

International Business

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PREFACE

A European View on International Business

This book offers a European perspective on International Business. In the age of globalization, isn't that a contradiction? Why did we set out to write a textbook specifically for you as students in Europe? There are five considerations why we have been writing this book:

- Students learn best from cases and examples that they can relate to. Thus, we have developed a number of cases and examples specifically for this book that tell the experiences of European businesses. At the same time, we wish to broaden your horizon and equip you with an understanding of businesses in different parts of the world. As an international manager you will need to understand both, the regional and the global dimensions of business. Thus, we also include a large number of cases and examples from all over the world.
- In Europe, international business (IB) is relevant for (almost) every business. Most textbooks in this field have been written primarily for American students, and thus treat global business primarily as a phenomenon that big companies have to deal with, with internationally operating entrepreneurs being an exception. That is understandable given the vast size of the domestic market of the USA. However, in Europe, where national markets are much smaller, even small and medium size firms soon hit the limits of their domestic markets, and IB becomes a natural part of everything they do. Thus, we relate much more to the needs and challenges faced by smaller firms especially in a European context.
- Textbooks written by American authors typically draw primarily on scholarly work by US-based authors. However, there is important work by European scholars that is, in our view, not sufficiently appreciated in these textbooks. Thus, we pay special attention to work by European scholars, for example the work by Hall and Soskice on varieties of capitalism, and by Zweigert and Kötz on legal systems (Chapter 2), by Hofstede and other Dutch authors on culture and by Marschan-Piekkari on languages (Chapter 3), by Dunning, Buckley and Casson on foreign direct investment (Chapter 6), by Matten, Moon and others on corporate social responsibility (Chapter 10), by Nordic scholars in the tradition of Johansen and Vahlne on internationalization processes (Chapter 11), and by scholars across Europe on knowledge management and governance (Chapter 15) and on expatriate management (Chapter 16).
- European businesses deal with a variety of subtle differences when engaging in neighbouring countries as well as with big differences when going to, for example, China. This contrasts with US businesses for whom IB is a big strategic change from domestic operations (unless they go to Canada), and thus involves substantial differences. Thus, we treat IB as a natural and integrated part of business activity, but subject to a range of subtle differences when dealing with nearby yet still foreign institutions and businesses.
- European businesses do most of their IB elsewhere in the Europe, where they operate within the institutional framework of the European Union (EU). Understanding this framework is thus essential. Therefore, we devote one entire chapter specifically to the institutional framework of the EU (Chapter

8), and we relate to the EU regulatory framework in later chapters of the book, for example EU competition policy in Chapters 13 and 14.

Of course, as an alternative to using an English-language “European” textbook such as ours, instructors may consider adapting a textbook in local languages, for example in German or French. This approach has advantages—students may be more at ease with their own language, and examples are even more local. However, we would encourage instructors to adopt our textbook as core or recommended reading because:

- Engaging in global business in most parts of the world requires competences in English, and the classroom is an ideal place to acquire and polish English language skills.
- An important aspect of building competences for IB is to put oneself in the position of a business partner or competitor in order to understand how they would handle a certain situation. Successful international managers are also able to critically reflect on the merits and demerits of their own country, its institutions, and its businesses. The development of these capabilities requires looking “beyond the horizon” of your national economy, and engaging with individuals and businesses in other countries. Our European view encourages students to broaden their horizon beyond national boundaries.
- Both authors being non-native speakers of English, we remember how it is to start using English in a classroom setting. Thus, we have written the text avoiding unnecessarily complex or colloquial expressions that may be inaccessible to students whose first language is not English.

Our Perspective as Authors

We, your authors, have studied, worked and taught global business throughout our careers. This personal experience and expertise gives us our foundation for writing this book, and enables us to offer you diverse yet complementary perspectives on international business:

- We have conducted research ourselves on many of the issues discussed in this text. Mike Peng has investigated for example the institutions-based view of business (Chapters 2 and 3), the resource-based view (Chapter 4) and strategies of global firms (Chapter 13 and 14); Klaus Meyer has also contributed to the institution-based view (Chapter 2), and investigated in particular foreign direct investment (Chapter 6) and foreign entry strategies (Chapter 11 and 12). This work has been published in leading scholarly journals in the field, such as the *Journal of International Business Studies*, *Strategic Management Journal* and *Journal of Management Studies*.
- In our research, we have investigated a wide range of different contexts, including in particular emerging economies. Mike Peng’s research has focused on contemporary management research in China and other transition economies, while Klaus Meyer has studied businesses in the countries of Central and Eastern Europe as well as Asian economies such as Vietnam and Taiwan, and multinational firms from Germany, Denmark and the UK.
- We have taught at universities quite literally around the globe, and thus learned from discussions with students offering a wide variety of perspectives and experiences. Mike Peng has taught at University of Hawaii at Manoa, Ohio State University and University of Texas Dallas (all USA) as well as at Chinese University of Hong Kong and a number of universities in mainland China. Klaus Meyer has

taught at Copenhagen Business School (Denmark), Hong Kong University of Science and Technology, National Cheng-Chi University in Taiwan as well as the University of Reading and the University of Bath (both UK). In addition, both of us have given numerous guest lectures at other universities throughout Europe, Asia and North America.

- Last but not least, we have lived in different countries, and thus complement each others' personal experiences. Mike Peng grew up in China and has spend most of his professional life in the USA, while Klaus Meyer grew up in Germany and spend most of his professional life in Denmark and the UK. These personal experiences help us linking theory to practice, notably on cross-cultural matters.

Pedagogical Features of this Book

In designing this book, we have been guided by three main pedagogical ideas:

1. We want to provide a comprehensive yet solidly-research grounded overview of the field.
2. We want to facilitate learning of the essential concepts and analytical framework
3. We want to stimulate students' own critical reflection and discussions that go beyond root learning of the material presented in the text.

Comprehensive, research grounded

International business is a very broad topic that integrates many scholarly disciplines. In selecting and presenting the material, we have been guided by two objectives: to integrate complex materials in an accessible style and to build on contemporary research. First, to provide a red-line through the complex subject, we organize the book around a unified framework integrates all chapters. Given the wide range of topics in IB, many textbooks present the discipline item by item "This is how MNEs manage X". Rarely do authors address: "*Why* do MNEs manage X in this way?" More important, What are the big questions that the field is trying to address? Our framework suggests that the discipline can be united by one big question and two core perspectives. The big question is: What determines the success and failure of firms around the globe? To address this question, we introduce two core perspectives: (1) an institution-based view and (2) a resource-based view. The unified framework presents an extension of our own research that investigates international business topics using these two perspectives. This focus on one big question and two core perspectives enables this book to analyze a variety of IB topics in a coherent fashion.

Second, this book engages leaders through an evidence-based approach. We have endeavored to draw on the latest research, as opposed to the latest fads. The comprehensive yet research-grounded coverage is made possible by drawing on the most comprehensive range of the literature. Specifically, we have read and considered every article over the past ten years in the Journal of International Business Studies and other leading IB and general management journals. In addition, we have consulted numerous specialty journals for specific chapters. As research for the book progressed, our respect and admiration for the diversity of insights of our field and the relevance of neighbouring disciplines grew substantially. The result is a comprehensive set of evidence-based insights on IB. While citing every article is not possible, we cover

work from a wide range of relevant scholars. Feel free to check the authors found in the Name Index to verify this claim.

Furthermore, we provide evidence through contemporary examples that illustrate theoretical concepts in practice. These up-to-date examples are found all over the world, with emphasis on European business, not only encourage students to build bridges between theoretical frameworks and the contemporary world of business, but to find themselves further examples in newspapers and magazines, such as *Financial Times* and *The Economist*. Many of the cases have been contributed by scholars from around the world who have first hand knowledge of the companies and contexts concerned, including Finland, Italy, France, Germany, the UK, and the USA.

Supporting Learning

The comprehensive nature of IB means that students of the subject have to engage with a wide range of concepts and frameworks based on current research. To facilitate the accessibility of this material, we use a clear, engaging, conversational style to tell the “story.” Relative to other books, our chapters are generally written more lively. Moreover, we have introduced a number of features aimed to facilitate the learning of key concepts, facts and frameworks:

- We explicitly state **learning objectives** at the outset, and these learning objectives are the basis for a brief **chapter summary** at the end of each chapter.
- An **opening case** about a firm or country provides a taster of the issues from a real world perspective, and a basis to reflect over issues introduced in the Chapter.
- Engaging in international business requires knowledge of many concepts. We therefore state the definitions of key concepts as **margin notes** when they are first introduced, and we include a **Glossary** at the end of the book containing all key concepts in alphabetical order.
- “**In Focus**” boxes illustrate key concepts on the basis of shorter on real world examples.
- So what? We conclude every chapter with “**Implications for practice**” that clearly summarizes the key learning points from a *practical* standpoint in one or more tables.

Critical reflection and discussion

The field of IB subject to many debates; and many broader debates on globalization affect internationally operating MNEs. While it is important to ‘learn’ concepts and frameworks, we strong believe that, it is also important to critically engage with the ‘how’ and ‘why; questions surrounding the field. It is debates that drive the field of practice and research forward. We therefore aim to encourage students critically reflect over the material presented (We expect most students to find at least one argument where they disagree with us) and to engage with cutting-edge debates. Several features aim to provoke discussion and critical reflections in each chapter:

- “**Debates and Extensions**” section for *every* chapter (except Chapter 1, which is a big debate in itself).

- **Photo questions** challenge you to think about the consequences of the material presented. We use photos not only to illustrate the text, but as a stimulus for developing your own ideas and arguments.
- **Recommended readings** provide a basis for further study, for example when you want to prepare a class assignment or a dissertation on a topic
- **Critical discussion questions** at the end of each chapter provide a basis for group discussions or individual work on the issues in the chapter, and their broader implications for society. Many of these questions concern ethical issues that have increasingly come to the forefront of public debates on international business.
- **Closing cases** to each chapter provide the story of a specific company engaged in international business. Analysis of this case along the questions provided will help gain deeper insights on the topic of the chapter, and help relating concepts to the real world of business.
- A set of **Integrative Cases** provide further opportunities to deepen the study material, and to discuss who firms may handle specific challenges they encounter in international business.

Our ambitions in writing this book have been quite high, aiming to provide a teaching and learning foundation for students in Europe and beyond that is comprehensive and specific, theoretically grounded and hands-on, and explaining concepts while stimulating critical thought. The writing process has at times been challenging, but with the support of numerous colleagues we believe we have produced a solid and innovative book. We hope you enjoy studying and working with this book and, in the process, become as enthusiastic about international business as we are. Happy reading!

Dallas, Texas and Bath, Somerset, June 2010

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About the Authors

Mike W. Peng

Mike W. Peng is the Provost's Distinguished Professor of Global Business Strategy at the University of Texas at Dallas. He holds a bachelor's degree from Winona State University, Minnesota and a PhD degree from the University of Washington, Seattle, where he was advised by Professor Charles Hill. Prior to joining UTD, Professor Peng had been on the faculty at the Ohio State University, Chinese University of Hong Kong, and University of Hawaii. In addition, he has taught as visiting scholar in Australia (University of Sydney and Queensland University of Technology), Britain (University of Nottingham), China (Xi'an Jiaotong University, Sun Yat-sen University, and Cheung Kong Graduate School of Business), Denmark (Copenhagen Business School), Hong Kong (Chinese University of Hong Kong and Hong Kong Polytechnic University), Vietnam (Foreign Trade University), and the United States (University of Memphis, University of Michigan, and Seattle Pacific University).

Professor Peng's research focuses on firm strategies in countries such as China, Hong Kong, Japan, Russia, South Korea, Thailand, and the United States. He has published over 60 articles in leading academic journals such as *Academy of Management Review*, *Strategic Management Journal* and *Journal of International Business Studies*. He published two textbooks with Cengage Learning, *Global Strategic Management* (2nd edition 2009) and *Global Business* (2nd edition 2010) that have become best sellers around the world, and have been translated into other languages such as Chinese.

Professor Peng is active in leadership positions in his scholarly associations such as Academy of International Business (Co-Program Chair for the Research Frontiers Conference, San Diego, 2006) and the Strategic Management Society (Program Chair of the Global Strategy Interest Group 2005-07). He co-edited a special issue of the *Journal of International Business Studies* published in 2010, and from 2007 to 2009, he served as the Editor-in-Chief of the *Asia Pacific Journal of Management*. Professor Peng's personal website is available at: www.utdallas.edu/~mikepeng/.

Klaus E. Meyer

Klaus E. Meyer is a Professor of Strategy and International Business at the University of Bath, where he also serves in the role of Assistant Dean Research in the School of Management. He is also an Adjunct professor at the Department of International Economics and Management at the Copenhagen Business School. He holds a Diplom-Volkswirt degree (MSc Economics) from the University of Göttingen, Germany and has been an exchange student at the University of California Santa Barbara, USA. He obtained his PhD at the London Business School with a study on foreign direct investment in Central and Eastern Europe. Prior to his appointment at the University of Bath, he has been a Professor at the University of Reading and at the Copenhagen Business School. Moreover, he spend a semester each

teaching at the Hong Kong University of Science and Technology and at the National Cheng-Chi University in Taipei.

Professor Meyer's research focuses on strategies of multinational enterprises in emerging economies. He is particular interested in how firms adapt their business strategies to the specific conditions prevailing in each emerging economy. His work also extends to the impact of foreign investors on the economic transition and development of the host economies. Another stream of research focuses on the global strategies that may bring multinational enterprises into emerging economies in the first place. This work has led to four books and about 50 articles in leading scholarly journals such as *Journal of International Business Studies*, *Journal of Management Studies*, and *Strategic Management Journal*.

Related to research, Professor Meyer holds responsibilities in scholarly journals, including the role of Senior Editor of the *Asia Pacific Journal of Management*, and Consulting Editor of the *Journal of International Business Studies*. He also served in numerous roles in the Academy of International Business, most notably as track chair for the 2006 conference in Beijing and the 2010 conference in Rio de Janeiro. Professor Meyer maintains a personal website at www.klausmeyer.co.uk that includes a regular blog on contemporary matters related to International Business (www.klausmeyer.co.uk/blog).

Text Cases

	Case	Industry	Locations
Chapter 1			
Opening Case	Thomas Friedman's Notebook	IT (hardware)	USA
In Focus 1.1	Setting the Terms Straight	---	---
In Focus 1.2	Globalization in the Year 1900	---	---
In Focus 1.3	Base of the Pyramid' is Calling	---	Developing countries
Closing Case	GE Innovates at the Base of the Pyramid	Medical instruments	India, USA
Chapter 2			
Opening	Managing Risks in the New South Africa	---	South Africa
In Focus 2.1	Elections around the Globe	---	USA, UK, France, Germany, India
In Focus 2.2	NaturEner: Spaniards heading across the Atlantic	Green energy	Spain, USA
In Focus 2.3	Protecting Intellectual Property Internationally	---	---
Closing	The Russia Puzzle	---	Russia
Chapter 3			
Opening	Cartoons that Exploded	---	Denmark
In Focus 3.1	Limitations of Hofstede's Framework	---	---
In Focus 3.2	Languages Skills as Career Ladder in Kone Elevator	Elevators	Finland
In Focus 3.3	Zoomlion: Linguistic Skills in the Boardroom	Construction equipment	Italy, China
In Focus 3.4	The OECD Anti-Corruption Convention	---	---
Closing Case	Alstom: Party Invitations in Saudi Arabia, and in China	Civil engineering	Switzerland, Saudi Arabia, China
Chapter 4			
Opening Case	SAP Runs Businesses Worldwide	IT (software)	Germany
In Focus 4.1	Distribution Capabilities: Wal-Mart	Retail	USA
In Focus 4.2	Hyundai's Uphill Battle	Cars	Korea, USA
In Focus 4.3	How much does China Benefit from Outsourcing?	Electronic consumer goods	China
Closing Case	Avon Perfects Direct Selling	Cosmetics	USA, UK
Chapter 5			
Opening	Port of Rotterdam: Gateway to the World	Trading & shipping	Netherlands
In Focus 5.1	Comparative advantage and YOU	---	---
In Focus 5.2	Brazil's Comparative Advantage in Agriculture	Agriculture	Brazil
In Focus 5.3	Anti-dumping against Chinese Apple Juice Concentrate Producers	Processed Foods	China, USA
Closing	Canada and the USA Fight over Pigs	Agriculture: husbandry	US, Canada
Chapter 6			
Opening Case	Spanish MNEs enter the Global Stage	---	Spain
In Focus 6.1	Grupo Antolin Pursues Clients Around the Globe	Automotive Supplier	Spain
In Focus 6.2	Haier Invests in the USA	White goods	China, USA

In Focus 6.3	Land Rush in Africa	Agriculture: farmland	Africa
In Focus 6.4	Car Manufacturers Cluster in Central Europe	Cars	Central Europe
Closing Case	Bharti Airtel Acquires Resources and Companies	Telecommunications	India, Africa
Chapter 7			
Opening Case	The Economic Crisis Upsets Exchange Rates	---	Poland, Hungary, Slovakia, Latvia
In Focus 7.1	Hong Kong and Argentina: A Tale of Two Currency Boards	---	Hong Kong, Argentina
In Focus 7.2	Irish Exporters Cope with Currency Fluctuation	---	Ireland
Closing Case	Markel Corporation Fights Currency Fluctuations	Component manufacturing	USA
Chapter 8			
Opening Case	A Day in European Business	IT (Software)	Germany, Poland
In Focus 8.1	Common Agricultural Policy	Agriculture	EU
In Focus 8.2	Privatization in Central and Eastern Europe	---	Central and Eastern Europe
In Focus 8.3	Mobile Students: The Bologna Process	Education	EU
In Focus 8.4	Boom and Bust in Spain	---	Spain
Closing Case	Nokia goes to Brussels	Mobile phones	EU, Finland
Chapter 9			
Opening Case	Boeing and Airbus Fight at the WTO	Aircraft manufacturing	EU, USA
In Focus 9.1	China's First Years in the WTO	---	China
In Focus 9.2	The WTO's "Shrimp-Turtle" Case	Aquaculture	USA, Asian countries
In Focus 9.3	The IMF's Actions and Criticisms	---	---
In Focus 9.4	Is Japan Being Left Out?	---	Japan
Closing Case	The Future of Globalization: Wärtsilä Power Scenarios	Energy	Finland
Chapter 10			
Opening	Starbucks: Standards in the Spotlight	Restaurants	USA
In Focus 10.1	Salmon: Chicken of the Sea	Aquaculture: Salmon	Norway
In Focus 10.2	Dow Chemical Company in China	Chemicals	USA, China
In Focus 10.3	Working Poor	Garments	Central America
In Focus 10.4	Implementing Standards at Adidas	Garments	Germany
Closing	Different Ethics: Naming your School	Higher Education	Hong Kong, Germany, UK
Chapter 11			
Opening Case	Kapersky Lab	Software	Russia
In Focus 11.1	Tourism: Exporting Experiences	Tourism	---
In Focus 11.2	Building Bridges	Construction	Bahrain, Qatar
In Focus 11.3	Skandinavia A/S: A Small Publisher for Small People Worldwide	Publishing	Denmark
Closing Case	Better Generation: The Global Generation of Business	Green energy	UK
Chapter 12			
Opening	Pearl River Challenges Traditions: Exports, Greenfield, Acquisitions	Musical instruments	China, USA, Germany
In Focus 12.1	Jumping Tariffs: Ford in Vietnam	Cars	Vietnam, USA
In Focus 12.2	Joint Venture ZF Kama in Russia	Automotive supplier	Russia, Germany

In Focus 12.3	Relocating and Growing: Cadbury Invests in Poland	Confectionary	Poland, UK
Closing	Danone Wahaha: 'Failed' Joint Ventures	Processed Foods	France, China
Chapter 13			
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In Focus 13.1	Lev Leviev Fights De Beers	Diamonds	South Africa, Israel
In Focus 13.2	The Global Vitamin Cartel	Vitamins	USA, Germany, Switzerland
In Focus 13.3	Brussels Fight Anti-Competitive Practices in the IT Sector	IT (Software and Hardware)	EU
Closing Case	Wolters: A Local Brands Competes with Global Rivals	Beer	Germany
Chapter 14			
Opening	Danisco: the Evolution of a Global Niche Leader	Food ingredients	Denmark
In Focus 14.1	The Transformation of Nokia	Mobile phones	Finland
In Focus 14.2	Making M&As Fly in China	---	China
In Focus 14.3	Embraer Grows By Acquisitions	Aircraft manufacturing	Brazil
Closing	Kärcher Cleans Up - Worldwide	Specialist machinery	Germany
Chapter 15			
Opening	The global organizational design of the "Big Four"	Consultants	---
In Focus 15.1	Siemens' ShareNet: A Knowledge Management System	Engineering	Germany
In Focus 15.2	A Subsidiary Initiative at Honeywell Canada	Honeywell	Canada
In Focus 15.3	Foreign born Bosses	Cars	France, Japan
Closing	Growing Subsidiaries: Akzo Nobel Decorative Coating in China	Paints	Sweden / China
Chapter 16			
Opening	EADS: Human Resource Management Challenges in a 'European' firm	Aircraft	France, Germany
In Focus 16.1	Getting Started in Asia	---	Hong Kong, Taiwan
In Focus 16.2	Competing for Talent in China	---	China
In Focus 16.3	Manpower	Employment Agency	USA
Closing	Dallas versus Delhi	---	India, USA
Chapter 17			
Opening Case	Zara	Fashion retail	Spain
In Focus 17.1	Honest Film	Marketing Services	UK, China
In Focus 17.2	C&A: Failed European Standardization	Fashion Retail	Netherlands, Germany, Spain
In Focus 17.3	Ocean Shipping: Maxing Out?	Shipping	---
In Focus 17.4	India: Forthcoming Retail Revolution	Retail	India
Closing Case	Li & Fung: From Trading Company to Supply Chain Manager	Logistics Services	Hong Kong

Integrative Cases

To be added

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