# Purpose and Perspective of the Chapter

The purpose of this chapter is to explore the concepts of international and global business. First, we discuss the importance of studying global business. Then, we develop the unified framework used in each chapter, which focuses learning on one fundamental question and two core perspectives—an institution-based view and a resource-based view. Next, we explore the concepts of globalization, semiglobalization, and risk management. As a backdrop for the remainder of the text, the Global Business and Globalization at a Crossroads section makes two points: First, a basic understanding of the global economy is necessary. Second, it is important to critically examine your own personal views and biases regarding globalization. Additionally, we outline three leading debates concerning business and globalization/deglobalization. Finally, we explore the broad implications for savvy managers and students for the future of global business in a less global world.

1. INTERNATIONAL BUSINESS AND GLOBAL BUSINESS (LO 1-1, PPT Slides 3–4)
   1. **Key Concepts**
      * International business is typically defined as (1) a business (firm) that engages in international (cross-border) economic activities and (2) the action of doing business abroad.
      * Global business is defined in this book as business around the globe and includes both (1) international (cross-border) business activities covered by traditional IB books and (2) domestic business activities.
      * This book goes beyond competition in developed economies. It devotes extensive space to competitive battles waged in emerging economies and the base of the global economic pyramid.
   2. **Key Terms**
      * **International business (IB)**: (1) A business (firm) that engages in international (cross-border) economic activities and/or (2) the action of doing business abroad
      * **Multinational enterprise (MNE)**: A firm that engages in foreign direct investment (FDI)
      * **Foreign direct investment (FDI)**: Investment in, controlling, and managing value-added activities in other countries
      * **Global business**: Business around the globe
2. WHY STUDY GLOBAL BUSINESS? (LO 1-2, PPT Slides 5–9)
   1. **Key Concepts**
      * Why study global business?
        1. Enhance your employability and advance your career in the global economy
        2. Better preparation for possible expatriate assignments abroad
        3. Stronger competence in interacting with foreign suppliers, partners, and competitors, and in working for foreign-owned employers in your own country
   2. **Key Terms**
      * **Group of 20 (G-20)**: The group of 19 major countries plus the European Union whose leaders meet on a biannual basis to solve global economic problems
      * **Global mindset**: Ability to “connect the dots” globally
      * **Expatriate manager (expat)**: A manager who works abroad
      * **International premium**: A significant pay raise when working overseas
3. A UNIFIED FRAMEWORK (LO 1-3, PPT Slides 10–12)
   1. **Key Concepts**
      * Our most fundamental question is: What determines the success and failure of firms around the globe? The two core perspectives are (1) the institution-based view and (2) the resource-based view. We develop a unified framework by organizing materials in *every* chapter according to the two perspectives guided by the fundamental question.
   2. **Key Terms**
      * **Triple bottom line**: Economic, social, and environmental performance
      * **Stakeholder**: Any group or individual who can affect or is affected by the achievement of a firm’s objectives
      * **Liability of foreignness**: The inherent disadvantage that foreign firms experience in host countries because of their nonnative status
4. GLOBALIZATION AND SEMIGLOBALIZATION (LO 1-4, PPT Slides 13–19)
   1. **Key Concepts**
      * Advocates of globalization count its contributions to include greater economic growth, higher standards of living, improved technology, and more extensive cultural exchange.
      * Critics argue that globalization destroys jobs in rich countries, exploits workers in poor countries, grants MNEs too much power, degrades the environment, and promotes inequality.
      * This section (1) outlines three views on globalization, (2) reviews the swing of the pendulum, (3) highlights the importance of risk management, and (4) discusses the important idea of semiglobalization.
   2. **Key Terms**
      * **Globalization**: The close integration of countries and peoples of the world
      * **Emerging economies**: A term that has gradually replaced the term “developing countries” since the 1990s
      * **Emerging markets**: A term that is often used interchangeably with “emerging economies”
      * **Base of the pyramid (BoP)**: Economies where people make less than $2,000 per capita per year
      * **BRIC**: Brazil, Russia, India, and China
      * **BRICS**: Brazil, Russia, India, China, and South Africa
      * **Reverse innovation** (or **frugal innovation**): An innovation that is adopted first in emerging economies and is then diffused around the world
      * **Risk management**: The identification and assessment of risks and the preparation to minimize the impact of high-risk, unfortunate events
      * **Black swan event**: An unpredictable event that is beyond what is normally expected and that has severe consequences
      * **Scenario planning**: A technique to prepare and plan for multiple scenarios (either high risk or low risk)
      * **Semiglobalization**: A perspective that suggests that barriers to market integration at borders are high, but not high enough to insulate countries from each other completely
5. GLOBAL BUSINESS AND GLOBALIZATION AT A CROSSROADS (LO 1-5,   
   PPT Slides 20–24)
   1. **Key Concepts**
      * A basic understanding of the global economy is necessary. It is important to critically examine your own personal views and biases regarding globalization.
   2. **Key Terms**
      * **Gross domestic product (GDP)**: The sum of value added by resident firms, households, and governments operating in an economy
      * **Purchasing power parity (PPP)**: A conversion that determines the equivalent amount of goods and services that different currencies can purchase
      * **Gross national product (GNP)**: GDP plus income from nonresident sources abroad
      * **Gross national income (GNI)**: GDP plus income from nonresident sources abroad; GNI is a term used by the World Bank and other international organizations to supersede the term GNP
      * **Nongovernmental organizations (NGO)**: An organization that is not affiliated with any government
6. DEBATES AND EXTENSIONS (LO 1-6, PPT Slides 25–29)
   1. **Key Concepts**
      * Debate 1: Globalization versus Deglobalization
      * Debate 2: Strategic versus Nonstrategic Industries
      * Debate 3: Just-in-Time versus Just-in-Case Management
   2. **Key Terms**
      * **Deglobalization**: The process of weakening economic interdependence among countries
      * **Global value chain (GVC)**: A chain of geographically dispersed and coordinated activities involved in the production of a good or service and its supply and distribution activities
      * **Organizational slack**: A cushion of resources that allow an organization to adapt successfully to pressures
      * **Resilience**: Capacity to recover quickly from difficulties