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# GLOBAL BUSINESS

Fourth Edition

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**Global Business, Fourth Edition**

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*To Agnes, Grace, and James*

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# Preface

The first three editions of *Global Business* aspired to set a new standard for international business (IB) textbooks. They have been widely used in Australia, Austria, Brazil, Britain, Canada, China, Denmark, Egypt, France, Hong Kong, India, Indonesia, Ireland, Israel, Lithuania, Macau, Malaysia, Mexico, the Netherlands, Netherlands Antilles, New Zealand, Puerto Rico, Russia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, and the United States. Based on the enthusiastic support from more than 30 countries, the first three editions achieved unprecedented success. Available in Chinese and Spanish, *Global Business* has also launched a European adaptation (with Klaus Meyer) and an Indian adaptation (with Deepak Srivastava). In short, *Global Business* is global.

The fourth edition aspires to achieve even more. It continues the market-winning framework centered on one big question and two core perspectives, and has been thoroughly updated to capture the rapidly moving recent research and events. Written for undergraduate and MBA students around the world, the fourth edition will continue to make IB teaching and learning (1) more engaging, (2) more comprehensive, (3) more fun, and (4) more 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.<sup>1</sup> It is this relentless focus on our big question and core perspectives that enables this book to engage a variety of 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, as opposed to 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>2</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 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.

## 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 (entrepreneurship and small firms’ internationalization), Chapter 11 (global competitive dynamics), and Chapter 16 (corporate finance and governance).

The most comprehensive topical coverage is made possible by drawing on the latest and most comprehensive range of the research literature. I have accelerated my own

<sup>1</sup> On the integration of these two perspectives, see K. Meyer, S. Estrin, S. Bhaumik, & M. W. Peng, 2009, Institutions, resources, and entry strategies in emerging economies, *Strategic Management Journal*, 30(1): 61–80; D. Zoogah, M. W. Peng, & H. Woldu, 2015, Institutions, resources, and organizational effectiveness in Africa, *Academy of Management Perspectives*, 29(1): 7–31.

<sup>2</sup> For the big question, see M. W. Peng, 2004, Identifying the big question in international business research, *Journal of International Business Studies*, 35(2): 99–108. For the institution-based view, see M. W. Peng, D. Wang, and Y. Jiang, 2008, An institution-based view of international business strategy: A focus on emerging economies, *Journal of International Business Studies*, 39(5): 920–936. For the resource-based view, see M. W. Peng, 2001, The resource-based view and international business, *Journal of Management*, 27(6): 803–829.

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research, publishing a total of 30 articles after I finished the third edition.<sup>3</sup> Some of these recent articles appear in top-tier outlets in IB, such as the *Academy of Management Journal* (2012), *Journal of International Business Studies* (2014 and 2016), *Journal of Management Studies* (2012, 2013, and 2015), *Journal of World Business* (2012, 2014, and 2015), and *Strategic Management Journal* (2013, 2015, and 2016). Writing *Global Business* has also enabled me to broaden the scope of my research, publishing recently in top-tier journals in operations (*Journal of Operations Management*), ethics (*Journal of Business Ethics*), entrepreneurship (*Journal of Business Venturing* and *Entrepreneurship Theory and Practice*), and human resources (*International Journal of Human Resource Management*). In addition to my own work, I have also drawn on the latest research of numerous colleagues. 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. (Unfortunately, a number of older references have to be deleted to make room for more recent research.)

Finally, the fourth edition of *Global Business* continues to have a global set of cases contributed by scholars around the world—an innovation on the IB market. 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 Australia, Austria, Canada, China, Mexico, 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 Mexico case penned by two Mexico-based authors (see Integrative Case on Farmacias Similares), and a China case written by a China-based author (see Integrative Case on Ostnor). This edition also features a Russia case contributed by the world's top two leading experts on Russian management (see Integrative Case on Wikimart).

## More Fun

If you fear this book must be boring because it draws so heavily on latest research, you are wrong. I have used a clear, engaging, conversational style to tell the “story.” Relative to rival books, my chapters are shorter and more lively. Some earlier users commented that reading *Global Business* is like reading a “good magazine.” A large number of interesting anecdotes have been woven

<sup>3</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.”

into the text. Non-traditional (“outside-the-box”) examples range from ancient Chinese military writings to mutually assured destruction (MAD) strategy during the Cold War, from LEGO toys to Tolstoy’s *Anna Karenina*. Check out the following fun-filled features that spice up the book:

- The rebirth of the East India Company (Chapter 1 Opening Case)
- Testing the Dell theory of peace in East Asia (Emerging Markets 2.2)
- LEGO’s secrets (Chapter 4 Opening Case)
- ANA: Refreshing the parts other airlines cannot reach (In Focus 4.1)
- Why are US exports so competitive? (Chapter 5 Closing Case)
- One multinational versus many national companies (In Focus 6.1)
- Sriracha spices up American food (Chapter 9 Opening Case)
- Mickey goes to Shanghai (Chapter 10 Closing Case)
- Patent wars and shark attacks (Chapter 11 Opening Case)
- Is a diamond (cartel) forever? (In Focus 11.1)
- Can mergers of equals work? (In Focus 12.2)
- Marketing Aflac in the United States and Japan (Chapter 14 Opening Case)
- Dallas versus Delhi (Chapter 15 Closing Case)
- High drama at Hewlett-Packard (HP) (Chapter 16 Opening Case)
- Professor Michael Jensen as an outside director (In Focus 16.2)
- Global warming and Arctic boom (In Focus 17.1)

Finally, the PengAtlas allows you to conduct IB research using informative maps and other geographic tools to enhance your learning. In addition, a series of new videos enhance the multi-media, fun aspects of learning (see below).

## More Relevant

So what? 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 table (or slide) to summarize key learning points from a *practical* standpoint. No other IB book is so savvy and so relevant.

As a theme, ethics 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 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,” someone 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.

## What’s New in the Fourth Edition?

In addition to the completely updated content, the fourth edition has (1) created a new video package, (2) dedicated more space to emerging economies, (3) enhanced the quantity and variety of cases, and (4) drawn directly on the author’s consulting experience.

First, a new video package has been created that is tightly coupled with the content of the Opening and Closing Cases for *every* chapter. Instructors can ask students to watch such videos before class and answer questions online, or to watch videos as a way to open or close class sessions. In short, students can “watch TV” and gain knowledge.

Second, this edition builds on *Global Business*’ previous strengths by more prominently highlighting emerging economies. At least one Emerging Markets feature is launched in every chapter. Many of the Integrative Cases deal with emerging economies, such as Brazil, China, Cuba, Mexico, Russia, Slovakia, Thailand, and Turkey. Numerous in-chapter features (Opening/Closing Cases, In Focus, and Emerging Markets) deal with emerging economies other than those mentioned previously, such as the Czech Republic, Greenland, Guinea, India, Kenya, Liberia, Nigeria, Poland, Senegal, Sierra Leone, South Africa, Taiwan, Tanzania, and the United Arab Emirates.

Third, in response to students’ and instructors’ enthusiasm about the wide-ranging and globally relevant cases in previous editions, the fourth edition has further enhanced the quantity and variety of cases. 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 more actively participate in case writing. Finally, users of the online MindTap version of the product will have access to Media Cases that pair the Opening and Closing chapter cases with news articles from sources such as the *New York Times*, *The Economist*,

and other leading publications, as well as videos from sources such as the BBC and CBS and access to additional information from *Business Insights*. More information on the MindTap product is discussed later in this Preface.

Finally, I have directly drawn on my recent consulting experience to inject new insights. Chapter 1 Closing Case (“Two Scenarios of the Global Economy in 2050”) is adapted from a major consulting engagement I completed for the UK Government Office for Science as part of its two-year Future of Manufacturing project. Integrative Case 2.2 (“Twelve Recommendations to Enhance UK Export Competitiveness”) is a direct excerpt from the final report submitted (coauthored with Klaus Meyer). Table 3.4 (“Texas Instruments Guidelines on Gifts in China,” which is in the public domain) is shared with me by a consulting client at TI. Overall, I am confident that students can directly benefit from such new insights gained from my consulting engagements with multinationals and governments.

## MindTap

Online resources are transforming many aspects of everyday life and learning is not immune to the impact of technology. Rather than simply take the book pages of *Global Business* and place them on a screen to be accessed via a PC, tablet, or smartphone, we have reset the content and have adapted it to fully utilize the potential that the medium allows. Students can highlight passages, take notes in the MindTap content, and compile their notes for review in the EverNotes app. We have embedded assessments for each chapter as well as provide Flash Cards for all of the key terms that provide feedback to students and provide guidance so that they can address gaps in the course requirements. Faculty can use the results from the quizzes as well as using the Media Cases for assignments (see above) and utilize the assigned student work outside the classroom to benefit from a “flipped learning” approach that can result in more favorable outcomes and more rewarding experiences for students and faculty. Additional apps such as ConnectYard allow faculty to integrate social media capabilities into their course and are especially useful in online and hybrid course delivery.

As part of the MindTap product, we are not limited to the page length limitation of a physical book. Students certainly don’t enjoy carrying 1,000-page volumes, and are also frustrated when material included in the book is not assigned by the instructor. Since we are not limited by length online, faculty will also have

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access to numerous additional cases that they can select and add to their course. We have also included additional homework assessments and unique pre- and postcourse Global Literacy assessments that can be used to demonstrate student awareness of global business knowledge. We want to thank Anne Magi of the University of Illinois at Chicago for her work on the homework and Global Literacy assessments.

Finally, users of MindTap will also have access to *Business Insights: Global* from Gale, which provides a rich online research tool.

## Support Materials

A full set of support materials is available for students and adopting instructors:

- Product Support Website
  - Instructor's Manual
  - Test Bank
  - PowerPoint Slides
- MindTap (see above)  
Peng DVD

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## About the Author



courtesy of Mike Peng

**Mike W. Peng** is the Jindal Chair of Global Business Strategy at the Jindal School of Management, University of Texas at Dallas. He is also a National Science Foundation (NSF) CAREER Award winner and a Fellow of the Academy of International Business (AIB). At UT

Dallas, he has been the number-one contributor to the list of 45 top journals tracked by *Financial Times*, which consistently ranked UT Dallas as a top 20 school in research worldwide.

Professor Peng holds a bachelor's degree from Winona State University, Minnesota, and a PhD degree from the University of Washington, Seattle. He had previously served on the faculty at the Ohio State University, University of Hawaii, and Chinese University of Hong Kong. He has taught in five states in the United States (Hawaii, Ohio, Tennessee, Texas, and Washington), as well as in China, Hong Kong, and Vietnam. He has also held visiting or courtesy appointments in Australia, Britain, China, Denmark, Hong Kong, and the United States, and lectured around the world.

Professor Peng is one of the most-prolific and most-influential scholars in international business (IB). Both the United Nations and the World Bank have cited his work. During the decade 1996–2006, he was the top seven contributor to IB's number-one premier outlet: *Journal of International Business Studies*. In 2015, he received the *Journal of International Business Studies* Decade Award. 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 reported that he is the fourth most-influential management scholar among professors who obtained their PhD since 1991. Overall, Professor Peng has published more than 120 articles in leading journals, more

than 30 pieces in nonrefereed outlets, and five books. Since the launch of *Global Business's* third edition, he has not only published 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 entrepreneurship (*Entrepreneurship Theory and Practice*), ethics (*Journal of Business Ethics*), and human resources (*International Journal of Human Resource Management*).

Used in more than 30 countries, Professor Peng's best-selling textbooks, *Global Business*, *Global Strategy*, and *GLOBAL*, are global market leaders that have been translated into Chinese, Portuguese, and Spanish. A European adaptation (with Klaus Meyer) and an Indian adaptation (with Deepak Srivastava) have been successfully launched.

Truly global in scope, Professor Peng's research has investigated firm strategies in Africa, Asia Pacific, Central and Eastern Europe, and North America. He is best known for his development of the institution-based view of strategy and his insights about the rise of emerging economies such as China in global business. With more than 18,000 Google citations and an H-index of 57, he is listed among *The World's Most Influential Scientific Minds* (compiled by Thomson Reuters based on citations covering 21 fields)—in the field of economics and business, he is one of the only 95 world-class scholars listed and the *only* IB textbook author listed.

Professor Peng is active in leadership positions. He has served on the editorial boards of the *AMJ*, *AMP*, *AMR*, *JIBS*, *JMS*, *JWB*, and *SMJ*; and guest-edited a special issue for the *JMS*. At AIB, he co-chaired 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). At the Strategic Management Society (SMS), he was elected to be the Global Strategy Interest Group Chair (2008). He also co-chaired the SMS Special

Conferences in Shanghai (2007) and in Sydney (2014). He served one term as Editor-in-Chief of the *Asia Pacific Journal of Management*. He managed the successful bid to enter the Social Sciences Citation Index (SSCI), which reported *APJM*'s first citation impact to be 3.4 and rated it as the top 18 among 140 management journals (by citation impact factor) for 2010. In recognition of his significant contributions, *APJM* has named its best paper award the Mike Peng Best Paper Award. Currently, he is a Senior Editor at the *Journal of World Business*.

Professor Peng is also an active consultant, trainer, and keynote speaker. He has provided on-the-job training to more than 400 professors. He has consulted and been a keynote speaker for multinational enterprises (such as AstraZeneca, Berlitz, Nationwide, SAFRAN, and Texas Instruments), nonprofit organizations (such as World Affairs Council of Dallas-Fort Worth), educational and funding organizations (such as Canada Research Chair, Harvard Kennedy School

of Government, National Science Foundation of the United States, and Natural Science Foundation of China), and national and international organizations (such as the UK Government Office for Science, US-China Business Council, US Navy, and World Bank).

Professor Peng has received numerous honors, including an NSF CAREER Grant (\$423,000), a US Small Business Administration Best Paper Award, a *JIBS* Decade Award, a (lifetime) Distinguished Scholar Award from the Southwestern Academy of Management, a (lifetime) Scholarly Contribution Award from the International Association for Chinese Management Research (IACMR), and a Best Paper Award named after him. He has been quoted by *The Economist*, *Newsweek*, *Dallas Morning News*, *Smart Business Dallas*, *Atlanta Journal-Constitution*, *The Exporter Magazine*, *The World Journal*, *Business Times* (Singapore), *CEO-CIO* (Beijing), *Sing Tao Daily* (Vancouver), and *Brasil Econômico* (São Paulo), as well as on the Voice of America.

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