


**GLOBAL BUSINESS
@ UT DALLAS**

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**UNIV 1010 Freshman Enrichment Lecture
September 19, 2011**

[DISCLAIMER] This research was supported in part by NSF CAREER Grant (SES 0552089). All views are mine and not those of the NSF.



Mr Global Business welcomes you!



From Global Business to Global Strategy



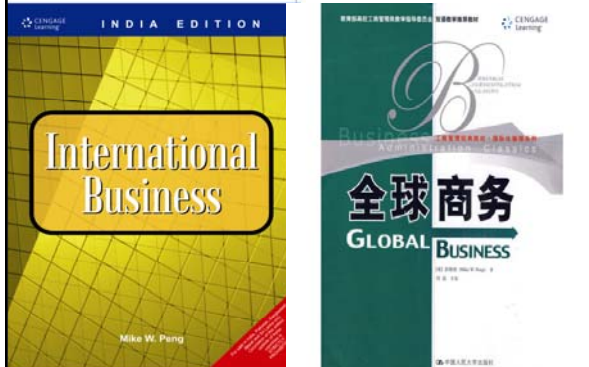
*European (EMEA) adaptation (Peng & Meyer)
and innovative paperback (GLOBAL)*

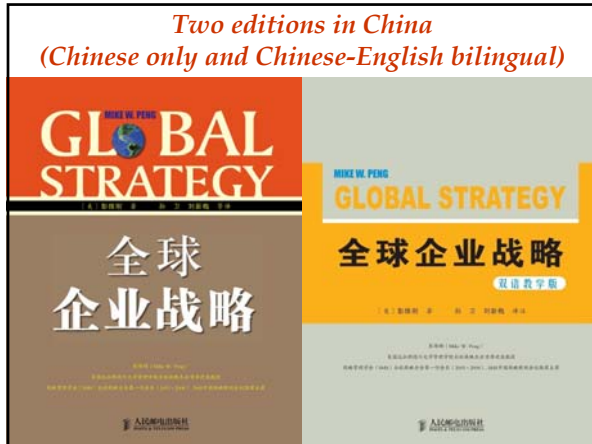


Global Strategy: Spanish & Portuguese editions



Global Business in India & China





INTERNATIONAL BUSINESS: business (firm) that engages in international (cross-border) economic activities or the action of doing business abroad

GLOBAL BUSINESS: business around the globe, including both international (cross-border) activities and domestic business activities.



**UTD's hottest new major:
Bachelor of Science in
Global Business
(School of Management)**


- 2010 (launch year): 60 majors
- 2011 (2nd year): 230 majors (283% growth!)

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Why is Global Business so hot?

- Because studying global business makes you smarter, wiser, more global—and more employable
- Because UTD is a global center of excellence in global business studies (which we call international management studies—course listing IMS)
 - One of the few universities in the world that has BS, MS, and PhD programs in this exciting area

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*The world's
number one
academic
management
journal that is
in Asia, on Asia,
and of Asia—
edited right here*

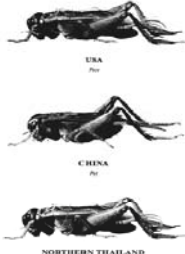
Management

Global business is also about local business

HSBC (one of the largest and most global banks) calls itself: **The world's local bank**

LESSON:
**Think global,
act local**

Source: Issued by HSBC Holdings, plc



Never underestimate the importance of local knowledge.

To truly understand a country and its culture, you have to be part of it. That's why, at HSBC, we have local banks in more countries than anywhere else. And all of our offices around the world are staffed by local people. It's their insight that allows us to recognize potential opportunities we could see elsewhere. But these opportunities don't just benefit our local customers. Innovations and ideas are shared throughout the HSBC network, so that everyone who banks with us can benefit. Think of it as local knowledge that just happens to span the globe.

The world's local bank


In Oaxaca, Mexico, too



NO GRANTS. Hopping Good When life gives you lemons, the savvy grower makes lemonade. In Oaxaca, where nature gives farmers great quantities of crop-eating pests, they make toasted chapulines—grasshoppers freshly caught and seasoned with a bit of garlic and lime. The crunchy-legged adults and tender nymphs are also widely available in markets for about five dollars a pound. It's a considerable expense in a relatively impoverished region, and a strong testament to the huge popularity, says Jeffrey Cohen, an Ohio State University anthropologist who has begun a study of chapulín consumption with funding from National Geographic. Cohen first tried the delicacy when offered grasshoppers in a tortilla in Oaxaca. "Slightly bitter, but tasty," he recalls. Later, his academic interest was whetted when he discovered the grasshoppers are so widely prized as a snack—grilled in the month's anniversary—that a national Oaxacana Day celebration

© National Geographic.

BASE OF THE PYRAMID (BOP)



Per capita GDP/USD > \$20,000
Approximately one billion people

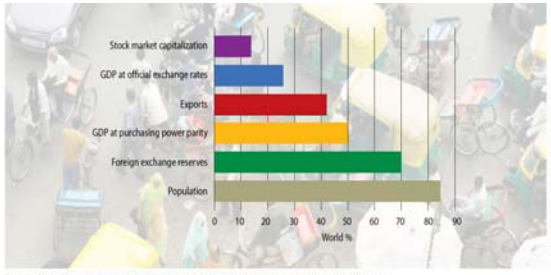
Per capita GDP/USD \$2,000-\$20,000
Approximately one billion people

Per capita GDP/USD < \$2,000
Approximately four billion people

Source: C. K. Prahalad and S. Hart, "The Fortune at the Bottom of the Pyramid," Strategic Business, 20 (2002): 54-67 and S. Hart, Capitalism at the Crossroads (Harvard Business School Publishing, 2005) 111.

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THE CONTRIBUTIONS OF EMERGING ECONOMIES



Stock market capitalization

GDP at official exchange rates

Exports

GDP at purchasing power parity

Foreign exchange reserves

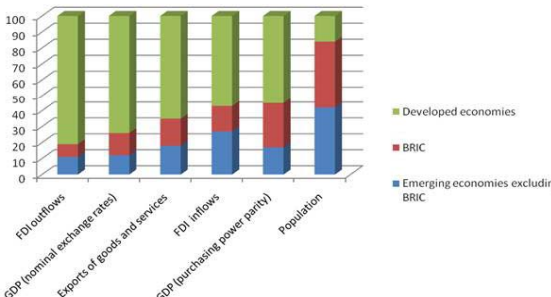
Population

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A major theme in the 21st century: Understanding Brazil, Russia, India, and China (BRIC)



Contributions of BRIC + other emerging economies



Developed economies

BRIC

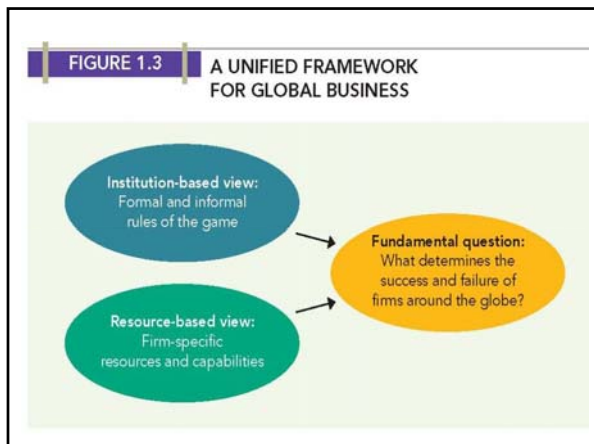
Emerging economies excluding BRIC

BRIC multinationals in Fortune Global 500

	2010	2005	2006	2007	2008	2009
Brazil	7	4	5	5	6	7
Russia	7	5	4	5	8	6
India	8	6	6	7	7	8
China	61	20	24	29	37	46
BRIC	83	35	39	46	58	67
USA	133	170	162	153	140	139
EU	148	165	165	170	163	161
Japan	68	70	67	64	68	71

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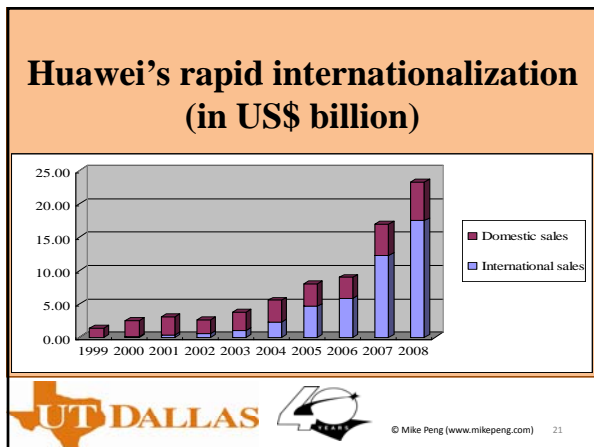
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CASE 1: Huawei

- US headquarters in Plano, TX
- Cisco vs. Huawei
- If you lost a job @ Nortel, find a new job @ Huawei!

[SOURCE] S. L. Sun, 2010. Huawei's internationalization, in Peng *Global Business* 2E (p. 457).



China goes global

The significant outward foreign direct investment (OFDI) made by Chinese multinational enterprises (MNEs)

(Harvard Kennedy School keynote, 2009)

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How the world sees China

- Historical racism, modern prejudice
- Chinese arrogance (+ ignorance) does not help
- Chinese firms eyeing US banking and oil assets: No way!
- Chinese bid for Rio Tinto: No, thanks!

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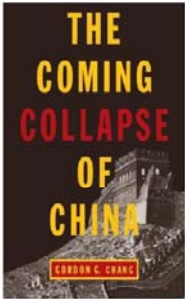
Media sensation continues (11/11-19/2010)

The math simply doesn't add up if 1% of global OFDI can "buy up" the world

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“China on steroids” (2010) versus “China on the verge of collapse” (Chang, 2001)

Despite the provocative title, this book is not alone



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As recently as in 2007, China was viewed as “so broken”

(thanks to toy recalls, endemic corruption, and spreading eco-crisis)



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What happened to the “Japan on steroids” literature (*Japan as No. 1*—1979)?

Lesson: Don’t uncritically believe in today’s media



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Conclusions from research on Case 1

- Foreign direct investment stock from China is tiny
 - 1.46% of world total, and only 0.031% of world total came to North America—1.46% x 2.11%
 - Can hardly threaten any country
 - U.S. companies have 16 times that much FDI stock
- FDI always has both pros and cons
- What does the U.S. economy need? Investment and jobs!
- What does Chinese FDI bring?

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Fortune (05/24/2010): “In states like TX, SC, and NV, China is building factories and—lo and behold!—creating American jobs”

When Chinese deal failed, HUMMER had to be liquidated



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My advice: Here is a better way to view the complex relationship: The **ODD COUPLE** (the G2) who have to work (sleep!) together



The most important relationship today and tomorrow



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CASE 2: Tata

- The Tata Nano: The world's cheapest car (\$2,000-\$3,000)
- Jaguar and Land Rover acquisitions
- Post-acquisition headaches

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Conclusions from research on Case 2

- Global business is now a 2-way street
- It is no longer just about UK firms investing in India
- It is also about Indian firms investing in the UK
- What is the *largest* private sector employer in the UK?
 - Surprise: Tata (45,000 UK employees as of 2011)

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CASE 3: GE innovates from India and China

(GE's Mac 400 ECG machines developed in India)



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- GE's portable ultrasound machine developed in China and for China
- Innovations developed in China and India have worldwide appeal
- REVERSE innovation



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Conclusions from research on Case 3

Reverse innovation isn't optional; it is oxygen—Jeff Immelt (GE CEO, 2009)

- If GE doesn't come up with innovations in poor countries and take them global, new competitors will
- GE has tremendous respect for traditional rivals like Siemens, Philips, and Rolls-Royce. But it knows how to compete with them; they will never destroy GE.
- By introducing products that create a new price-performance paradigm, however, the emerging giants very well could.

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So, why study Global Business?

- (Even though you may not want to major in Global Business or any SOM major) To enhance your critical thinking skills—don't be fooled by *today's* media
- Obviously to enhance your employability and advance your career
- But, don't forget about your larger *social* responsibility

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Global business is more than about making a buck, it is more than economic—it serves to preserve world peace

- The most noble goal of enhancing trade and investment linkages around the world
- Buyers and sellers are not likely to kill each other
 - When the US cut off oil sales to Japan (in protest of Japanese aggression in China), Japan attacked Pearl Harbor
- The EU preserves peace in Europe



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Born and raised in Shanghai



My personal journey to become Mr. Global

- Shanghai International Studies Univ (1986-88)
 - Major: International Trade and Economics
- Winona State University, Minnesota (1989-91)
 - BS in Business Administration
- University of Washington, Seattle (1991-95)
 - PhD in Business Administration (1996)
- Overall, studied at 3 universities with 2 degrees



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The journey continues

- University of Hawaii (1995-97)
 - 1st job as an assistant professor
- Chinese University of Hong Kong (1997-98)
 - 2nd job as a (visiting) assistant professor
- Ohio State University (1999-2005)
 - 3rd job as an assistant professor, tenured associate prof (2004)
- UTD called with full professorship in 2005
 - UTD created Provost's Distinguished Chair (!)
- Overall, served at 4 universities as a faculty member



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My six years @ UTD

- Published 2 (out of 5) books and 58 (out of 90) articles in academic journals
 - #1 contributor to *Financial Times* list of top journals
- Served one term as Editor-in-Chief at the *Asia Pacific Journal of Management*
- Excited to be a part of the growing excitement at UTD, evidenced by rising rankings in research, EMBA, MBA, and undergraduate programs
- Helped launch the new major in Global Business



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Awards and Honors

- National Science Foundation CAREER Award (2003-09)
- (Lifetime) Distinguished Scholar Award, Southwestern Academy of Management (2010)
- US Small Business Administration (SBA) Best Paper Award (2008)
- Hot Paper Award, Science Watch (2010)
- Reported by UTD Daily News Center (3 times)
- Research quoted by *Economist*, *Smart Business Dallas*, *World Journal*, *Business Times* (Singapore), *Sing Tao Daily* (Vancouver), and *Brasil Econômico* (São Paulo).



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Speaking engagements

- Leading academic conferences: AIB, AOM, AAOM, and SMS (every year)
- Harvard Univ Kennedy School of Govt conference
- Pacific Forum, Vancouver, Canada
- Multinationals from AstraZeneca to TI
- Leading universities in Australia, Brazil, Canada, China, Hong Kong, Japan, Singapore, Taiwan, and the UK



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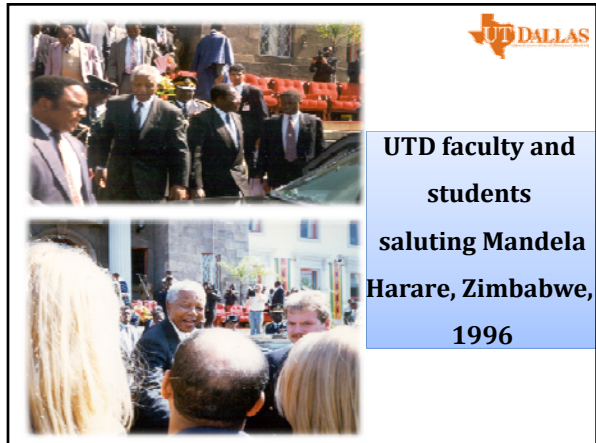

School of Management have sponsored 14 trips in the past 15 years:

To name a few ...

- India
- South Korea
- Poland
- Italy
- Germany
- Denmark
- Mexico
- Argentina
- Turkey
- China
- Taiwan
- South Africa & Zimbabwe






“Twenty years from now you will be more disappointed by the things you didn’t do than by the ones you did do. So throw off the bowlines, sail away from the safe harbor. Catch the trade winds in your sails.

Explore. Dream. Discover.”

-Mark Twain




GO GLOBAL!

For additional information and today’s slides:

www.mikepeng.com

www.utdallas.edu/~mikepeng

For BS in Global Business (and MS in International Management Studies):

Dr. Habte Woldu, Director
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