

**part one****introduction to your IB companion**

This international business book is part of the series of Sage Course Companions. The companions are designed to optimise your studies and your learning, to facilitate your comprehensions and to help you prepare for lectures, exams and what follows: the role of an international business manager. This series is an essential 'take away' from your studies. It is a reference and guide to your subject, with short, clear, crucial information about your topic, plus an indication of trends that are part of business evolutions. The aim is to help you be successful in your studies and work.

Your lecturers will most commonly decide upon a particular, traditional, most often rather lengthy textbook for your course in international business. The typical textbook is useful as it provides great detail, illustrations and case studies, exercises and much material that may nonetheless make you doubt what is essential and what is not. In this somewhat overwhelming situation, Sage Course Companions provide you with a straightforward guide that summarizes the essentials of the subject, their interrelationships and background. You will gain an insider's overview of your course that will enable you to fill in detail as required, and explains key concepts to foster your understanding of the essentials. It supports you with knowledge that is handily available to help write your essays and assignments and for passing your exams.

If you buy this Companion at the beginning of your course, it will remain with you like a good friend, and serve in parallel with your course texts and lectures. It is not going to replace your textbook, but it will save you time when you are revising for your exams or preparing course work. Written by an experienced international business professor, the Companion is conceived as a guideline on what your examiners will be looking for; it is a framework in which to apply your critical thinking, with indications to where current trends lead.

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### Introducing your companion

This companion covers the most important points from your textbooks, lecture notes, and other learning materials on your course, and should be used as a complement or a learning facilitator. This book should direct you to the key issues in the field of international business. No matter which textbook you are using, the main tools and concepts are the same: indeed, you will find references to some specific books, and where they cover the themes elaborated here; again, you should read the Companion in parallel with your textbook and identify where subjects are covered in more detail in both your text and in your course syllabus, in order to train with this material.

There is also a study and revision skills guide in Part Three which will help you to learn more efficiently. Learning is best accomplished by seeing the information from several different angles, which is why you attend lectures and tutorials, read the textbook, and read around the subject in general. This book will help you to bring together these different sources.

### How to use this book

Ideally, you should have already bought this book before your course starts, so that you can get a quick overview of each topic before you go into the lecture – but if you didn't do this, all is not lost. The Companion will still be equally helpful as a revision guide, and as a way of directing you to the key concepts, tools and some of the key thinkers in international business.

This first section is about the fundamentals of international business: it will help you to get into the mindset of the subject and think about it critically. Examiners want to see that you can handle the basic concepts of the subject: if you need a quick overview of the background to international business, this is the section you will find most useful.

The next section goes into the curriculum in more detail, taking each topic and providing you with the key elements. Again, this does not substitute for the deeper coverage you will have had in your lectures and texts, but it does provide a quick revision guide, or a 'primer' to use before lectures. It will also give you ideas about the issues that will typically be explored when going further than the textbook.

You can use this book either to give yourself a head start before you start studying international business – in other words, to give yourself a

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preview course – or it can be used as a revision aid, or of course both. As appropriate, the sections contain the following features:

- Tips on handling the knowledge, or the way in which your examiner will most likely ask the questions in that section, to help you to anticipate exam questions.
- Bullet points that help you remember the main points to bring in when answering exam questions.
- Examples: these are useful for putting the theory into a ‘real-world’ context, and can of course be used in exams to illustrate the points you make.
- Quotes from key thinkers or key organizations in the field: these will be useful to quote in exams, as well as providing you with the main influences in the development of international business.
- Sample exam questions with indications for the answers: these should help you be better prepared for the actual questions, even though they will (of course) be different.
- Taking it Further section: this is about taking your learning and thinking a stage beyond simply laying out the current ‘received wisdom’. The Taking it Further section introduces some criticality, often from ‘sharp end’ academic thinking, or gives further insight into a topic for better understanding, and will help you to take a broader conceptual view of the topic: on a practical level, this is the type of knowledge and thinking that moves you from a pass to a first!

Part Three of this Companion is a study guide which will help you with getting more from your lectures, remembering more when you are sitting exams, and with writing essays. A glossary of key terms is included at the back of the book. Key terms are defined so that they are easy to use.

**Thinking like an international business manager**

International business is a discipline that is crucial to companies’ performance and is often dealt with on a strategic level as well as regional levels. It is important to note that there is still considerable disagreement and debate among academics and practitioners about how international business as a discipline is regarded, because many other core disciplines are also dealt with in this field. The boundaries of international business are almost unlimited, and many of those studying international business will fill positions in international business management and international business development, but also in regional business management, international project management, international marketing, international finance, and similar.

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International business studies has a long history in a variety of other fields such as economics, management, sociology and political science, but as a discipline, is only fully recognized for a rather short time.

1 Much of international trade theory originates in **early economics**. But the fathers of this relatively recent discipline are, among others, Hymer (1960) with his early, economics-based study of international investments, Vernon (1994) with his product life cycle theory that you will revisit in section 2.4, in his 1960s research project into **manufacturing investment**; Dunning (1989), with his early works on ownership, location and internalization criteria for investment activities, is part of this history.

2 Dunning, in particular, then made significant contributions to the understanding of **origins** of international business and **worldwide investment movements**.

3 The Uppsala internationalization school (e.g. Johanson and Wiedersheim, 1975) significantly contributed to the development of the **stages model of internationalization**.

4 Later on, much was learned from **comparative business** studies, but this was soon neglected to the benefit of multinational enterprise studies.

5 **Transaction costs** were given attention in a theory that would be used to explain patterns of horizontal and vertical integration in natural resource and manufacturing industries, by authors such as Hennart (1991), and open the elaboration of the testing of **emerging theoretical models**.

6 Caves (1998) works on the foundation that international business's 'economic analysis enjoys a great advantage in its unified theoretical view of **market processes** and **allocative decisions**'. This is also the time when further awareness was to take shape, that of managerial capabilities as well as political, cultural and social contexts that determine international business in a **multidisciplinary** way.

7 Being more and more focalized on the study of multinational enterprises, international business research recognizes that comparative, **local knowledge** based research needs to be stimulated so that one may learn from interdisciplinary studies, enriched by an attention to **contexts** and **case studies** of firms, of sectors and of regions.

**“I define IB knowledge as an integrative field combining knowledge of core IB ‘rules of the game’ for IB and commerce with regional know-how, creating a unified knowledge platform that is theory based and inimitable to constituencies whose capabilities are limited to a single axis of the matrix. The general knowledge base includes knowledge of a series of fundamental tenets such as international institutions, trade agreements, regional organizations and the like. This knowledge is only partially codified, substantial and complex.”**

(Shenkar, 2004)

The key principle that all international business academics agree on is that internationalization is crucial for corporate value-adding activities, and sustains corporate growth. Also, international business management requires a high degree of adaptability and responsiveness to the great diversity of markets next to that of domestic activity.

In practice, following this principle is not always easy: international business managers have to balance the conditions they find across borders with the requirements of the headquarters. Application of objectives requires decisions about standardization or regional/local adaptation. For example, supplier agreements in China are subject to different legal requirements, cultures and socio-economic conditions than in the UK, in the USA, in Peru or in India. Each business environment is different, and the efficient international business manager strives to exploit possible similarities, and simultaneously deals with the differences. In this, one core competence is to turn diversity into value. For example, particular innovative competencies that one may find in one part of the world can feed into needs for products or services that are produced or engineered in another part of the world, (often for cost or expertise advantages) and that might be sold in yet another part of the world.

Therefore, the international business manager analyses a multitude of factors before and while managing the firm’s activities across borders. Going international means, for a firm, to explore the return, i.e. the benefits that it obtains from different business environments. At the same time, it assesses the risks that are always more important than when a company only operates on a domestic level. Nonetheless, in the latter case, it will be exposed to significant competition from foreign companies and from domestic competitors that work internationally.

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Also, it will still be subject to legislation that harmonizes and regulates business in its region, and that results from governmental and non-governmental convergence effects of globalization. For example, a French company that only operates and sells locally is nonetheless under the obligation to act in conformity to French and also European Union legislation, say, in labour law, environmental requirements or for product labelling, and much more. An international business manager knows how to use these differences (market imperfections) and convergence effects to the benefit of the company.

If you take only one thing away from your international business course, take this: always make sure that the diversity of business environments is used as a value!

International business practice can be considered as being all the activities that happen at the interface between the company and the international environment, i.e. non-domestic world. The field of international business changes very quickly because of its complexity and the many interactions that constitute the interface between locations, markets and the firm. International business focuses on buying, selling or exchanging commodities within a country or between countries, international trade and investments. The international business manager determines entry into the marketplaces that are the best for a given firm or product or service, and is dependent on specific information, for example through industry directories, and logistic tools help locate customers and suitable businesses and specific trade information.

The terms, place, time and conditions for internationalization, that is to say, the involvement and engagement of a firm across borders, in the short and long term, are managed by the international business manager. These are the fields that you will study in your course.

### Studying international business

International business is a discipline that is best studied in an environment and with classmates that demonstrate diversity, for example, different cultures and origins. Talking with people who have different opinions, ideas and suggestions teaches you, on a small scale, to deal with international diversity, to accept that people and perspectives vary, and that acceptance, tolerance and flexibility are part of the toolkit that make you succeed in this environment. It is great fun, so make sure that you encounter many international students, and engage into discussions with them. Obviously, international travel is, wherever possible,

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recommended to enhance what you learned in your course. If you are an experienced traveller, do not hesitate to share your experiences with your classmates. Also, case studies and guest seminars from international managers and executives, whether from small, medium or large enterprises, illustrate the learning and help apply it later, in exams or in your career. If you have the opportunity to talk to, interview and encounter professionals in the area, you should make sure that you talk to them about your learning and ask about their application of it.

**Questions to ponder**

Even if your course does not culminate in an exam, it is always useful to ponder on a few questions that make you think about the material you have learned. This Companion will help you to make the information you have read applicable, in a research project, a discussion round and your future career.

If your course culminates in an exam, then the Companion helps you revise for likely exam questions.

The sections are written to be clear, short and instructive, but also raise questions and deal with topics that prepare you for any further topics, those that one finds often in exams and in discussions of classroom material that help you participate constructively in your own learning, that of your classmates, and obtain the appreciation of your examiner. To help with some of these issues, that are formulated as 'Exam questions', the writer provides some brief guidance on how you could approach the answer, but you should go further and try to fill in the detail and think of how you could set up a bit of a discussion of the matters raised. This will help you to move one step forward from just being able to recite the lists of features etc. provided in the text. But watch out for the pitfalls! This book points out some of them, so that you know what to expect.

**References to more information**

The textbook(s) that have been recommended on your course are your primary source of information, with this Companion as a clear and precise help for your revisions. If your course syllabus list is lengthy with recommended readings, it may be difficult to focus on essentials. Guidance is needed as to what to read. Possibly, you have access to

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a course handbook or a support website with the materials and the subjects covered in your lectures and seminars. There are several excellent textbooks that are frequently referred to in this Sage Course Companion and which I can thoroughly recommend. These are mainly:

- Rugman and Collinson (2006) *International Business*
- Hill (2008) *Global Business*
- Czinkota, Ronkainen and Moffett (2007) *International Business*
- Punnett and Ricks (1998) *International Business*

Full reference to these textbooks is provided in the Bibliography. More of them are listed at the end of each section where applicable and thought to be relevant for your learning.