## Contents

PREF	PREFACE AND ACKNOWLEDGMENTS	
1.	Learning Objectives Reasons for Growth in International Business Types of International Operations International Business Research and the Need for Information Ethical Considerations in International Business Stakeholder Theory and Corporate Social Responsibility Corruption Chapter Summary	3 7 8 11 17 22 28 35
2.	International Business Environment: Cultural Environment Framework of Cultural Classification Cultural Generalization Cultural Convergence Cultural Convergence Cultural Orientation Chapter Summary Application Case: Business Negotiations and Cultural Pitfalls—Mexico	38 39 47 60 61 61 62 63 65
3.	Economic AND OTHER RELATED ENVIRONMENTAL VARIABLES  Learning Objectives The Economy Economic Development and International Business Economic Factors and International Business Strategy Economic Factors and Country Risk Analysis Chapter Summary Application Case: China's Economy and Foreign Direct Investment Flows	67 67 67 72 78 81 90 92
4.	THE POLITICAL AND LEGAL ENVIRONMENT Learning Objectives The Political Environment	94 94 94

VI CONTENTS

	The Legal Environment	107
	Chapter Summary	114
	Application Case: Adapting Finance to Islam	115
5.	INTERNATIONAL TRADE AND FOREIGN DIRECT INVESTMENTS	117
	Learning Objectives	117
	International Trade	117
	Mercantilism	118
	Theory of Absolute Advantage	118
	Theory of Comparative Advantage	119
	Heckscher-Ohlin Factor Proportions Explanation for International Trade	121
	The Product Life Cycle Theory	121
	Global Patterns of Trade: Statistics	122
	World Trade Organization	124
	International Trade in the Future	125
	Foreign Direct Investment	126
	Chapter Summary	142
	Application Case: Siemens in Argentina	144
6.	ENTRY STRATEGIES	146
	Learning Objectives	146
	Export/Import Strategy	147
	Direct Investments	160
	Comparison of the Various Modes of Entry Strategies	168
	Chapter Summary	169
	Application Case: General Electric	170
7.	FUNCTIONAL INTEGRATION	172
	Learning Objectives	172
	Production and Operations Management	174
	Finance	176
	Marketing	177
	Human Resources	180
	Accounting	182
	Management Information Systems	183
	Research and Development	184
	Chapter Summary	185
	Application Case: BMW in India	187
8.	INTERNATIONAL PRODUCTION & OPERATIONS MANAGEMENT	
	AND SUPPLY-CHAIN MANAGEMENT	189
	Learning Objectives	189
	Operations Management in Manufacturing vs. Services	190
	Internationalization of Production & Operations Management	191
	Decisions in Production & Operations Management	192
	Operations Management Strategies and Supply-Chain Management	215

CONTENTS	VII

	Chapter Summary Application Case: Toyota and Lean Manufacturing	218 219
9.	GLOBAL OUTSOURCING OR OFFSHORING	221
	Learning Objectives Outsourcing, Offshoring, Inshoring, and Near-Shoring Offshoring of Services: Internet Technology vs. Business	221 223
	Process Offshoring	225
	Future of Offshoring Services	230
	Toward a Global Offshoring Strategy	232
	Advantages and Disadvantages of Offshoring Services	233
	Chapter Summary	241
	Application Case: Evalueserve and Knowledge Process Outsourcing	243
10.	THE FOREIGN EXCHANGE MARKET	245
	Learning Objectives	245
	Definition of Foreign Exchange	246
	Appreciation and Depreciation of Currencies	247
	Major Currencies of the World	249
	The Euro	249
	History of Foreign Exchange	250
	Size of the Foreign Exchange Market	255
	Determination of Foreign Exchange Rates	256
	Participants in the Foreign Exchange Market	258
	Exchange Rate Regimes	259
	Multinationals and Foreign Exchange	260
	Chapter Summary	264
	Application Case: Dollarization and the Case of Ecuador and El Salvador	265
11.	INTERNATIONAL MARKETING	268
	Learning Objectives	268
	Final and Industrial Consumers	269
	Goods vs. Services	269
	Marketing Activities	270
	Basics Steps in International Marketing	273
	Developing an International Marketing Strategy	274
	Chapter Summary Application Case: Natura—A Brazilian Success Story	297 299
	Application case. Natura—A Brazilian Success Story	233
12.	INTERNATIONAL HUMAN RESOURCES MANAGEMENT AND	201
	ORGANIZATIONAL STRUCTURES	301
	Learning Objectives	301
	Managing the Human Resources Function	303
	Organizational Structures	314
	Chapter Summary	326
	Application Case: Chiba International	329

VIII CONTENTS

13.	INTERNATIONAL FINANCIAL MANAGEMENT	331	
	Learning Objectives	331	
	International Expansion	331	
	International Banks	334	
	International Transactions	337	
	International Shipping	341	
	International Insurance	343	
	Stock Exchanges and Markets	344	
	Regulatory Agencies	347	
	The Foreign Corrupt Trade Practices Act of 1977	349	
	The Financial Crisis of 2008	349	
	Chapter Summary	350	
	Application Case: Iceland 2008—Concern for Exporters and Importers	352	
14.	INTERNATIONAL ACCOUNTING	354	
	Learning Objectives	354	
	Basics of International Accounting	355	
	History of Accounting	359	
	Toward a Global Accounting System	360	
	International Accounting and Taxes	367	
	Chapter Summary	373	
	Application Case: The Fannie Mae Accounting Scandal	375	
	Appendix 14.1. Summary of Some Similarities and Differences	2,0	
	between IFRS and U.S. GAAP	377	
	Appendix 14.2. Global Corporate and Indirect Taxes, 2007	380	
_			
APPE	NDIX 1. REGIONAL ECONOMIC INTEGRATIONS	382	
	Benefits of Integration	383	
	Activities and Operations of NAFTA and the European Union	384	
APPE	NDIX 2. WORLDWIDE ORGANIZATIONS AND INTERNATIONAL AGENCIES	402	
	The International Monetary Fund	402	
	The Organisation for Economic Co-operation and Development	408	
	The United Nations	411	
	The World Bank	422	
APPE	NDIX 3. THE INTERNET IN INTERNATIONAL BUSINESS	427	
	The Internet and Business	427	
	The Internet and International Business	428	
	Appendix 3 Summary	433	
Note	es ·	435	
GLOS	GLOSSARY		
NAM	NAME INDEX		
SUBJE	ECT INDEX	465	
	AROUT THE AUTHORS		