1 INTRODUCTION

This book is designed to facilitate university-level courses on International Business. The book takes a global perspective and emphasizes the role of European companies in creating cross-border business. While other geographies of the world have seen substantial increases in their relevance for the global economy, the European context is still home to most cross-border business activities in terms of their relevance for the open and relatively small national economies that make up much of the continent. Having said that, we like to think about this book as born out of our experience in teaching International Business and global strategy in business schools around the world.

The book is structured to allow International Business instruction in a course on the fundamentals of global business, a course on building and managing multinational companies, and forming the basis for more specialized courses in functions (e.g., finance, marketing) and cross-functional (e.g., sustainability, digitalization) aspects of International Business. We provide extensive digital materials, which we will keep expanding. The book also contains several case studies of companies that faced challenges specific to issues the book discusses. Sometimes, those companies managed to overcome the challenges in creative ways. In other cases, companies failed to address a challenge on time and had to work extra hard to recover from the resulting fallout. We do not mean to illustrate particularly effective or ineffective management in those cases but want to provide a glimpse into the complex reality of International Business, which can serve as a basis for class discussion. In such discussion, we encourage instructors and students to reflect on the materials covered in this book in the light of their own experiences.

The book starts (following the introductory chapter) with a focus on Understanding the International Business Environment. We then follow the institution-based view in International Business and introduce Formal Institutions, Informal Institutions, Supranational Institutions, and Institutional Distance. These first chapters form a basis for an introductory course on understanding the global business environment.

Having understood the global business environment, students with a more specialized interest in International Business typically take a course in 'international management' or 'global strategy' that introduces them to theories of trade and investment, explains how companies extend their operations around the world, and how management and strategizing in companies works once they have become multinational. We cover these topics in Chapters 6–8. Chapter 6 outlines the Country-level Theories of International Economic Exchange, which form the historical basis for much of the basic understandings of international management. Chapter 7 ('Firm-level Internationalization Theories and Strategies') then outlines the mechanisms that govern how firms grow their international activities. Chapter 8 then introduces students to the topic of 'Managing a Global Firm'.

Other than courses on the International Business environment, international management, and global strategy, we have also taught several function-specific courses that highlight the particular challenges of globally operating firms. Any single book cannot hope to cover all functions and their international complications, but we feel that it is important to provide the most important concepts. More advanced students of International Business can then decide in an informed way which functional specialization they may

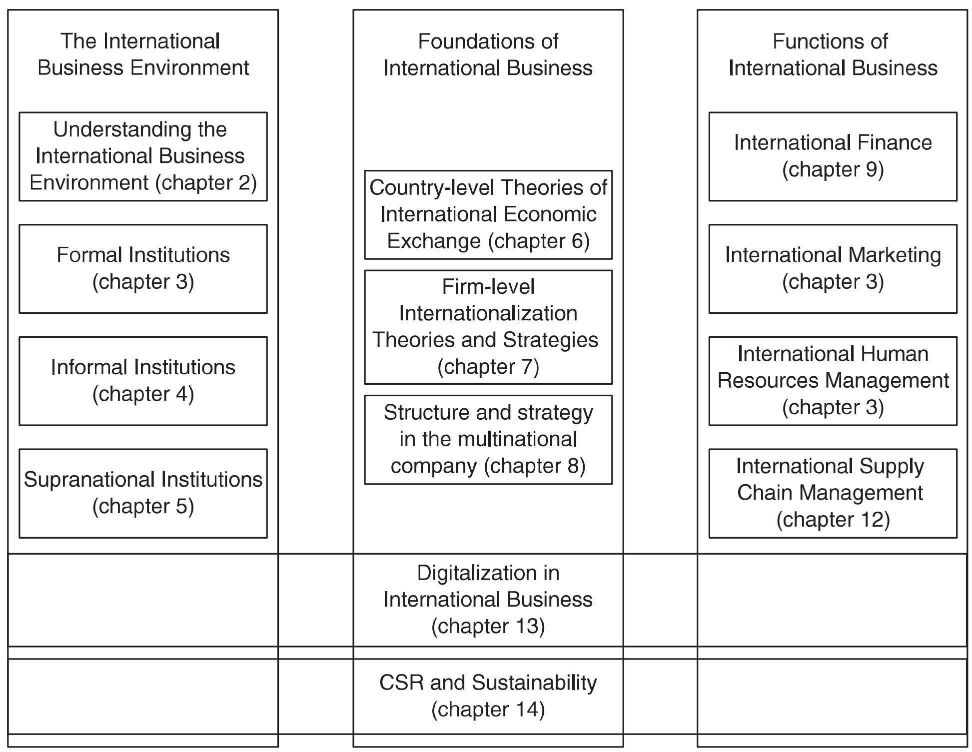

Figure 1.1 provides an overview over the structure of this book, and how that structure can inform courses as taught in leading business schools. Clearly, the functional courses in Functions of International Business can only provide a basis for more advanced study. We recommend starting any course in International Business with an overview (or for more advanced students: a recap) of the International Business Environment, which we invite you to start with right away. We provide short chapter summaries below to facilitate navigating the learning journey supported by this book

want to pursue in more detail. This book provides those basics for International Finance (Chapter 9), International Marketing (Chapter 10), International Human Resources Management (Chapter 11), and International Supply Chain Management (Chapter 12).

Throughout the book, we emphasize the special roles that sustainability and digitalization play in today's business environment. The book provides special-insights boxes into digitalization and sustainability throughout all chapters. We aggregate some of those insights and add the basic discussions surrounding both topics in two separate chapters. We introduce the specific international challenges and opportunities associated with Digitalization in International Business (Chapter 13) and outline the challenges and opportunities with Corporate Social Responsibility and Sustainability in Chapter 14.

OVERVIEW OF CHAPTER 2

The International Business (IB) environment is highly complex, influenced by various contexts such as different countries, languages, and institutional backgrounds. Historically, business studies often overlooked these contextual factors, assuming a universal approach. However, the increasing interconnectedness and globalization have made the importance of context undeniable. Since the 1980s, structured analysis of these contexts has become a significant field of study, essential for navigating the global business landscape. International Business involves cross-border activities, including trade and investment, with key players including individuals, companies, governments, international governmental organizations (IGOs), and non-governmental organizations (NGOs). Firms, particularly multinational corporations (MNCs), are the most active in this arena, engaging in international trade (importing and exporting goods and services) and foreign direct investments (FDIs) which involve ownership and managerial control across borders. MNCs emerged prominently at the end of the nineteenth century, driven by technological innovations, trade liberalization, and the industrial revolution.

The history of globalization dates back to ancient times, with trade routes like the Silk Road facilitating early international commerce. After a decline in the early Middle Ages, cross-border trade revived during the Renaissance, leading to the rise of influential trading cities and families. Colonialism further expanded global trade, fostering the rise of international trading companies. The end of the nineteenth century saw the emergence of modern MNCs, spurred by liberal trade policies and technological advancements. Post-World War II, globalization was significantly shaped by the ideological divide between the US and USSR. The US-led reconstruction of Western Europe, aided by the Marshall Plan and the establishment of institutions like the International Monetary Fund (IMF), the World Bank, and the General Agreement on Tariffs and Trade (GATT), fostered international trade. The triad of the US, Europe, and Japan dominated global trade until the 1990s. In recent decades, globalization has accelerated with the fall of socialist regimes, market-oriented policies in China, and the establishment of regional integration agreements, driving further economic integration and global trade.

Technological advancements, economic liberalization, and political changes continue to drive globalization, presenting both challenges and opportunities for International Business. Understanding these historical and contextual factors is crucial for successfully navigating the International Business environment. Institutions, both formal and informal, shape the rules and norms guiding business practices, emphasizing the importance of contextual analysis in International Business. Formal institutions include political, economic, and legal systems, which interact significantly and create a complex environment for businesses to operate in. Informal institutions, such as cultural norms and societal values, also play a crucial role in shaping business practices and strategies. Recognizing and adapting to these diverse institutional frameworks is essential for MNCs to thrive in the global marketplace. The continuous evolution of globalization demands that businesses remain agile and responsive to the changing international landscape, leveraging their understanding of institutional contexts to navigate challenges and capitalize on opportunities.

OVERVIEW OF CHAPTER 3

National institutions, distinct from supranational institutions, provide the rules for corporate decision-making, which is crucial for multinational companies operating across different nations. The formal national institutional environment is typically described by the political, economic, and legal systems of a country, which interact significantly with each other. For instance, political systems design and vote on legislation, while legal systems define how these political actions can take place, often outlined in a country's constitution. The economic system's basic ideas are implemented within the legal environment, defining what is permissible in markets. These interdependencies between political, economic, and legal systems create a complex formal institutional system that significantly impacts how businesses operate in different national contexts.

The chapter explores political systems, differentiating between democratic and autocratic systems, and highlights how these systems impact MNCs through regulations, lobbying, and political risk. In democratic systems, political decision-makers are elected by the citizens, with features like regular and fair elections, rule of law, and separation of government powers. These systems vary in electoral mechanisms, such as proportional representation and winner-takes-all systems, and forms of democracy, including direct and representative democracies, and federal versus national democracies. Conversely, autocratic systems concentrate power in the hands of a single leader or a small group, with limited citizen participation. These systems are characterized by centralized authority, uncontested elections, restricted individual freedoms, and state-controlled economic activities. Understanding the nuances of political systems is crucial for MNCs, as these systems determine regulatory frameworks, methods of influencing policies, and the stability of the business environment. Political risk, which can be macro (affecting all firms) or micro (affecting specific firms or industries), is a key consideration for MNCs operating in different political systems.

Legal systems and economic systems also significantly impact International Business. The chapter distinguishes between civil law and common law systems. Civil law, prevalent in many countries, is based on codified statutes and comprehensive legal codes, with judges interpreting and applying these statutes. Common law, originating in England and adopted by countries like the United States, relies on judicial decisions and precedents. The adaptability of common law allows it to evolve with societal changes, making it a valuable framework for International Business transactions. Economic systems, ranging from pure market economies to pure planned economies, impact business operations through varying degrees of government intervention and market-driven dynamics. The chapter introduces the concept of varieties of capitalism, where liberal market economies (LMEs) like the United States and the United Kingdom rely on market mechanisms and hierarchies, while coordinated market economies (CMEs) such as Germany and Japan emphasize non-market interactions and relationships with other actors. Overall, understanding national institutions in IB is essential for analysing political, legal, and economic systems, providing students with the tools to navigate the complexities of international markets and make informed strategic decisions.

OVERVIEW OF CHAPTER 4

Informal national institutions are unwritten, non-codified, and implicit rules, norms, traditions, and social practices that shape human behaviour. Unlike formal institutions, which are enforced through written laws and regulations, informal institutions exert significant pressure on multinational companies to adapt their products, services, and practices to local standards. To understand these informal national institutions, the chapter introduces the Iceberg Model, originally developed to describe cultural dimensions but useful in structuring informal national environments. The Iceberg Model separates the informal national institutional system into three levels: artifacts and visible behaviours, values and social norms, and basic assumptions. Artifacts and visible behaviours are the most visible and easily understood elements of culture, including clothing, food, language, and rituals. Values and social norms lie just below the surface, guiding behaviour within a society through beliefs and ideals. At the deepest level are basic assumptions and beliefs, which are fundamental and often unconscious perceptions shaping individuals' worldviews and interactions.

Language is a critical artifact in the Iceberg Model, playing a vital role in shaping people's thinking and perceptions. It encompasses verbal, non-verbal, paraverbal, and extraverbal elements, each contributing to effective communication. Within MNCs, language can be both a barrier and a bridge. Language barriers can hinder intercultural communication and coordination, leading to misunderstandings and reduced communication among employees with limited language skills. However, language diversity can also foster unique company-specific languages that enhance cohesion and in-group feelings. Externally, language barriers pose challenges in legal communication, partnerships, and marketing. Effective communication within MNCs requires understanding these various elements and their impact on interactions. Moreover, communication difficulties often arise from varying language proficiencies, semantic differences, differing communication norms, linguistic mistrust, and anxiety. Addressing these challenges involves recognizing the multifaceted nature of language and its influence on business operations and relationships.

Culture, as defined by Hofstede, is the collective mental programming distinguishing members of one group from another. It encompasses shared values, rituals, heroes, and symbols, influencing behaviour, decision-making, and interpersonal interactions. Hofstede's model identifies six dimensions of culture: power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity, long-term versus short-term orientation, and indulgence versus restraint. These dimensions provide a framework for comparing cultures and understanding their impact on business practices. Despite criticism of Hofstede's model, it remains influential in cross-cultural management. The GLOBE study expands on Hofstede's work, introducing nine cultural dimensions and measuring both cultural values and practices. Hall's model, focusing on time, space, and context, highlights the role of communication in culture. Understanding these cultural models and their implications helps MNCs navigate the complexities of International Business environments. Finally, religion, as a fundamental aspect of culture, shapes beliefs, values, and behaviours. Recognizing the influence of religion on national cultures and organizational practices is crucial for MNCs operating in diverse cultural contexts.

OVERVIEW OF CHAPTER 5

Since the mid-twentieth century, supranational institutions have emerged to complement national and subnational institutions, playing a significant role in the global economy. The establishment of organizations like the United Nations, the European Union, and the World Trade Organization set the stage for the increasing influence of the supranational layer in the economy. Today, entities like the European Commission, USMCA, ASEAN, and the European Union substantially influence global business practices. This chapter examines how supranational institutions co-create the institutional environment in which firms operate and characterizes the differences between countries by institutional distance. It also looks into the process of economic integration, highlighting the interaction between supranational and national institutions, and the role of MNCs in shaping these institutions.

Supranational institutions are characterized by six key properties: supraterritoriality, co-existence, contextuality, selectivity, consensuality, and co-evolution. Supraterritoriality refers to the power of these institutions to influence MNCs beyond national boundaries. Co-existence is about the need to understand both national and supranational components in a triadic institutional setting. Contextuality highlights the dependency of supranational institutions' effectiveness on national environments. Selectivity points out that these institutions selectively impact firms, creating advantages for some. Consensuality requires the consent of powerful agents for enforcement, and co-evolution indicates the mutual influence between MNCs, national, and supranational institutions. Formal components of supranational institutions include laws and treaties, while informal components encompass shared cultural and religious beliefs. Organizations such as Civil Society Organizations (CSOs), the WTO, IMF, and World Bank play crucial roles in maintaining and developing these institutions, influencing global business by providing information, setting standards, and modifying behaviour.

Economic integration, defined as agreements between countries to remove economic barriers, progresses through stages from free trade areas to economic unions, with each stage incorporating the provisions of the lower level. Free trade areas reduce tariffs on goods and services, customs unions establish common external tariffs, common markets allow the free movement of labour and capital, and economic unions harmonize economic policies. MNCs are key drivers of regional economic integration, benefiting from larger markets and economies of scale. However, the complexities of trade barriers, non-tariff measures, and rules of origin still pose challenges. The WTO's most favoured nation principle ensures non-discrimination in trade, but exceptions for regional trade agreements and preferential trade agreements complicate the landscape. Understanding these dynamics is crucial for MNCs to navigate the institutional triality of national, supranational institutions, and institutional distance, ultimately shaping successful international strategies.

OVERVIEW OF CHAPTER 6

This chapter explores the main theories of international economic exchange at the country level, connecting insights from previous chapters on the business environment to the management and theories of international expansion at the firm level and the management of global firms. Understanding these theories is crucial for comprehending the complex dynamics of international trade and investment. Traditional economic theories in International Business (IB) offer valuable insights into why nations engage in trade, serving as a catalyst for growth and prosperity in the global economy. By facilitating the efficient use of local resources through specialization, trade helps maintain low product costs. Early economic thought, like eighteenth-century mercantilism, suggested that governments could enhance a country's economic well-being by promoting exports and restricting imports, resulting in a positive balance of trade. This chapter builds on foundational knowledge from previous discussions on strategic challenges, economic systems, and regional economic integration to provide a comprehensive understanding of international trade and investment theories.

The chapter investigates various traditional theories in the field of IB, covering International Trade Theories such as Absolute and Comparative Advantage, Factor Endowment Theory (Heckscher–Ohlin Theory), the International Product Life Cycle (IPLC) Theory, the Leontief Paradox, Linder's Income-Preference Similarity Theory, and the New Trade Theory (NTT). These theories explain the factors influencing International Business activities, the role of countries' resources, and their ability to compete in international markets. For example, Adam Smith's Absolute Advantage Theory posits that nations should specialize in producing goods they can produce more efficiently and trade for those they cannot. David Ricardo's Comparative Advantage Theory further refines this idea by emphasizing that even if one country is more efficient in all goods, trade can still be beneficial if countries specialize based on their relative efficiencies. Heckscher and Ohlin's Factor Endowment Theory explains trade patterns based on countries' varying endowments of production factors. The chapter also covers the International Product Life Cycle Theory, which illustrates how a product's life-cycle stages influence trade patterns, and the Leontief Paradox, which challenges the Factor Endowment Theory by showing that countries often export goods that use less abundant resources.

Moreover, the chapter examines recent developments in IB theories, highlighting insights that challenge traditional assumptions and provide new perspectives. For instance, it is crucial to understand the potential risks and complexities associated with international trade and capital mobility. Recent analyses suggest that trade and specialization are not always mutually beneficial and can sometimes lead to economic exclusion or imbalances. Additionally, the chapter emphasizes the importance of empirical research in validating and refining these theories, illustrating how real-world data can reveal nuances and shifts in international trade patterns. By integrating these theoretical frameworks with empirical findings, the chapter offers a comprehensive view of the factors driving international trade and investment, underscoring the dynamic and evolving nature of global economic interactions. This foundation is essential for exploring the complex interactions between countries and firms, informing effective decision-making in the global business environment.

OVERVIEW OF CHAPTER 7

This chapter builds on previous discussions about international economic exchange at the country level, looking into the strategic questions related to firms' international expansion. It explores why, when, where, and how firms internationalize, emphasizing that these decisions are interrelated and often considered jointly by internationalizing firms. By examining these dimensions one by one, the chapter provides a structured approach to understanding internationalization. The chapter outlines the main theories of International Business, such as the Resource-Based View (RBV), Transaction Cost Theory (TCT), and the Institution-Based View (IBV), providing a comprehensive framework for understanding the strategic options available to firms. It also integrates real-life cases and contemporary topics like digitalization and sustainability, offering a broad and nuanced perspective on the internationalization process.

The chapter identifies four main motivations for internationalization: market seeking, resource seeking, efficiency seeking, and strategic asset seeking. Market seeking involves expanding operations to new markets to access new customer bases and extend product life cycles. Resource seeking aims to access natural resources or labour that is more affordable or of superior quality. Efficiency seeking involves optimizing costs through specialization and economies of scale by distributing production across various countries. Strategic asset seeking targets acquiring resources that enhance a firm's competitive edge or mitigate a competitor's advantage. These motivations are influenced by firms' competitive advantages and firm-specific assets (FSAs), which must be transferable to international contexts. The RBV posits that a firm's unique resources and capabilities, such as intellectual property, brand reputation, and proprietary technologies, are central to its success in foreign markets. These resources must be valuable, rare, difficult to imitate, and well-organized (VRIO criteria) to provide a sustainable competitive advantage.

The chapter also discusses the importance of understanding the timing of internationalization, the speed of expansion, and the concept of Born Global firms, which rapidly internationalize from inception. First-mover advantages, the pace of internationalization, and the specific phenomena associated with rapid internationalization, such as Born Global firms, are explored to illustrate the diverse strategies firms employ. First movers can establish strong market positions, shape consumer preferences, and create barriers to entry for competitors, but they also face higher risks and uncertainties. In contrast, late movers can learn from early entrants and may benefit from lower uncertainties and refined market strategies.

Country market selection is another critical aspect of internationalization, driven by location advantages such as agglomeration economies, institutional factors, and macroeconomic conditions. Agglomeration economies refer to the benefits firms gain by being close to each other, such as better infrastructure, lower costs, and access to specialized labour pools. Institutional factors include the formal and informal rules that shape business environments, as highlighted by the Institution-Based View. The IBV emphasizes the importance of understanding the local institutional context, including laws, regulations, and cultural norms. Porter's Diamond Model provides a framework for assessing the competitiveness of industries in different countries by analysing factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry. The Uppsala Internationalization Model explains the incremental nature of internationalization, emphasizing the role of market knowledge and commitment. Firms often start with low-commitment entry modes and gradually increase their investment as they gain market knowledge and reduce perceived risks.

Market entry strategies, including ownership, establishment, and value chain decisions, are also covered in the chapter. Transaction Cost Theory provides a framework for evaluating ownership decisions, such as whether to enter a market through wholly owned subsidiaries, joint ventures, or non-equity modes like licensing and franchising. Establishment strategies involve deciding between greenfield investments (building new facilities) and brownfield investments (acquiring existing assets). Value chain decisions involve determining which parts of the value chain to locate in foreign markets, guided by Porter's Value Chain Framework. The eclectic paradigm or OLI framework integrates various theories to explain the strategic decisions firms make in their internationalization journeys, highlighting the importance of ownership, location, and internalization advantages. This integrative model underscores that firms must possess a competitive advantage (ownership advantage), choose attractive locations (location advantage), and decide whether to internalize operations (internalization advantage) to succeed in international markets.

OVERVIEW OF CHAPTER 8

This chapter explores the strategic management of multinational companies like Apple, Microsoft, and Unilever, highlighting their substantial influence on the global economy. It draws parallels between business and military strategy, emphasizing the importance of competitive advantage, intelligence, and manoeuvring. Just as military leaders like Sun Tzu and Thucydides emphasized planning and adaptability, MNCs must navigate complex environments, anticipating competitors' moves, exploiting opportunities, and mitigating risks. These principles underpin modern business strategy, stressing the need for a clear strategic direction and effective organizational structures.

Porter's Generic Strategies – cost leadership, focus, and differentiation – provide a framework for achieving competitive advantage. Cost leadership parallels military force, focusing on efficiency and economies of scale. Differentiation, akin to military guile, involves unique offerings and innovation. Focus strategies target specific market niches with tailored cost or differentiation advantages. The chapter warns against the dangers of being 'stuck in the middle', lacking a clear strategic direction. Effective strategy development requires understanding internal strengths through the Resource-Based View (RBV) and analysing the external environment using Porter's Five Forces.

The chapter outlines essential components of corporate strategy: arenas, vehicles, differentiators, staging, and economic logic. Arenas define the markets where the firm competes, while vehicles are the means to enter these markets, such as mergers or joint ventures. Differentiators are the unique capabilities that set a firm apart, and staging refers to the timing and sequence of strategic moves. Economic logic explains how the strategy generates superior financial performance. Balancing global integration and local responsiveness is crucial for MNCs, requiring a careful trade-off between standardization and customization to meet diverse market needs.

Strategic orientations – ethnocentric, polycentric, regiocentric, and geocentric – shape global business operations. Ethnocentric focuses on home-country practices, polycentric adapts strategies to local markets, regiocentric balances regional control, and geocentric integrates a global perspective. Additionally, the chapter examines the organization of global value chains, highlighting strategic choices in outsourcing and offshoring. Effective global management requires aligning organizational structures, such as international divisions, global product structures, and matrix structures, with the overarching strategy.

OVERVIEW OF CHAPTER 9

International finance focuses on incorporating risk into financial planning and understanding how risk influences company finances and investments. The chapter also provides insights into international accounting, particularly transfer pricing, and its significance in global business. Understanding risk is essential, especially when considering country risk, which encompasses economic, political, and social factors that might impact investment returns. Country risk is critical for MNCs as it can deter foreign investments and influence business decisions. Systematic risks, like economic crises, and unsystematic risks, such as company-specific issues, both play a role in international finance, requiring firms to conduct rigorous country risk analysis to make informed investment choices.

In international finance, understanding and managing country risk is paramount for multinational companies. Country risk encompasses various uncertainties, including economic instability, political turbulence, and social unrest, which can significantly impact investment returns. For instance, economic risks such as inflation, currency depreciation, fiscal deficits, and high unemployment rates can destabilize an economy, affecting MNC operations. Political risks, including policy instability, corruption, and lack of rule of law, can deter foreign investors and complicate business operations. Social risks like strikes, civil unrest, and cultural differences can disrupt business activities and pose physical and reputational threats. Recognizing and mitigating these risks through comprehensive country risk analysis allows MNCs to make informed decisions and strategize effectively.

International investment is explored through Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI). FDI involves direct equity ownership and active management, while FPI includes investments in financial instruments like bonds and equities without active management. Brownfield and greenfield investments are two primary modes of FDI, each with its benefits and challenges. Brownfield investments involve acquiring existing entities, offering immediate market penetration but requiring significant capital.

Greenfield investments, on the other hand, involve establishing new subsidiaries, allowing for location flexibility and potential tax benefits. FPI, comprising bonds and equities, provides opportunities for diversification but also involves market risks.

In the realm of international investment, FDI and FPI are two main avenues for channelling capital across borders. FDI allows investors to gain direct ownership and control over foreign assets, facilitating active involvement in management decisions. This form of investment can be categorized into brownfield and greenfield investments. Brownfield investments entail acquiring existing entities in the host country, providing immediate market access but necessitating substantial capital. Conversely, greenfield investments involve establishing new subsidiaries, offering advantages like location selection and potential tax incentives, though initial market share may be minimal. FPI involves investments in financial instruments, such as bonds and equities, without active management. This approach offers diversification opportunities but comes with market volatility risks.

Exchange rates and foreign exchange risk management are crucial aspects of international finance. Exchange rates can be fixed, floating, or pegged, and understanding these systems is vital for managing foreign exchange risk. For instance, fixed-rate systems maintain currency value through foreign exchange control or market intervention, while floating-rate systems allow currency values to adjust based on supply and demand. Pegged or crawling peg systems involve periodic adjustments to maintain stability. Managing foreign exchange risk involves hedging strategies, including using forward contracts, options, and other financial instruments to protect against adverse currency fluctuations.

OVERVIEW OF CHAPTER 10

Marketing involves promoting, selling, and distributing products or services by understanding customer needs and creating products that satisfy them. International marketing, however, requires a more complex approach due to varying institutional conditions such as legal, cultural, economic, geographical, and political dimensions across countries. Firms must develop multiple strategies to address these differences. The '7 Ps' of the marketing mix – product, price, place, promotion, people, process, and physical evidence – serve as a framework for coordinating marketing activities. For the product, companies must decide whether to standardize or adapt to local preferences. For instance, McDonald's modifies its menu to cater to local tastes, while luxury brands like Rolex maintain a standardized product globally.

Promotion involves stimulating demand through advertising, which can either be standardized or adapted based on market conditions. Identical products may have different advertising messages tailored to local preferences or regulations. For example, car companies might emphasize luxury in one market and fuel efficiency in another. The choice of advertising channels – such as classical advertising, digital marketing, or public relations – varies based on local consumer behaviour and market dynamics. Pricing strategies, including cost-based, market-based, skimming, or penetration pricing, must consider factors like production costs, market demand, competition, and purchasing power. Currency fluctuations, government regulations, and cultural differences also play a significant role in pricing decisions. For instance, German cars are priced higher in many markets due to their perceived quality, whereas other markets might require price adjustments to match local purchasing power.

Distribution, the place aspect of the 7 Ps, involves selecting appropriate channels to deliver products to consumers, whether directly or through intermediaries, considering local shopping habits and infrastructure. Evaluating potential partners' financial strength and market reach is crucial. People, or the employees who interact with customers, play a vital role in delivering customer satisfaction and reflecting company values. Effective recruiting, training, and cultural sensitivity are essential. Process focuses on creating efficient and customer-friendly systems, managing enquiries, orders, and service delivery. Physical evidence includes tangible aspects like store design, signage, and staff appearance, reinforcing the brand image and enhancing customer experiences. International marketing requires adapting the 7 Ps to local conditions, balancing standardization and customization to achieve global success. This involves evaluating market potential, legal, cultural, economic, and competitive factors, and employing strategic approaches based on research findings.

OVERVIEW OF CHAPTER 11

Human resources management (HRM) is a critical strategic element for multinational companies (MNCs) in today's globalized business landscape. Effective HRM practices, such as selecting, training, and compensating personnel, help MNCs cultivate a talent pool that provides a competitive edge. Key areas in International Human Resource Management (IHRM) include personnel selection, training, managerial development, compensation, and labour relations, all tailored to the unique challenges of operating globally. IHRM facilitates managing a diverse and geographically dispersed workforce to achieve strategic objectives, addressing the complexities of international operations.

International staffing policies play a crucial role in IHRM. Organizations can adopt one of three staffing policies: employing parent-country nationals (ethnocentric approach), host-country nationals (polycentric approach), or third-country nationals (geocentric approach). Each approach has its advantages and disadvantages, depending on the context and industry of the MNC. Initially, many MNCs rely on home-country managers for overseas positions, but as they gain experience, they often transition to incorporating more host-country nationals. This strategy leverages local market knowledge and reduces operational costs while fostering better integration with local markets. Successful international hiring requires selecting candidates based on criteria such as technical proficiency, adaptability, and personal characteristics. These criteria help identify individuals most likely to succeed in cross-border roles.

International training is essential for expatriate success, addressing the high failure rates associated with overseas assignments. Expatriate adjustment involves adapting to the general environment, work situation, and interactions with host nationals. Effective international training programmes, both standardized and tailor-made, help expatriates navigate these challenges. Standardized programmes cover universal skills, while tailor-made programmes address specific cultural nuances. Additionally, compensation packages for expatriates must include elements such as base salary, incentives, tax considerations, and allowances (e.g., cost-of-living and hardship allowances) to ensure equity and fairness. By integrating international coaching with HR practices, MNCs can enhance expatriate performance and retention, providing personalized support for navigating cultural and professional challenges.

To successfully manage international operations and local employees, expatriates must adapt to new cultural perspectives and values, facing challenges such as cultural shock and acculturation. Organizations play a vital role in supporting expatriates by providing training, coaching, and carefully selecting candidates who demonstrate the potential to navigate these challenges. Addressing personal, cultural, and organizational factors is crucial to mitigating expatriate failure and ensuring the success of international assignments. By refining selection criteria, offering comprehensive training, and providing ongoing support, MNCs can enhance cross-cultural adjustment and increase the likelihood of successful international assignments.

OVERVIEW OF CHAPTER 12

Navigating the global business environment presents substantial challenges for MNCs, particularly in supply chain management (SCM). SCM has become crucial in orchestrating the movement of goods, services, and information across international borders. Intense globalization has created international networks of firms, and SCM has emerged as a vital function in this context. The rapid globalization during the twentieth century brought SCM to the core of business strategies. Free trade agreements and technological innovations enabled firms to internationalize their supply chains, creating global networks. The strategic considerations driving SCM's importance include market expansion, cost benefits, customer satisfaction, collaboration benefits, and risk management. Effective SCM allows firms to access diverse customer bases, optimize costs, meet customer expectations, and manage risks associated with geopolitical, economic, and natural disruptions.

Key theories in international SCM include the Resource-Based View (RBV), transaction cost economics (TCE), and institutional theory. RBV emphasizes the strategic importance of efficient resource allocation and leveraging core competencies. TCE focuses on the make-or-buy decision, helping managers assess the risks, coordination costs, and benefits of global sourcing. Institutional theory explores how organizations adapt their supply chain strategies to comply with diverse regulations, cultural norms, and ethical considerations in various countries. Understanding these theories helps firms design and manage their supply chains effectively in a dynamic global context. The activities in international SCM include procurement, manufacturing, inventory management, logistics management, return management, and planning. Effective procurement involves sourcing materials from different countries, managing trade regulations, and building strong supplier relationships. Manufacturing activities are distributed globally to leverage cost advantages and specialized skills. Inventory management aims to balance stock levels to meet customer demands while minimizing costs. Logistics management involves selecting transportation modes and managing customs compliance. Return management handles returned goods, repairs, and recycling. Planning aligns sales forecasts, production plans, and inventory management to maintain an optimal balance between demand and supply.

To manage international supply chains successfully, firms must implement methods and strategies that ensure smooth operations and a competitive advantage. Building resilience into supply chains is crucial to mitigate disruptions and facilitate swift recovery. Preventive resilience strategies include designing flexible and robust supply chains, while recovery strategies involve managing inventory and demand forecasting techniques. Emerging trends in international SCM, such as digitalization, sustainability, and agility, are essential for firms to remain competitive and responsive in a global, interconnected world. Digital technologies, sustainable practices, and agile supply chains are key enablers for successful international SCM.

OVERVIEW OF CHAPTER 13

Digitalization is transforming the global business landscape by integrating digital technologies into various aspects of business and society. This shift has prompted a reevaluation of traditional theories in International Business, as digitalization impacts both developed and developing countries uniquely. In developed nations, digitalization drives business innovation, competitive strategies, and new business models, utilizing digital platforms, data analytics, and automation for operational efficiency. Research in these contexts often explores the interplay between digitalization and organizational structure, strategy, and performance, highlighting the transformative potential of digital technologies. Conversely, developing countries face distinct challenges and opportunities, leveraging mobile technology and localized digital solutions to address social and economic issues despite infrastructural limitations and digital divides.

Digitalization also brings significant methodological implications for International Business research. The surge of big data and data science methods enables researchers to adopt innovative techniques for data collection, analysis, and interpretation. Big data analytics allows for improved market forecasting, customer segmentation, operational efficiency, and innovation, contributing to an MNC's competitive advantage. Automation enhances process innovation within MNCs, improving operational efficiencies and enabling firms to scale operations. However, successfully leveraging digitalization requires more than just adopting advanced technologies; it involves aligning these tools with the company's strategic objectives to create unique value propositions. The Resource-Based View (RBV) framework provides a lens to examine how digital trends can foster a competitive edge by perceiving them as strategic resources.

Furthermore, the integration of AI and data science in International Business is reshaping decision-making processes. AI, machine learning, and deep learning enable predictive analytics and data-driven strategies, transforming various business functions, including marketing, supply chain management, customer service, and human resources. However, this integration raises concerns about job displacement, privacy, and security, necessitating a balanced approach. The interplay between AI and human decision-making creates augmented decision-making processes that can reduce biases and enhance strategic decisions. The optimal balance between automation and augmentation depends on the nature of tasks, available technology, and broader societal and regulatory contexts. Overall, digitalization, AI, and data science hold vast potential for increased efficiency, innovation, and strategic advancement in International Business, demanding a comprehensive understanding and strategic application of these technologies.

OVERVIEW OF CHAPTER 14

In this chapter, we look into the complex interplay between ethics, social responsibility, and sustainability in business, posing the central question: what is the role of businesses in our society? This discussion spans the concepts of Corporate Social Responsibility (CSR) and sustainability, emphasizing their importance in International Business operations. Students will explore the roles diverse stakeholders play in promoting social responsibility and learn the distinctions between sustainability and CSR. Additionally, the chapter covers the United Nations Sustainable Development Goals (SDGs) and examines how multinational corporations (MNCs) contribute to and can mitigate climate change. Ethical dilemmas faced by MNCs, such as corruption, workplace standards, and human rights, are scrutinized, highlighting the challenges managers face in maintaining ethical behaviour across different cultural and regulatory environments.

The discussion on ethics includes the challenges of navigating different ethical standards in various countries, illustrated by cases like IKEA's controversial catalogue modifications for

Saudi Arabia. The chapter also examines corruption and bribery, with notable examples like the Odebrecht scandal, which underscores the global prevalence and impact of corrupt practices. Furthermore, the importance of workplace standards and human rights is addressed, with a focus on the International Labour Organization's guidelines and the persistent issues in industries like cocoa farming, where illegal child labour remains a significant concern. The role of stakeholders is analysed through the lens of stakeholder theory, which argues for a broader responsibility of businesses beyond maximizing shareholder profit. This perspective emphasizes the interconnected relationships between businesses and their internal and external stakeholders, each with distinct interests and influences.

Corporate Social Responsibility is dissected into ethical, business, and agency perspectives. The ethical case for CSR asserts that businesses have a moral duty to contribute positively to society, while the business case argues that socially responsible practices can lead to long-term benefits, such as improved reputation and financial performance. However, there is also a critique that CSR can sometimes be used by managers to further personal agendas, potentially leading to greenwashing. This phenomenon, where companies falsely portray their environmental efforts, is exemplified by the Volkswagen emissions scandal. Lastly, the chapter explores the concept of sustainability, which encompasses economic, social, and environmental dimensions, and the role of the SDGs in guiding global efforts towards sustainable development. MNCs' impact on climate change and the strategic decisions they must make in response to shifting regulations and environmental pressures are also discussed, highlighting the complex and multifaceted nature of ethical business practices in the global context.