CHAPTER SUMMARY

This chapter begins by discussing what global business is and gives an overview of the global economy focusing on the Triad as well as developing countries. It then presents a unified framework for the study of global business focused on a single question: What determines the success and failure of firms around the globe? It then introduces the institution- and resource-based views which shape the answers to this question throughout the book. Students will also learn three different views on globalization and why the globalization debate matters to them.

CHAPTER OUTLINE

1. What is Global Business and Why Study It?
   1.1 One Fundamental Question
   1.2 First Core Perspective: An Institution-Based View
   1.3 Second Core Perspective: A Resource-Based View

2. A Unified Framework

3. What is Globalization?
   3.1 Three Views on Globalization
   3.2 The Pendulum View on Globalization
   3.3 Semiglobalization

4. Global Business and Globalization at a Crossroads
   4.1 A Glance at the World Economy
   4.2 The Globalization Debate and You

5. Organization of the Book

KEY TERMS

- International business (IB)
- Multinational enterprise (MNE)
- Foreign direct investment (FDI)
- Global business
- Emerging economy (emerging market)
- Gross domestic product (GDP)
- Purchasing power parity (PPP)
- Triad
- Base of the pyramid
- Expatriate manager (expat)
- International premium
- Institutions
- Institution-based view
- Institutional framework
- Formal institutions
- Informal institutions
- Resource-based view
- Liability of foreignness
- Globalization
- BRIC
- Semiglobalization
- Nongovernmental organizations (NGO)

LEARNING OBJECTIVES

1. Explain the concepts of international business and global business.
2. Give two reasons why it is important to study global business.
3. Articulate the fundamental question that the study of global business seeks to answer and two perspectives from which to answer it.
4. Identify three ways of understanding what globalization is.
5. State the size of the global economy and its broad trends.
Critical Discussion Questions

1. A classmate says: “Global business is relevant for top executives such as CEOs in large companies. I am just a lowly student who will struggle to gain an entry-level job, probably in a small domestic company. Why should I care about it?” How do you convince her that she should care about it?

2. **ON ETHICS:** What are some of the darker sides (in other words, costs) associated with globalization? How can business leaders make sure that the benefits of their various actions (such as outsourcing discussed in the Opening Case) outweigh their drawbacks (such as job losses in developed economies)?

3. **ON ETHICS:** Some argue that aggressively investing in emerging economies is not only economically beneficial but also highly ethical, because it may potentially lift many people out of poverty (see the Closing Case). However, others caution that in the absence of reasonable hopes of decent profits, rushing to emerging economies is reckless. How would you participate in this debate?

Closing Case Discussion Questions

1. From an institution-based view, what determines firm performance in emerging economies?

2. From a resource-based view, what determines firm performance in emerging economies?

3. What are the main concerns that prevent Western MNEs from aggressively investing in emerging economies? What are the costs if they choose not to focus on emerging economies?

Video Case Summary and Questions

**International Business**

Global business presents unique challenges. In this lesson, Sir Bob Reid, Halifax Bank of Scotland, explains the importance of understanding cultural differences and adapting to new ways of thinking and interacting. Big hitter Reid has top positions at Halifax and Shell under his belt, and his international experience brings a truly global outlook to all his roles. He says that appreciating and respecting the world’s diverse cultures is crucial to efficient business. Reid says: Always take the time to learn about the subtleties of different societies, and when in other cultures always adapt to their processes rather than expecting them to conform to yours. (Duration 3:18)

1. How does the experience of the Nigerians in Japan illustrate what has been covered in this chapter regarding the “informal rules of the game”?

2. What did Sir Reid say that would suggest that foreignness is less an issue in West Africa than adaptability?

3. This chapter covered a range of economically developed nations, but Sir Reid focused on West Africa. To what extent do his ideas apply to doing business in developed economies?

4. Why did Sir Reid mention the importance of listening?

5. If your school has students from other countries, how does this video help improve the effectiveness of the interaction among students at your school?

For more great resources, especially cases with discussion questions and interactive maps that can help your students grasp GLOBAL geography, go to 4ltrpress.com/GLOBAL.