chinon, Syracuse University
- Farok J. Contractor, Rutgers University of Scranton
- Christine Cope Pence, University of California, Riverside
- Angelica Cortes, University of Texas-Pan American
- Michael Deis, Clayton State University
- Les Dlabay, Lake Forest College
- Gary Donnelly, Casper College
- Gideon Falk, Purdue University-Calumet
- Marc Fetscherin, Rollins College
- Charles Fishel, San Jose State University
- Frank Flauto, Austin Community College
- Georgina K. Fogel, Salem International University
- Frank Franzak, Virginia Commonwealth University
- Debbie Gilliard, Metropolitan State College
- Robert Goddard, Appalachian State University
- Kenneth Gray, Florida A&M University
- Andy Grein, Baruch College, State University of New York
- Andrew C. Gross, Cleveland State University
- David Grossman, Florida Southern College
- Seid Hassan, Murray State University
- Xiaohong He, Quinnipiac University
- Wei He, Indiana State University
- Christina Heiss, University of Missouri-Kansas City
- Guy Holburn, University of Western Ontario
- Anisul Islam, University of Houston-Downtown
- Basil Janavaras, Minnesota State University
- Raj Javalgi, Cleveland State University
- Yikuan Jiang, California State University-East Bay
- Ken Kim, University of Toledo
- Anthony C. Koh, The University of Toledo
- Ann Langlois, Palm Beach Atlantic University
- Michael La Rocco, University of Saint Francis
- Romas A. Laskauskas, Villa Julie College
- Shaomin Li, Old Dominion University
- Ted London, University of Michigan
- Peter Magnusson, Saint Louis University
- Charles Mambula, Suffolk University
- David McArthur, Utah Valley State College
- Ofer Mellich, Bradley University
- Lauryn Migenes, University of Central Florida
- Mortada Mohamed, Austin Community College
- Robert T. Moran, Thunderbird
- Carolyn Mueller, Stetson University
- Kelly J. Murphrey, Texas A&M University
- William Newbury, Florida International University
- Stanley Nollen, Georgetown University
- Augustine Nwabuzor, Florida A&M University
- David Paul, California State University-East Bay
- Christine Pence, University of California Riverside
- Heather Pendarvis-McCord, Bradley University
- Kathleen Rehein, Marquette University
- Liesl Riddle, George Washington University
- John Rushing, Barry University
- Mary Saladino, Montclair State University
- Carol Sanchez, Grand Valley State University
- Camille Schuster, California State University-San Marcos
- Eugene Seeley, Utah Valley State College
- Mandep Singh, Western Illinois University
- Rajendra Sinhaa, Des Moines Area Community College
- John E. Spillan, Pennsylvania State University-DoBois
- Uday S. Tate, Marshall University
- Janell Townsend, Oakland University
- Sameer Vaidya, Texas Wesleyan University
- Robert Ware, Savannah State University
- Marta Szabo White, Georgia State University
- Steve Williamson, University of North Florida
- Lynn Wilson, Saint Leo University
- Attila Yaprak, Wayne State University
- Rama Yelkur, University of Wisconsin-Eau Claire
- Christopher Ziemnowicz, Concord University
Acknowledgments

John Brawley, The Upjohn Company
Roger Calantone, Michigan State University
Erin Cavusgil, Michigan State University
Brian Chabowski, University of Tulsa
Emin Civi, University of New Brunswick, St. John, Canada
Tevfik Dalgic, University of Texas at Dallas
Guillermo D’Andrea, Universidad Austral - Argentina
Angela da Rocha, Univer. Federal do Río de Janeiro, Brazil
Deniz Erden, Bogazici University, Istanbul, Turkey
Felicitas Evangelista, University of Western Sydney, Australia
Cuneyt Evirgen, Sabanci University
Richard Fletcher, University of Western Sydney, Australia
Harold Fishkin, The Upjohn Company
Ersa Gencturk, Koc University
Pervez Ghauri, University of Manchester, U.K.
Tracy Gonzalez, Michigan State University
Sangphet Hanvanich, Xavier University
Tomas Hult, Michigan State University
Destan Kandemir, Bilkent University
Irem Kiyak, Michigan State University
Tunga Kiyak, Michigan State University
Phillip Kotler, Northwestern University
Tiger Li, Florida International University
Karen Loch, Georgia State University
Mushtaq Luqmani, Western Michigan University
Robert McCarthy, The Upjohn Company
Vincent Mongello, The Upjohn Company
Robert T. Moran, Thunderbird
G.M. Naidu, University of Wisconsin-Whitewater
Robert Nason, Michigan State University
Glenn Omura, Michigan State University
Gregory Osland, Butler University
Aysegul Ozsomer, Koc University
Morys Perry, University of Michigan-Flint
Alex Rialp, Universidad Autonoma de Barcelona, Spain
Tony Roath, University of Oklahoma
Carol Sanchez, Grand Valley State University
Peter Seaver, The Upjohn Company
Steven Seggie, Bilkent University
Linda Hui Shi, University of Victoria
Rudolf R. Sinkovics, The University of Manchester
Carl Arthur Solberg, Norwegian School of Management, Norway
Elif Sonmez-Persinger, Eastern Michigan University
Douglas Squires, The Upjohn Company of Canada
Barbara Stoettenger, Wirtschaftsuniversitaet Wein, Austria
Berk Talay, Michigan State University
David Tse, University of Hong Kong
Kathy Waldie, Michigan State University
Marta Szabo White, Georgia State University
Fang Wu, University of Texas at Dallas
Shichun (Alex) Xu, University of Tennessee
Goksel Yalcinkaya, University of New Hampshire
Ugur Yavas, East Tennessee State University
Sengun Yeniurt, Rutgers University
Poh-Lin Yeh, Bentley College
Eden Yin, University of Cambridge
Chun Zhang, University of Vermont
Shaoming Zou, University of Missouri

Our Prentice Hall Team

This book would not have been possible without the tireless efforts of many dedicated professionals at our publisher, Prentice Hall. We are especially grateful to David Parker who was an acquisitions editor when we started this project three years ago. His positive outlook, professional demeanor, and good sense of humor provided the motivation for us to persist with this effort. We were also very fortunate to have highly competent and professional assistance of Lena Buonanno throughout the entire project. Her careful editing and creative ideas were instrumental in enhancing the content and composition of the final product. Gina Huck Siegert provided able and cheerful coordination through two rounds of revisions with our reviewers. Kathleen McLellan helped organize numerous focus groups with insightful educators and assisted with marketing efforts. Our appreciation goes to many other individuals at Prentice Hall, including: Linda Albelli, Robert Aleman, Alvelino Alves, Cara Cantarella, Stephen Deitmer, Jerome Grant, Kevin Holm, Patrice Jones, Brian Kibbey, Maria Lange, John LaVacca, Judy Leale, Patrick Leow, Ben Paris, Ashley Santora, and Kristen Varina.