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# GLOBAL BUSINESS

Third Edition

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**Global Business, Third Edition**

**Mike W. Peng**

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*To Agnes, Grace, and James*

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# Preface

The first two editions of *Global Business* aspired to set a new standard for international business (IB) textbooks. Based on the enthusiastic support from students and instructors in Australia, Brazil, Britain, Canada, China, Egypt, France, Hong Kong, India, Indonesia, Ireland, Israel, Lithuania, Malaysia, Puerto Rico, Russia, Slovenia, South Africa, South Korea, Taiwan, Thailand, and the United States, the first two editions achieved unprecedented success. A Chinese translation is now available and a European adaptation (coauthored with Klaus Meyer) has been successfully launched. In short, *Global Business* is global.

The third edition aspires to do even better. It continues the market-winning framework centered on one big question and two core perspectives pioneered in the first edition, and has been thoroughly updated to capture the rapidly moving research and events of the past few years. Written for undergraduate and MBA students around the world, the third edition will continue to make IB teaching and learning more (1) engaging, (2) comprehensive, (3) fun, and (4) relevant.

## More Engaging

As an innovation in IB textbooks, a unified framework integrates all chapters. Given the wide range of topics in IB, most textbooks present the discipline in a fashion that “Today is Tuesday, it must be Luxembourg.” Very rarely do authors address: “Why Luxembourg today?” More important, why IB? What is the big question in IB? Our unified 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, *Global Business* introduces two core perspectives, (1) the institution-based view and (2) the resource-based view, in *all* chapters. It is this relentless focus on our big question and core perspectives that enables this book to engage a variety of IB topics in an integrated fashion. This provides unparalleled continuity in the learning process.

*Global Business* further engages readers through an *evidence-based* approach. I have endeavored to draw on the latest research rather than the latest fads. As an active researcher myself, I have developed the unified framework not because it just popped up in my head when I wrote the book. Rather, this is an extension of my own research that consistently takes on the big question and leverages the two core perspectives.<sup>1</sup>

Another vehicle to engage students is debates. Most textbooks present knowledge “as is” and ignore debates. But obviously our field has no shortage of debates. It is the

<sup>1</sup> For the big question, see M. W. Peng, 2004, Identifying the big question in international business research, *Journal of International Business Studies*, 35: 99–108. For the institution-based view, see M. W. Peng, S. L. Sun, B. Pinkham, & H. Chen, 2009, The institution-based view as a third leg for a strategy tripod, *Academy of Management Perspectives*, 23(3): 63–81; M. W. Peng, D. Wang, & Y. Jiang, 2008, An institution-based view of international business strategy: A focus on emerging economies, *Journal of International Business Studies*, 39: 920–936. For the resource-based view, see M. W. Peng, 2001, The resource-based view and international business, *Journal of Management*, 27: 803–829.

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responsibility of textbook authors to engage students by introducing cutting-edge debates. Thus, I have written a beefy “Debates and Extensions” section for *every* chapter.

Finally, this book engages students by packing rigor with accessibility. There is no “dumbing down.” No other competing IB textbook exposes students to an article on how to save Europe by the Managing Director of the International Monetary Fund (In Focus 8.1), a commentary on China’s ten years in the World Trade Organization by the US Ambassador to China (Emerging Markets 8.1), a published complaint (in the middle of a high-profile dispute) by BP’s joint-venture partner in Russia (Integrative Case 3.6), and a *Harvard Business Review* article (authored by me—Emerging Markets 6.1). These are not excerpts but full-blown, original articles—the first in an IB (and, in fact, in any management) textbook. These highly readable short pieces directly give students a flavor of the original insights.

## More Comprehensive

*Global Business* offers the most comprehensive and innovative coverage of IB topics available on the market. Unique chapters not found in other IB textbooks are:

- Chapter 9 on entrepreneurship and small firms’ internationalization.
- Chapter 11 on global competitive dynamics.
- Chapter 16 on corporate finance and governance.
- Chapter 17 on corporate social responsibility (in addition to one full-blown chapter on ethics, cultures, and norms, Chapter 3).
- Half of Chapter 12 (alliances and acquisitions) deals with the inadequately covered topic of acquisitions. Approximately 70% of market entries based on foreign direct investment (FDI) around the world use acquisitions. Yet, none of the other IB textbooks has a chapter on acquisitions—clearly, a missing gap.

The most comprehensive topical coverage is made possible by drawing on the latest and most comprehensive range of the research literature. Specifically, I have accelerated my own research, publishing a total of 30 articles since 2010 when I finished the second edition.<sup>2</sup> I have drawn on such latest research to inject cutting-edge thinking into the third edition.

In addition, I have also endeavored to consult numerous specialty journals. For example, the trade and finance chapters (Chapters 5–7) draw on the *American Economic Review*, *Journal of Economic Literature*, and *Quarterly Journal of Economics*. The entrepreneurship chapter (Chapter 9) consults with the *Journal of Business Venturing* and *Entrepreneurship Theory and Practice*. The marketing and supply chain chapter (Chapter 14) draws heavily from the *Journal of Marketing*, *Journal of International Marketing*, and *Journal of Operations Management*. The corporate finance and governance chapter (Chapter 16) is visibly guided by research published in the *Journal of Finance* and *Journal of Financial Economics*.

The end result is the unparalleled, most comprehensive set of evidence-based insights on the IB market. While citing every article is not possible, I am confident that I have left no major streams of research untouched. Feel free to check the Name Index to verify this claim.

Finally, the third edition of *Global Business* continues to have a global set of cases contributed by scholars around the world—an innovation on the IB market.

<sup>2</sup>All my articles are listed at [www.mikepeng.com](http://www.mikepeng.com) and [www.utdallas.edu/~mikepeng](http://www.utdallas.edu/~mikepeng). Go to “Journal Articles.”

Virtually all other IB textbooks have cases written by book authors. In comparison, this book has been blessed by a global community of case contributors who are based in Austria, Brazil, China, France, Germany, Hong Kong, India, and the United States. Many are experts who are located in, or are from, the countries in which the cases take place. For example, we now have a Brazil case penned by a Brazil-based author (see the Integrative Case on Jobek do Brasil), and two China cases written by China-based authors (see Integrative Cases on Geely's acquisition of Volvo and Sino Iron in Australia). This edition also features a Russia case contributed by the world's top two leading experts on Russian management (see the Integrative Case on Wikimart). The end result is an unparalleled, diverse collection of case materials that will significantly enhance IB teaching and learning around the world.

## More Fun

If you fear that this book must be very boring because it draws so heavily on current research, you are wrong. I have used a clear, engaging, conversational style to tell the “story.” Relative to rival books, my chapters are generally more lively and shorter. Some reviewers have commented that reading *Global Business* is like reading a “good magazine.” A large number of interesting anecdotes have been woven into the text. In addition to examples from the business world, non-traditional (“outside-the-box”) examples range from ancient Chinese military writings to mutually assured destruction (MAD) strategy during the Cold War, from Shakespeare's *The Merchant of Venice* to Tolstoy's *Anna Karenina*. In addition, numerous Opening Cases, Closing Cases, and In Focus boxes spice up the book. Check out the following fun-filled features:

- Partying in Saudi Arabia (Chapter 3 Opening Case)
- Adding value to the dirtiest job online (In Focus 4.2)
- Why are US exports so competitive? (Chapter 5 Opening Case)
- A sticky business in Singapore (In Focus 5.1)
- Cry for me, Argentina (Chapter 6 Closing Case)
- The Greek tragedy (Chapter 8 Closing Case)
- The world's best place to make Viagra (In Focus 10.1)
- A fox in the hen house (In Focus 11.2)
- Brazil's Whopper deal (Emerging Markets 12.2)
- Mickey goes to Shanghai (Chapter 13 Opening Case)
- Wolf wars (Chapter 17 Closing Case)
- Milton Friedman goes global (Emerging Markets 17.1)

There is one Video Case from BBC News to support every chapter. While virtually all competing books have some videos, none has a video package that is so integrated with the learning objectives of *every* chapter.

Finally, as a new feature introduced since the second edition, PengAtlas allows you to conduct IB research using informative maps and other geographic and cultural literacy tools to enhance your learning.

## More Relevant

So what? Chapters in most textbooks leave students to figure out the crucial “So what?” question for themselves. In contrast, I conclude every chapter with an action-packed section titled “Management Savvy.” Each section has at least one

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table (or one teachable slide) that clearly summarizes the key learning points from a *practical* standpoint. No other competing IB book is so savvy and so relevant.

Further, ethics is a theme that cuts through the book, with at least one “Ethical Dilemma” feature and a series of Critical Discussion Questions on ethics in each chapter. Finally, many chapters offer *career* advice for students. For example:

- Chapter 1 In Focus 1.3 directly addresses a question many students would ask: What language and what fields should I study?
- Chapter 4 develops a resource-based view of the individual—that is, about you, the student. The upshot? You want to make yourself into an “untouchable” who adds valuable, rare, and hard-to-imitate capabilities indispensable to an organization. In other words, you want to make sure your job cannot be outsourced.
- Chapter 15 offers tips on how to strategically and proactively invest in your career now—as a student—for future international career opportunities.

## What’s New in the Third Edition?

Most importantly, the third edition has (1) highlighted the executive voice by drawing more heavily from CEOs and other business leaders, (2) dedicated more space to emerging economies, and (3) enhanced the quantity and variety of cases.

First, since *Global Business* aims to train a new generation of global business leaders, the third edition has featured more extensive quotes and perspectives from global business leaders. These are longer and more visibly prominent break-out quotes—not merely single quotes typically embedded (or “buried”) in paragraphs. In Chapter 1 alone, you will enjoy such insightful quotes from (1) GE’s current chairman and CEO and (2) GE’s former chairman and CEO. In later chapters, the following global business leaders will share their thoughts with you:

Applied Materials’ human resource executive  
 Argentina’s president  
 Bayer North America’s CEO  
 Dow Chemical’s CEO  
 IBM’s CEO  
 IBM’s chief procurement officer  
 IMF’s managing director—*a full article*  
 TNK-BP’s chairman and CEO and Alfa Group’s founder—*a full article*  
 US Ambassador to China—*a full article*  
 US Secretary of Justice (representing the Department of Justice’s challenge of AT&T’s proposed merger with T-Mobile)  
 US Secretary of Treasury (on the US-China Strategic and Economic Dialogue)  
 Whole Foods’ co-founder and CEO  
 WTO’s director-general

Second, this edition builds on *Global Business*’s previous strengths by more prominently highlighting global business challenges in and out of emerging economies. This is both a reflection of the global realities in which emerging economies have played a more prominent role and a reflection of my own strong research interest in emerging economies. Specifically, in the third edition, (1) a new Emerging Markets in-chapter feature is launched in every chapter, and (2) 18 out of 23 (78%) of the longer Integrative Cases deal with emerging economies (including one case

on Central and Eastern Europe, two cases each on Africa, Brazil, Russia, and India, and six on China).

Third, in response to students' and professors' enthusiasm about the wide-ranging and globally relevant cases in previous editions, the third edition has further enhanced the quantity and variety of cases. The number of Integrative Cases has increased from 15 to 23—a 53% increase. The variety has also been enhanced not only in terms of the geographic diversity noted above, but also in terms of the mix of longer cases and shorter cases. In addition, I have pushed myself to participate more actively in case writing. Therefore, I am very proud to report that of the 23 Integrative Cases in the third edition, I personally wrote 10 (43%). This compares very favorably to the one Integrative Case out of a total of 15 that I personally authored in the second edition (representing a mere 7%).

Of course, in addition to these new features, every chapter has been thoroughly updated. Of the 23 Integrative Cases, 19 (83%) are new to this edition. PengAtlas maps have also been updated to capture the latest statistics.

The new BBC News Video Cases provide current, real-world examples of key course topics. The set covers such diverse countries as Brazil, China, Cuba, Dubai, India, Thailand, and Uruguay and features a broad array of industries from high-tech manufacturing to goat farming.

## Support Materials

A full set of supplements is available for students and adopting instructors, all designed to facilitate ease of learning, teaching, and testing.

**Global Business CourseMate.** Cengage Learning's Global Business CourseMate brings course concepts to life with interactive learning, study, and exam preparation tools that support the printed textbook. Through this website, available for an additional fee, students will have access to their own set of PowerPoint® slides, flashcards, and games, as well as the Learning Objectives and Glossary for quick reviews. A set of auto-gradable, interactive quizzes (prepared by Timothy R. Muth of Florida Institute of Technology) will allow students to instantly gauge their comprehension of the material. The quizzes are all tagged to the book's Learning Objectives, Bloom's taxonomy, and national standards. Finally, Global Business CourseMate includes interactive maps that delve more deeply into key concepts presented in the book.



**Product Support Website.** The flashcards, Learning Objectives, and Glossary are available for quick reference on our complimentary student product support website.

**Webtutor on BlackBoard® and Webtutor on WebCT.™** Available on two different platforms, *Global Business* Webtutor enhances students' understanding of the material by featuring the Opening Cases and Video Cases, as well as the Glossary, study flashcards, and interactive maps that delve more deeply into key concepts presented in the book.

**CengageNOW™ Course Management System.** Designed by instructors for instructors, CengageNOW™ mirrors the natural teaching workflow with an easy-to-use online suite of services and resources, all in one program. With this system,

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instructors can easily plan their courses, manage student assignments, automatically grade, teach with dynamic technology, and assess student progress with pre- and post-tests tagged to course outcomes and national standards. For students, study tools include flashcards, PowerPoint® slides, media quizzes, guided cases, and a set of quizzes based on interactive maps that enhance comprehension of the material and develop cultural and geographic literacy. Diagnostic tools create a personalized study plan for each student that focuses their study efforts. CengageNOW™ operates seamlessly with WebCT™, Blackboard®, and other course management tools.

**Global Economic Watch.** Cengage Learning's Global Economic Watch helps instructors bring these pivotal current events into the classroom through a powerful, continuously updated online suite of content, discussion forums, testing tools, and more. The Watch, a first-of-its-kind resource, stimulates discussion and understanding of the global downturn with easily integrated teaching solutions:

- A thorough overview and timeline of events leading up to the global economic crisis are included in the ebook module, *Impact of the Global Economic Crisis on Small Business*
- A content-rich blog of breaking news, expert analysis, and commentary—updated multiple times daily—plus links to many other blogs
- A powerful real-time database of hundreds of relevant and vetted journal, newspaper, and periodical articles, videos, and podcasts — updated four times every day
- Discussion and testing content, PowerPoint® slides on key topics, sample syllabi, and other teaching resources

History is happening now, so bring it into the classroom with The Watch at [www.cengage.com/thewatch](http://www.cengage.com/thewatch).

**Instructor's Resource CD (IRCD).** Instructors will find all of the teaching resources they need to plan, teach, grade, and assess student understanding and progress at their fingertips with this all-in-one resource for *Global Business*. The IRCD contains:

- Instructor's Manual—Written by John Bowen (Ohio State University, Newark and Columbus State Community College), this valuable, time-saving Instructor's Manual includes comprehensive resources to streamline course preparation, including teaching suggestions, lecture notes, answers to all chapter questions, and Integrative Case discussion guides. Also included are discussion guidelines and answers for the Video Cases, prepared by Carol Decker.
- Test Bank—Prepared by ????? ????????? (???????????????????? ?????? ?????????), the *Global Business* Test Bank in ExamView® software allows instructors to create customized texts by choosing from 35 True/False, 35 Multiple Choice, and at least 8 short answer/essay questions for each of the 17 chapters. Ranging in difficulty, all questions have been tagged to the text's Learning Objectives, Bloom's taxonomy, and other national standards to ensure that students are meeting the course criteria.
- PowerPoint® Slides—Mike Giambattista (University of Washington) has created a comprehensive set of more than 250 Powerpoint® slides that will assist instructors in the presentation of the chapter material, enabling students to synthesize key global concepts.

**Global Business DVD.** Perhaps one of the most exciting and compelling bonus features of this program, these 17 short and powerful video clips, produced by BBC News, provide current and relevant real-world examples. The set covers such diverse countries as Brazil, China, Cuba, Dubai, India, Thailand, and Uruguay and features a broad array of industries from high-tech manufacturing to goat farming.

**Instructor Product Support Website.** For those instructors who prefer to access supplements online, the Instructor’s Manual, PowerPoint® slides, and Test Bank are also available through the instructor’s product support website.

## Acknowledgments

As *Global Business* launches its third edition, I first want to thank all the customers—professors, instructors, and students around the world who have made the book’s success possible. A special thank-you goes to my friend and colleague, Klaus Meyer (China Europe International Business School), who spearheaded the development of *International Business*, which was tailored for European (or, more broadly, European, Middle Eastern, and African [EMEA]) students. Klaus has made *Global Business* more global.

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MWP

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## About the Author

**Mike W. Peng** is the Jindal Chair of Global Business Strategy at the Jindal School of Management, University of Texas at Dallas, a National Science Foundation CAREER Award winner, and a Fellow of the Academy of International Business. He is also Executive Director of the Center for Global Business, which he founded. At UT Dallas, he has been the number-one contributor to the 45 top journals tracked by *Financial Times*, which ranked UT Dallas as a top-20 school in research worldwide and its MBA and EMBA programs increasingly in the top tier.

Professor Peng holds a bachelor's degree from Winona State University, Minnesota, and a PhD degree from the University of Washington, Seattle. Between 2005 and 2011, he was the first Provost's Distinguished Professor at UT Dallas, a chair position that was created to attract him to join the faculty. He had previously been an associate professor (with tenure) at the Ohio State University. Prior to that, he had served on the faculty at the Chinese University of Hong Kong and the University of Hawaii. He has taught in five states in the United States (Hawaii, Ohio, Tennessee, Texas, and Washington) as well as China, Hong Kong, and Vietnam. He has also held visiting or courtesy appointments in Australia, Britain, China, Denmark, Hong Kong, and the United States.

Professor Peng is one of the most prolific and most influential scholars in international business (IB). During the decade 1996–2006, he was the top-seven contributor to IB's number-one premier outlet: *Journal of International Business Studies*. His research is also among some of the most widely cited—both the United Nations and the World Bank have cited his work. A *Journal of Management* article found him to be among the top 65 most widely cited management scholars, and an *Academy of Management Perspectives* study found him to be the fourth most influential management scholar both inside and outside of academia (measured by academic citations and non-edu Google webpages) among professors who obtained their PhD since 1991. Overall, Professor Peng has published close to 100 articles in leading journals, over 30 pieces in non-refereed outlets, and five books. Since the launch of *Global Business's* second edition, he has published not only in top IB journals, such as the *Academy of Management Journal*, *Journal of International Business Studies*, *Journal of World Business*, and *Strategic Management Journal*, but also in leading outlets in operations (*Journal of Operations Management*), entrepreneurship (*Journal of Business Venturing* and *Entrepreneurship Theory and Practice*), and human resources (*International Journal of Human Resource Management*).

Professor Peng's market leading textbooks, *Global Business*, *Global Strategy*, and *GLOBAL*, are studied in over 30 countries and have been translated into Chinese, Spanish, and Portuguese. A European adaptation, *International Business* (with Klaus Meyer), has been successfully launched.

Professor Peng is active in leadership positions. He has served on the editorial boards of *AMJ*, *AMR*, *JIBS*, *JMS*, *JWB*, and *SMJ*, and guest-edited a special issue for the *JMS*. At the Academy of International Business (AIB), he co-chaired



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the AIB/*JIBS* Frontiers Conference in San Diego (2006), guest-edited a *JIBS* special issue (2010), chaired the Emerging and Transition Economies track for the Nagoya conference (2011), and chaired the Richard Farmer Best Dissertation Award Committee for the Washington conference (2012). In 2012, he was elected to be a Fellow of AIB, joining a distinguished group of about 80 senior scholars who made most significant contributions to IB. At the Strategic Management Society (SMS), he was elected to chair the Global Strategy Interest Group. He also co-chaired the SMS Special Conference on China in Shanghai (2007). He served one term as Editor-in-Chief of the *Asia Pacific Journal of Management*. During his editorial tenure, he managed the doubling of submission numbers and the successful bid to enter the Social Sciences Citation Index (SSCI), which reported *APJM*'s first citation impact to be 3.36 and rated it as the top 18 among 140 management journals for 2010.

Professor Peng is also an active consultant, trainer, and keynote speaker. He has provided on-the-job training to over 300 professors. He has consulted and been a keynote speaker for multinational enterprises (such as AstraZeneca, Berlitz, KOSTA, Nationwide, SAFRAN, and Texas Instruments), non-profit organizations (such as Greater Dallas Asian American Chamber of Commerce and World Affairs Council of Dallas-Fort Worth), educational and funding organizations (such as Harvard University Kennedy School of Government, National Science Foundation, and Social Sciences and Humanities Research Council of Canada), and national and international organizations (such as the US-China Business Council, US Navy, and World Bank).

Professor Peng has attracted close to \$1 million in external funding. His honors include a National Science Foundation CAREER Grant, a US Small Business Administration Best Paper Award, a (lifetime) Distinguished Scholar Award from the Southwestern Academy of Management, and a (lifetime) Scholarly Contribution Award from the International Association for Chinese Management Research. He has been quoted in *The Economist*, *Newsweek*, *Dallas Morning News*, *Smart Business Dallas*, *The Exporter Magazine*, *The World Journal*, *Business Times* (Singapore), *Sing Tao Daily* (Vancouver), and *Brasil Econômico* (São Paulo), and on the Voice of America.