

International Business

A Strategic Management Approach

ALAN M. RUGMAN ■ RICHARD M. HODGETTS

INTERNATIONAL BUSINESS

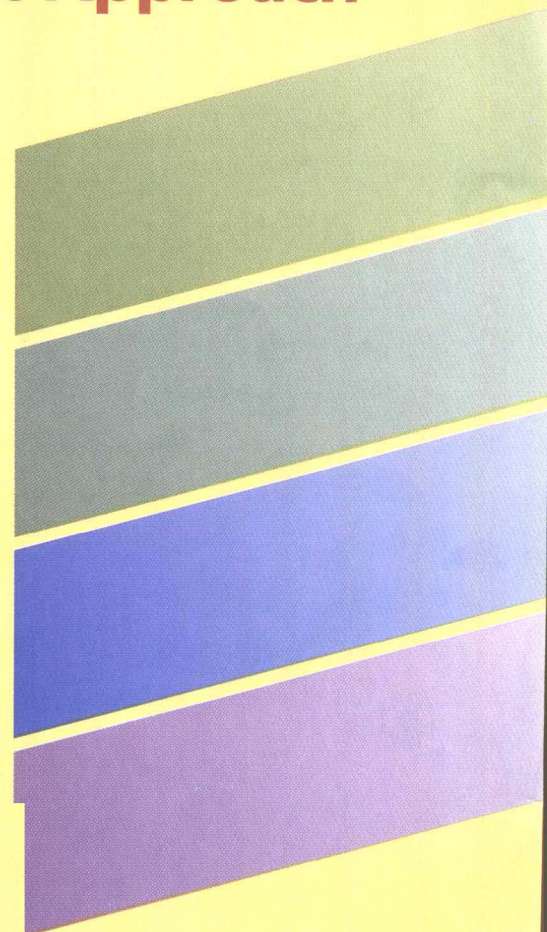
A Strategic Management Approach

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About the Authors

ALAN M. RUGMAN is Professor of International Business at the Faculty of Management at the University of Toronto. He is a Fellow of the Academy of International Business. A professor for 25 years, Dr. Rugman has also taught international business as a visiting professor at Columbia University, U.C.L.A., the Sloan School of Management at M.I.T., Brandeis University, and the University of Hawaii. In Canada, Dr. Rugman previously held appointments at Dalhousie University and the University of Winnipeg. He has also lectured in Europe, East Asia, Mexico, and the Caribbean. Dr. Rugman was a senior advisor to the Government of Canada during the negotiations in 1986–1988 that led to the Canada-U.S. Free Trade Agreement and subsequently to the North American Free Trade Agreement. He has also been a consultant to major private sector companies. Dr. Rugman has published more than 20 books dealing with the economic, financial, and strategic management aspects of multinational corporations and with trade and investment policy. He edits an annual volume, *Research in Global Strategic Management*, which publishes original contributions in international business. Over 100 of his articles have appeared in such prestigious academic journals as the *American Economic Review*, *California Management Review*, *Journal of International Business Studies*, and *Columbia Journal of World Business*.

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Preface

Students of international business are fortunate enough to be living in a laboratory where the principles in this book can be used on a daily basis. Virtually every management decision being made today is influenced by global events, and naive thinking about international politics, economics, cultures, exchange rates, and foreign competitors can have quick and adverse effects on a firm's bottom line. The objective of this introduction to international business is to provide relevant theoretical and practical insights to management students so that the real world of global business is better understood. We do this in three ways.

First, the text has an extremely strong emphasis on *relevance*. In each of the twenty chapters there are at least five "cases," so the book has a total of over 100 real-world examples of international business issues to provide insight and perspective.

Second, this text incorporates the latest *theoretical* advances in a manner easily comprehensible for university and college students, from B.A. to M.B.A. level. For example, the text discusses such important material as Michael Porter's "diamond" theory of international competitiveness, the latest work on the theory of multinational enterprises, and new research on organizational learning within corporations.

Third, and most important, the text integrates both the practical and theoretical issues through a sustained use of the concepts of *strategic management*. Indeed, this is the first text to have a strategic management focus in the teaching of introductory international business. This unique feature helps students choose from the extraordinarily broad menu of events in the international environment by building confidence in understanding which ones are useful for strategic management analysis at the firm level.

The three elements, relevance, strong theoretical foundation, and strategic synthesis, reinforce each other and provide the student with the opportunity to gain deep and lasting insights into the management of international business. In short, this book paints a broad yet detailed picture on the canvas of the global practice of international business.

Distinctive Features of *International Business*: A Strategic Management Approach

There are six distinctive features, in particular, that make this book different from competing textbooks.

First, the book examines international business with an integrative framework, using the strategic management viewpoint. The strategic management approach

gives the text the integrative theme of “how to manage an international business” and ties the chapters together into a relevant framework.

Second, many of the excessively technical or mechanistic concepts found in other international business textbooks are deemphasized. For example, we select relevant aspects of foreign exchange rate management, but we leave technical issues, such as the details of “currency swapping” for the purpose of financing international transactions, to a specialized course in international finance. Similarly, absolute and comparative advantage is covered, but these are examined in terms of their relevance to managers of multinationals in formulating and implementing strategy. We have one chapter on international economics, not an entire course. In short, the technical concepts that business majors are learning in their discipline courses are not reinvented in this book; instead, we select analysis that is of relevance to international business students.

Third, each chapter has an opening “Active Learning Case” that is revisited throughout the chapter. The purpose of this “real life” case is to illustrate how the chapter material is used by multinational enterprises in implementing their strategies. The case also breaks the chapter into subparts and helps to reinforce student learning.

Fourth, there are two “Real Cases” at the end of each chapter. These cases are drawn from recent newspaper and journal sources and provide the student with an opportunity to apply the chapter concepts to real-world situations. The cases also offer additional information on subjects covered in the chapter.

Fifth, throughout each chapter there are two “International Business Strategy in Action” boxes. These are drawn from the current literature and provide specific strategy applications of the material being discussed.

Sixth, Part Four of the book is devoted to doing business in particularly important geographic regions of the world, especially in the “triad” of North America, the European Community (EC), and Japan. In this unique feature the focus is on illustrating how the concepts already presented in the previous parts are being used by multinationals to establish market positions worldwide.

Listening to the Market

Our vision of a practical, thematically integrated text built upon a solid theoretical foundation was further refined through an extensive market research effort. We queried the international business market in several important ways:

1. Hundreds of international business instructors throughout North America participated in a detailed editorial survey during the formative stages of the project. Our survey revealed many important market trends, including some useful insights about international business professors. In recent years, the international business course has grown in popularity and is now often taught by professors with degrees in areas other than international economics or finance. At many universities, professors of management (especially business strategy and general management) are responsible for the course. We believe that our unique strategic management focus will appeal to traditional economics professors as well as management professors; indeed, international business now combines these approaches.

We also learned that numerous professors with “real-world” experience were finding that older text offerings do not “tell it like it is.” In recent years there has been a dramatic increase in the number of international business professors who travel to international meetings and engage in joint international research and dialogue with colleagues from other countries. This book, with its macro-oriented approach, will appeal to this market niche.

2. Our manuscript was subject to a rigorous editorial review process at key stages in its development. We are grateful for the incisive comments and critical suggestions by our colleagues in the profession. In particular, we appreciated assistance from:

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While Professor Rugman served as the Ross Distinguished Visiting Professor of Canada–U.S. Economic and Business Relations at Western Washington University, he received valuable secretarial assistance from Ms. Kathleen Finn and useful comments from members of the faculty, especially Robert Spich.

Professor Hodgetts is grateful for the suggestions and continued assistance from Fred Luthans, George Holmes Professor of Management, University of Nebraska, Lincoln; Gary Dessler and George Sutija, Management Department, Florida International University; Jane Gibson, Nova University; and Ronald Greenwood, GMI.

Finally, we are both extremely privileged authors to have been associated with such dedicated professionals at McGraw-Hill as our editors Alan Sachs, Lynn Richardson, and Dan Alpert. In particular, Lynn and Dan spent countless hours nudging us toward delivery of the leading-edge book that they envisaged. We have

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Alan M. Rugman
Richard M. Hodgetts

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