



OXFORD

# THE INTERNATIONAL BUSINESS ENVIRONMENT

THIRD EDITION

LESLIE HAMILTON | PHILIP WEBSTER



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# The International Business Environment

Third Edition

Leslie Hamilton and

Philip Webster



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# **The International Business Environment**

## New to this edition

This third edition has been revised and updated throughout. The changes include more material on Africa and Latin America, updated and new case studies (including some extended end-of-chapter case studies), new mini case studies, and new learning tasks. The case studies are drawn from a wide range of geographical areas with a particular emphasis on emerging markets, especially Africa.

Pedagogical changes in this edition include questions added to 'counterpoint' boxes and mini case studies, and more assignment-style tasks added to review questions.

## Author acknowledgements

We are indebted to all of the Oxford editorial team for their terrific support throughout, especially Angela Adams (Commissioning Editor) for encouraging us to develop the idea for the book, Helen Adams and Gina Policelli (Development Editors on the first and second editions), and Kirsten Shankland (Publishing Editor for this third edition) for her constant support and guidance.

Over the years spent teaching at Leeds Met we have been grateful for the comments and reflections of our domestic and foreign students who have taken the International Business Environment module and we hope that we have learned from these to produce a book which meets the needs of the intended wider audience of future students.

## Oxford University Press acknowledgements

In listing those whom OUP would like to thank, we include the many reviewers who made a direct contribution to the way this book was put together. We express our gratitude to all who helped us. The authors and publisher are grateful to those who granted permission to reproduce copyright material. Every effort has been made to trace and contact copyright holders. If notified, the publisher will undertake to rectify any errors or omissions at the earliest opportunity.

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# List of figures

<b>Figure 1.1</b>	Latin American and Caribbean merchandise trade with China	4
<b>Figure 1.2</b>	Growth in world exports by volume of goods and GDP %	8
<b>Figure 1.3</b>	Exports of selected services categories, 2007–12	9
<b>Figure 1.4</b>	Tata Motors sales volume	11
<b>Figure 1.5</b>	Tata Motors profits	11
<b>Figure 1.6</b>	Inflows of FDI 1995–2013 and projections 2014, 2015 (\$billion)	12
<b>Figure 1.7</b>	FDI Inflows—the top 20 host economies 2012 and 2013 (US\$ billion)	13
<b>Figure 1.8</b>	FDI Outflows—the top 20 home economies 2012 and 2013 (US\$ billion)	14
<b>Figure 1.9</b>	Dependency on natural gas supplies from Russia 2013	33
<b>Figure 2.1</b>	Percentage of World GDP	46
<b>Figure 2.2</b>	GDP level, 2010 (\$US billion)	49
<b>Figure 2.3</b>	GDP per capita level, 2010 (\$US)	49
<b>Figure 2.4</b>	Determinants of national competitive advantage	58
<b>Figure 2.5</b>	How many Chinese Renminbi for US\$1	65
<b>Figure 3.1</b>	Porter's 'Five Forces' model	81
<b>Figure 3.2</b>	Global market share of seeds—maize, sugar beet, vegetables	90
<b>Figure 3.3</b>	Company market shares global beverage can market	93
<b>Figure 3.4</b>	Market share by type of pack, South America	94
<b>Figure 3.5</b>	Active mobile broadband subscribers (m)	95
<b>Figure 4.1</b>	Strategy	108
<b>Figure 4.2</b>	The stakeholder view of the corporation	110
<b>Figure 4.3</b>	Stakeholder mapping	111
<b>Figure 4.4</b>	The external environment	114
<b>Figure 4.5</b>	Estimated annual growth rate	118
<b>Figure 4.6</b>	Old age dependency ratios	120
<b>Figure 5.1</b>	World urban and rural population	135
<b>Figure 5.2</b>	The 12 pillars of competitiveness	141
<b>Figure 5.3</b>	Country Assessment	145
<b>Figure 6.1</b>	Percentage of overweight and obese adults with BMI greater than 25, by region	166
<b>Figure 6.2</b>	Major religions of the world	175
<b>Figure 6.3</b>	Social expenditure, percentage of GDP 1960–2012	180
<b>Figure 6.4</b>	Social expenditure in 21 Latin America and Caribbean countries 1992–2011	183
<b>Figure 6.5</b>	Asia social protection expenditure as percentage of GDP, 2009	184
<b>Figure 6.6</b>	Global and regional youth unemployment rates (15–24 years)	188
<b>Figure 6.7</b>	Global and regional youth unemployment rates (15–24 years)	189
<b>Figure 7.1</b>	Monthly active Twitter users worldwide	199
<b>Figure 7.2</b>	Twitter revenues and losses	200
<b>Figure 7.3</b>	R&D expenditures of foreign firms as a percentage of total business R&D expenditure in OECD member countries, 1999–2011, unweighted median and mean	202

<b>Figure 7.4</b>	Percentage of business R&D financed from abroad 2000–12	204
<b>Figure 7.5</b>	China—Number of users of digital platforms	208
<b>Figure 7.6</b>	Share of total global R&D spending 2012–14	211
<b>Figure 8.1</b>	Average corporate tax rates (%)	244
<b>Figure 9.1</b>	Legal systems across the world	270
<b>Figure 10.1</b>	World inflation rate (%)	294
<b>Figure 10.2</b>	Credit card transactions as a percentage of total transactions 2012	300
<b>Figure 10.3</b>	Country average five bank concentration ratio by assets—world	302
<b>Figure 10.4</b>	Bank mergers	303
<b>Figure 11.1</b>	Corruption Perceptions Index 2013	339
<b>Figure 12.1</b>	Rising CO <sub>2</sub> levels	369
<b>Figure 12.2</b>	Global air temperature	369

# List of tables

<b>Table 1.1</b>	The world's top 20 non-financial MNCs, ranked by foreign assets, 2012	15
<b>Table 2.1</b>	Gross domestic product 2014 (IMF estimates)	42
<b>Table 2.2</b>	Economic growth (annual percentage change in GDP)	45
<b>Table 2.3</b>	The middle class: size and distribution	50
<b>Table 2.4</b>	When will the emerging markets countries hit their sweet spots? (projected)	50
<b>Table 2.5</b>	World exports of merchandise and commercial services 2005–12 (billion dollars and percentage)	52
<b>Table 2.6</b>	Leading exporters and importers in world merchandise trade 2012 (billion dollars and percentage)	53
<b>Table 2.7</b>	Leading exporters and importers in world service trade 2012 (billion dollars and percentage)	53
<b>Table 2.8</b>	Intra- and inter-regional merchandise trade 2012 (billion dollars)	53
<b>Table 2.9</b>	GATT/WTO rounds	62
<b>Table 3.1</b>	Global pharmaceutical industry—growth and market share	72
<b>Table 3.2</b>	Types of market structure	76
<b>Table 3.3</b>	Global market share smartphones Q2 2014 (%)	78
<b>Table 3.4</b>	Rank and value of international brands 2013	86
<b>Table 3.5</b>	World seed market—global market shares	90
<b>Table 3.6</b>	Top five smartphone sellers, shipments in millions, and market share	96
<b>Table 4.1</b>	Average tariffs on imports 2011	116
<b>Table 4.2</b>	Total Gross Domestic Product 2014	119
<b>Table 4.3</b>	Japan's declining and ageing population	121
<b>Table 5.1</b>	The traditional model of internationalization	130
<b>Table 5.2</b>	Income thresholds for establishing stages of development	141
<b>Table 5.3</b>	Global Competitiveness Index rankings 2013–14	142
<b>Table 5.4</b>	Economic Freedom Index 2014 (%)	148
<b>Table 5.5</b>	The 10 global risks of highest concern	155
<b>Table 5.6</b>	Country attractiveness grid	156
<b>Table 6.1</b>	Gender equality in Muslim countries	174
<b>Table 6.2</b>	Health indicators for the USA, Sweden, China, Brazil, and Nigeria 2011	185
<b>Table 6.3</b>	World population 1950, 1975, 2013	186
<b>Table 6.4</b>	The 10 most populous countries (millions)	186
<b>Table 6.5</b>	Public social expenditure (as a percentage of GDP)	191
<b>Table 6.6</b>	Hofstede's research showing major differences between Sweden and China	193
<b>Table 7.1</b>	The growth of global Internet traffic	206
<b>Table 7.2</b>	Top 10 innovators by US patent filings, 2013	210
<b>Table 7.3</b>	Top 10 global companies by R&D expenditure, 2012	211
<b>Table 7.4</b>	New product failure rate by industry	219
<b>Table 7.5</b>	Apple performance 1999–2013	225

<b>Table 7.6</b>	R&D expenditure as percentage of sales revenue, 2012	226
<b>Table 8.1</b>	General government expenditures as a percentage of GDP	241
<b>Table 8.2</b>	Tax revenue as a percentage of GDP	243
<b>Table 9.1</b>	The rule of law—Indonesia	271
<b>Table 9.2</b>	The 10 highest cartel fines by company	282
<b>Table 10.1</b>	Regional distribution of bank mergers 1991–2009	303
<b>Table 10.2</b>	World's top 10 banks by assets	307
<b>Table 10.3</b>	Payment method percentage of total number of transactions	317
<b>Table 11.1</b>	UN Global Compact principles	336
<b>Table 11.2</b>	Millennium Development Goals	345
<b>Table 12.1</b>	Sources Of Global Primary Energy Supplies, 2011	354
<b>Table 12.2</b>	Total emissions by sector (*excluding LULUCF)	370
<b>Table 12.3</b>	Total emissions by gas (*excluding LULUCF)	370

# Guide to the book

This book is aimed at undergraduate students and Masters level students taking an introductory module on either the Business Environment or International Business Environment or business or related courses. It will provide a thorough underpinning for those modules which deal with International Business Management or Strategy.

*The International Business Environment* takes, as its starting point, a global perspective with a focus on understanding the global economy, the globalization process, and its impact on international business organizations. It examines the institutions and processes of the global economy and the economic, political, technological, and socio-cultural environment within which business organizations operate.

*The International Business Environment* is based on a module which the authors have successfully taught for a number of years. The authors have combined experience in academia of module development and delivery at undergraduate and postgraduate level and this has provided the foundation for this text. Les and Phil have vast experience of teaching International Business Environment and Business Strategy and the text benefits from this experience and the feedback from students, including many international students, on these modules.

## Why use this book?

This book is aimed at undergraduate students studying the International Business Environment as part of a Business or International Business degree. It also offers an essential knowledge base for postgraduate students in Business, especially those specializing in the International Business Environment.

The text provides comprehensive coverage of the core topics that are central to the International Business Environment. Each topic is presented with a balance of theory, case studies, and exercises aimed to develop the reader's ability to understand and analyse the internal and external environmental factors affecting the business environment.

The case studies and examples used throughout the text identify the opportunities and threats to business organizations arising from changes in the global business environment. Detailed case studies, highlighting key concepts and issues from the chapter, are provided at the start and the end of each chapter.

## Structure of the book

The book is divided into two parts. The first section, The Global Context, includes Chapters One to Five and sets the context for the international business environment, while in the second section, Global Issues, Chapters Six to Twelve deal with a range of global issues.

The first chapter of the book describes the process of the globalization of markets and production, and examines the key drivers and barriers to that process. It emphasizes the increasing complexity and interdependence of the world economy, concluding that the opportunities and threats arising from the global business environment can have consequences for all business organizations. Chapter Two examines in more detail some of the more important features of the

world economy. It identifies the pattern of global wealth and poverty and the pattern of international trade. Chapters Three, Four, and Five include detailed analytical frameworks which provide the tools to enable students to undertake an analysis of external environmental issues and how these impact on business organizations. Chapter Three looks at the analysis of industries while Chapter Four places this analysis within an examination of the global macroenvironment using the familiar PESTLE framework. These frameworks are then used in Chapter Five to assess country attractiveness as markets or locations for production. Chapters Six to Twelve analyse in detail the issues in the socio-cultural, technological, political, legal, financial, and ecological environments, with Chapter Eleven providing an analysis of corporate social responsibility.

## How to use this book

### LEARNING OUTCOME

This chapter will enable you

- Explain the nature of globalization
- Assess the pace and impact of globalization on organizations and countries
- Analyse the factors inhibiting globalization

## Learning outcomes

Identify what you can expect to learn from short bullet point lists at the beginning of every chapter. This feature can also be used to plan and organize your revision.

## Case Study Globalization

several decades the Chinese economy grew at 10 percent per year. Such dynamic growth is not possible in a globalized world. Globalization through its impact on the environment, and it is fundamentally different. To feed the rapid

## Case study

Connect key ideas to real-world examples from the outset. Reflect on the issues explored in the opening case study as you work through each chapter.

ports of globalization claim that fre  
ices, and capital increases economic  
also  
nds to a more efficient allocation  
global  
Critics  
all countries involved. It re  
are employe

## Counterpoint boxes

Develop your critical thinking skills and evaluate alternative viewpoints. Use the questions at the end of these boxes to focus your ideas for class discussion.

### Mini Case Study

[illegible]

## Mini case studies

Gain an understanding of the international business environment in practice and answer the accompanying questions to engage with the issues explored.

### Learning Task

Using the information in Table 2.8:

For each region, calculate its share

What proportion of world trade is

For each region, calculate the

## Learning tasks

Put your knowledge into practice with a range of learning activities designed to test and develop your understanding.

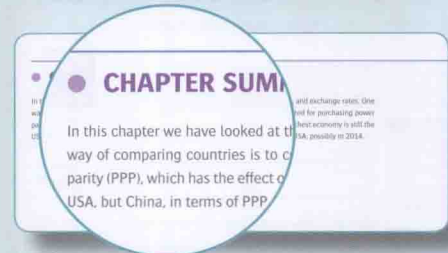
## End-of-chapter case study

Apply what you have learnt by analysing a range of real-life international examples in more detail.



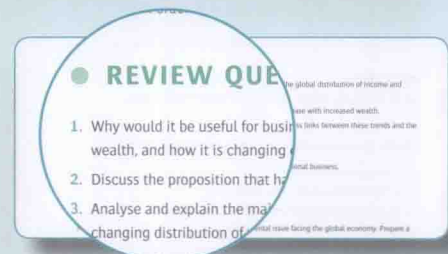
## Chapter summary

Recap on key themes and review your understanding after every chapter.



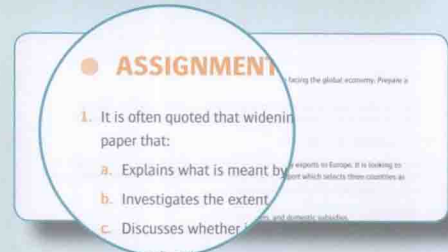
## Review questions

Test your knowledge and check your progress with these end-of-chapter questions. The review questions can also be used as the basis for seminar discussion and debate.



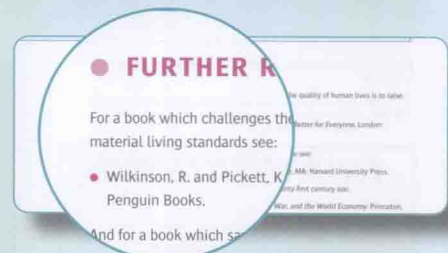
## Assignment tasks

What would you do if you were a business manager? What solutions would you suggest as a researcher? Use these scenario-type questions to develop your analytical, reasoning, and problem-solving skills.



## Further reading

Take your learning further with relevant supplementary reading, recommended by the authors.



## Glossary

Check your understanding of key terms, highlighted in blue the first time they appear in the book. This is also a useful tool for revision.



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Test your understanding and receive instant feedback with our range of multiple-choice questions, organized by chapter.

Develop your research skills by answering questions linked to a range of relevant online articles and websites.

Test your understanding of key terms from the book with this interactive flashcard glossary, ideal for revision. The complete glossary is also available to browse in PDF format.

Connect to relevant and reliable international business environment resources using these chapter-by-chapter web links.



## The financial framework: additional links

Improve your understanding of the international financial environment by accessing links to additional material, supporting the financial and economic content from the book.

Hamilton & Webster: The International Business Environment 3e

The financial framework: additional links

Freakonomics article: 'The Economics of Happiness, Part 5: Will Raising the Incomes of All Raise the Happiness of All?' by Justin Wolfers  
<http://www.freakonomics.com/2009/04/29/the-economics-of-happiness-part-5-will-raising-the-incomes-of-all-raise-the-happiness-of-all/>

## Library of video links

View a range of video links connected to key topics and ideas introduced in the book.

Chapter 02

<http://vimeo.com/14024401>  
 United Nations Development Programme: Interview with Amartya Sen.

<http://www.chelseagreen.com/resources/growth-to-growth-interviews>  
 Chelsea Green Publishing: 'Limits to Growth' video by Donella Meadows, Dennis

## For registered lecturers

### PowerPoint lecture slides

Adapt PowerPoint slides for use in your lecture presentations. The slides can be easily customized to match your own teaching, or can be used as hand-outs in class.

### Learning Outcomes

This lecture on the global economy will enable you to:

- identify the global pattern of income
- analyse the pattern of international trade

### Answers to review questions

Guide class debate with suggested solutions to the review questions from the book.

The review questions can be used as a basis for seminar discussion.

#### Review Questions

1. What is Globalization?

This is a concept which should form the basis for a whole class discussion. A straightforward definition would be something like: 'the process by which firms increasingly spread their activities across national boundaries and thereby increase the linkages between nations' or 'a process in which the physical, political, economic and cultural barriers between nations are reduced'. Students might be encouraged to think of some examples of how the term 'global' is used, e.g. global industry, global competition, global strategy, global company and what is meant by each of these. Examples of 'global' companies might be used to explore to what extent they

### Answers to case study questions

Get the most from the end-of-chapter case studies with author guidance and suggested solutions.

The case study questions can be used as a basis for seminar discussion.

1. Given that the alliance between Microsoft and Nokia is cross-border, what potential problems might be encountered?

- Students could be expected to use the material on cross-border mergers in Counterspot Box 1.1 as a basis of their answer to this question. They could be expected to identify potential difficulties and/or costs around the following issues: differences in business cultures between the participating firms, including differences in language, differences in political and legal systems and consumer preferences (although in this alliance consumer preferences may not be an issue since both firms are big MNCs and have long experience of operating in different markets across the world)

Figure 4.3. Strategy



## Figures and tables

Download the figures and tables from the book, for use in assignments or exam material.

### Essay Questions

Discuss the contention that globalization benefits multinational corporations more than other business organizations. Support your arguments with examples.

- Explanation of the concept of globalization;
- Definition of the multinational corporation;
- Discussion of new market opportunities created by globalization;
- Discussion of the opportunities generated by globalization to obtain access to cheaper resources, to natural resources and to gain economies of scale;
- Explanation as to why multinationals are best equipped to take advantage of these opportunities.

## Exam and assignment questions

Use these additional questions in your group tutorial work, exams, and assignments.