



International Business

Strategy, Management,
and the New Realities

S. Tamer Cavusgil

Michigan State University

Gary Knight

Florida State University

John R. Riesenberger

Executive in Residence, CIBER

Michigan State University

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Prentice
Hall

Upper Saddle River, New Jersey, 07458

Library of Congress Cataloging-in-Publication Data

Cavusgil, S. Tamer.

International business : strategy, management, and the new realities / S. Tamer Cavusgil, Gary Knight, John R. Riesenberger.

p. cm.

Includes bibliographical references and index.

ISBN 0-13-173860-7 (alk. paper)

1. International business enterprises--Management. I. Knight, Gary, 1939- II. Riesenberger, John R., 1948- III. Title.

HD62.4.C389 2008

658'.049--dc22

2007041181

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Full-Service Project Management: Prepare Inc.
Printer/Binder: R.R. Donnelly; Phoenix Color Corp.
Typeface: 10/12 Palatino

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10987654321

ISBN-13: 978-0-13-173860-7

ISBN-10: 0-13-173860-7



Dedicated to...

This book is dedicated to: my parents, Mehmet and Naciye Cavusgil, who never received much formal education but passed on a deep sense of appreciation for knowledge to their children; my wife Judy, and my children Erin and Emre Cavusgil who graciously provided much-needed understanding, support, and encouragement; and my students whom I had the opportunity to mentor over the years.

S. Tamer Cavusgil
East Lansing, Michigan

This book is dedicated to my wife Mari, for her patience, intellect and adventurous spirit, and to Bill and Audrey, for being great parents and role models.

Gary Knight
Tallahassee, Florida

This book and the accompanying knowledge portal are dedicated to my parents, Richard and Marie Riesenberger, for their example, many sacrifices and love. To my wife and best friend, Pat, for her enthusiasm and loving support. To my daughters Jenny and Chris and their husbands, Martijn and Byron, of whom I am so very proud and thankful. To my amazing grandchildren Ryan and Paige—the future of the New Realities.

John R. Riesenberger
Basking Ridge, New Jersey

> About the Authors



S. Tamer Cavusgil

Michigan State University, University Distinguished Faculty, The John William Byington Endowed Chair in Global Marketing, Executive Director, Center for International Business Education and Research (CIBER)

Professor Cavusgil has been mentoring students, executives, and educators in international business for the past three decades. A native of Turkey, Professor Cavusgil's professional work has taken him to numerous other emerging markets.

Professor Cavusgil has authored over 160 refereed journal articles and three dozen books including *Doing Business in the Emerging Markets* (Sage). His work is among the most cited contributions in international business. He is the founding editor of the *Journal of International Marketing* and *Advances in International Marketing*. He serves on the editorial review boards of professional journals.

Professor Cavusgil is an elected Fellow of the *Academy of International Business*, a distinction earned by a select group of intellectual leaders in international business. He also served as Vice President of the AIB, and on the Board of Directors of the *American Marketing Association*. Michigan State University bestowed him with its highest recognition for contributions to the international mission: the Ralph H. Smuckler Award for Advancing International Studies. He was named "International Trade Educator of the Year" in 1996 by the *National Association of Small Business International Trade Educators (NASBITE)*. At Michigan State University, he also earned the distinction of University Distinguished Faculty, the highest award given to a faculty member. In 2007, he was named an Honorary Fellow of the Sidney Sussex College at the University of Cambridge.

Professor Cavusgil holds MBA and Ph.D. degrees in business from the University of Wisconsin. Previously, he held positions at the Middle East Technical University in Turkey, University of Wisconsin-Whitewater, and Bradley University. He also served as Senior Fulbright Scholar to Australia and taught at Monash University and other Australian institutions. He served as a visiting Professor at Manchester Business School, and as Gianni and Joan Montezemolo Visiting Chair at the University of Cambridge, the United Kingdom.



Gary Knight

Florida State University
Associate Professor
Director of Program in International Business

Professor Knight has extensive experience in international business in the private sector. In his position as Export Manager for a medium-sized enterprise, he directed the firm's operations in Canada, Europe, Japan, and Mexico, supervising the business activities of some 50 distributors in these regions. Previously, he worked for a leading manufacturer of electrical machinery at its headquarters in Tokyo, Japan, and for the Japan office of the State of Washington.

At Florida State University, Professor Knight developed the study abroad programs in business in Britain, France, Japan, and Spain, as well as FSU's online courses in international business. He has won several awards for research and teaching, including best teacher in the MBA program and the Hans B. Thorelli Best Paper Award for his article "Entrepreneurship and Strategy: The SME Under Globalization." His

research emphasizes regional integration, international business strategy, international services, and internationalization of small and medium-sized firms.

Professor Knight is a member of the Academy of International Business. He has authored three books and nearly one hundred refereed articles in academic journals and conference proceedings, including *Journal of International Business Studies*, *Journal of World Business*, *International Executive*, and *Management International Review*. He is on the editorial review boards of several international journals. The United States House of Representative's Committee on Small Business recently invited Professor Knight to provide expert testimony on terrorism's effects on international business.

Professor Knight earned his MBA at the University of Washington and Ph.D. at Michigan State University, both in international business. Earlier degrees were in Finance and Modern Languages. He also attended the University of Paris in France and Sophia University in Japan, and is fluent in French, Japanese, and Spanish.

John R. Riesenberger

Michigan State University

Executive in Residence

Center for International Business Education and Research

John's international business career spans over three decades in the global pharmaceutical industry. He has conducted business transactions in 21 countries. His passion is to help students develop the managerial skills frequently required of new graduates entering careers in international business.

Currently, John is a Principal in a "born global" science-branding communications agency with clients that include the majority of the leading global pharmaceutical companies headquartered in Europe, Japan, and the United States.

John worked with Pharmacia & Upjohn and The Upjohn Company as a senior executive. His experience covers a diverse range of divisional, geographic, and functional accountabilities. His most recent position was Vice-President, Business Intelligence, Global Business Management. Previous assignments included: Vice-President of The Upjohn Company of Canada, Vice-President of Business Information, Executive Director-Worldwide Strategic Marketing Services, Executive Director-Worldwide Medical Sciences Liaison, and Director of Sales. Prior to joining The Upjohn Company, he served as a Customer Service Supervisor with the Chase Manhattan Bank.

John served as a member of the Global Advisory Board of the American Marketing Association and as a member of the Business Advisory Board of the Michigan State University Center for International Business Education and Research. He served as Chairman, Industry Advisory Board, "Value of Marketing Program," SEI Center for the Advanced Studies in Management, The Wharton School of the University of Pennsylvania. He is the former Chairman of the Pharmaceutical Manufacturing Association Marketing Practices Committee. John is the co-author, with Robert T. Moran, of *The Global Challenge: Building the New Worldwide Enterprise* (McGraw-Hill, London).

John holds a Bachelor of Science degree in Economics-Business and a Masters of Business Administration in Management from Hofstra University. He attended the Harvard Business School's International Senior Management Program (ISMP 89).



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> Preface

Why We Created This Book And Teaching System

The book you are holding, **International Business: Strategy, Management, and the New Realities**, is a component of an innovative educational system we have been developing over the past several years. The system represents an innovative and exciting approach to teaching international business. The insights we gained from comprehensive research and discussions with hundreds of practitioners, students, and faculty have been instrumental in refining our pedagogical philosophy and resources. The book attempts to impart the core body of knowledge in international business in an interesting and lively manner. Our teaching system works from the ground up, where cases, exercises, and management skill builders are seamlessly integrated and matched to the topics covered in each chapter. The accompanying knowledge portal, the C/K/R Educator's Consortium©, is designed as a clearinghouse for learning, networking, and sharing for International business educators worldwide.

The C/K/R Educational System is based on the following guiding principles:

New Realities

There are new realities in international business that are critical for today's students to embrace. We are witnessing remarkable changes in the cross-border flow of products, services, capital, ideas, and people. Today's volume of international trade, ease of communication and travel, and technological advances compel, and help, large and small firms to internationalize. We designed the content, organization, and features of the book and other resources to motivate and prepare future managers to grasp these new realities. These include: global sourcing, the impact of technological advances on globalization, globalization of finance, and the success of the smaller firm in international markets. Three other new realities are worth elaborating here: emerging markets, the diversity of international business participants, and corporate social responsibility.

Emerging Markets Students need an improved understanding of the changing nature of the international business landscape, not just the Triad regions (Europe, North America, and Japan). Over the past two decades, some 30 high-growth, high-potential countries have sprung into the forefront of cross-border business with rapid industrialization, privatization, and modernization.

We introduce emerging markets in Chapter 1, "Introduction: What is International Business" and, discuss how companies such as Renault and Microsoft achieve efficiencies by sourcing to countries such as Romania and India. In Chapter 9, "Understanding Emerging Markets," we explain what makes emerging markets attractive for international business and the risks and challenges of doing business in these markets. In Chapter 9 we also discuss Mexico's Cemex, Egypt's Orascom Telecom, and China's Shanghai Automotive.

The Diversity of International Business Participants Multinational enterprises (MNEs) have historically been the most important type of focal firm. However, students need to be familiar with a variety of firms active in international business. We therefore provide balanced coverage of MNEs, small and medium-sized enterprises (SMEs), and born globals. We introduce these three types of firms in Chapter 1 and revisit them throughout the book. Here are a few examples of the firms we discuss:

- Diesel, a fashion design company that grew from an SME into an MNE (Chapter 1, "Introduction: What is International Business?")

- Electrolux, a Swedish MNE in the kitchen appliance industry (Chapter 2, “Globalization of Markets and the Internationalization of the Firm”)
- Geo Search, a Japanese born global in the electronics industry (Chapter 3, “Organizational Participants that Make International Business Happen”)
- L’Oreal, a French MNE in the cosmetic industry (Chapter 5, “The Cultural Environment of International Business”)
- The challenges MNEs and SMEs encounter in Russia (Chapter 6, “Political and Legal Systems in National Environments”)
- How trade barriers affect SMEs (Chapter 7, “Government Intervention in International Business”)
- IKEA, a Swedish MNE in the furniture industry (Chapter 11, “Global Strategy and Organization”)
- PMI Mortgage Insurance Co., a U.S. service firm (Chapter 13, “Exporting and Countertrade”)

Corporate Social Responsibility Firms are increasingly aware of their role as good corporate citizens. We introduce corporate social responsibility in Chapter 1, “Introduction: What is International Business?” and provide examples from firms such as Starbucks and McDonald’s. In Chapter 6, “Political and Legal Systems in National Environments,” we summarize ethical practices and values.

In Chapter 9, “Understanding Emerging Markets,” we cover how firms foster economic development with profitable projects. In Chapter 16, “Global Sourcing,” we address ethical and social implications of global sourcing. In Chapter 18, “International Human Resource Management,” we discuss how firms can create more equitable working environments for foreign employees.

Educator’s Consortium®

Instructors need an innovative educational solution that goes beyond the textbook and its traditional supplements. We address this need with the C/K/R Educator’s Consortium®. The Educator’s Consortium® is the first online, global community to bring together international business instructors who are dedicated to preparing today’s students to be creative, open-minded, and socially responsible.

The CKR Educator’s Consortium® is a dynamic virtual library of pedagogical content and tools: It is designed to make every instructor look good in the classroom, as well as to save them time. The Educator’s Consortium® offers these advantages:

The screenshot shows the Educator's Consortium website interface. It features a search bar at the top left, a navigation menu on the left, and a main content area with various articles and resources. Callout boxes are overlaid on the interface:

- Search for information & tools by keyword, chapter, type, and region.** (Points to the search bar)
- Explore countless resources including a direct link to FT.com.** (Points to the FT.com logo)
- Share information, teaching tips, and tools with other instructors of international business—you can download course materials posted by other members, post your own materials, or join a discussion forum.** (Points to the 'Share' button)
- Customize your news feed to read the latest developments around the world.** (Points to the 'News Feed' section)

- Connects IB educators all over the world, providing opportunities for collaboration through the Educator’s Directory.
- Gives the instructor the ability to customize material to suit his or her own needs and teaching style by searching through community-generated material that is constantly updated.
- Offers an asynchronous bulletin board, inviting all adopters to exchange teaching ideas, post questions, and dialog through threaded discussions with one another and with the author team. The authors ensure quality content by screening contributed material.
- Includes unlimited access to ft.com, the portal of the *Financial Times*.



globalEDGE™ Knowledge Portal

globalEDGE™ was developed at Michigan State University’s Center for International Business Education and Research (CIBER) under the direction of S. Tamer Cavusgil. globalEDGE™ has become the leading knowledge portal for professionals in international business, providing a gateway to specialized knowledge on countries, cross-border transactions, culture, and firm practice. In each chapter, the authors provide several globalEDGE™ exercises as the basis for student assignments and projects.



Textbook Features of Special Note

Maps

In today’s globalized world, it is more important than ever for students to understand world geography. Our maps are large, easy to read, and colorful. Below is an example of a map from Chapter 9. Note the clear labeling of countries, the use of color coding, and the cut-out of Europe to make countries easy to identify:



Recent Grad in IB

Select chapters include a special feature entitled *Recent Grad in IB*, which highlights IB graduates now working in exciting international careers. We hope this feature will motivate today's students to travel, learn another language, and be open to working internationally.

Closing Case

Each chapter closes with an extensive case study that is new, developed specifically to address the learning objectives in the chapter and written by the authors. The cases help students build their managerial skills by applying what they have learned in the chapter to a situation faced by a real-world manager. Questions accompany the case for assignment as homework. Class discussion helps students sharpen their analytical and decision-making skills. Here are a few examples of the closing cases:

- Chapter 1: Whirlpool's Dramatic Turnaround through Internationalization
- Chapter 4: Hyundai: The Struggle for International Success
- Chapter 5: Hollywood and the Rise of Cultural Protectionism
- Chapter 6: Pillaging Patents: The New War on Pharmaceutical Drugs
- Chapter 7: Airbus Versus Boeing: When is Intervention Not Intervention?
- Chapter 11: Carlos Ghosn and Renault-Nissan: Leading for Global Success
- Chapter 12: Advanced Biomedical Devices: Assessing Readiness to Export
- Chapter 14: AUTOLATINA: A Failed International Partnership
- Chapter 15: Subway and the Challenges of Franchising in China
- Chapter 17: MTV India: Balancing Global and Local Marketing

Additional cases are provided at the Educator's Consortium®.



C/K/R Management Skill Builder®

As future managers, students must learn how to gather and analyze market information. We have devised an entirely new educational tool—the C/K/R Management Skill Builder (MSB)®. The MSB is a practical exercise that helps students gain familiarity with key managerial challenges they are likely to encounter as entry-level professionals. Students complete their C/K/R MSBs® by starting out with author-provided guidelines and a suggested presentation template available on the student knowledge portal. The MSBs will give students practical, real-world skills that will help them perform well in their careers. Here are a few examples of the MSBs:

- Chapter 2: Corporate Social Responsibility: Coffee, Ethiopia, and Starbucks
- Chapter 5: Developing an Incentive Plan for Sales Personnel from Different Cultures
- Chapter 6: Performing a Preliminary Country Risk Analysis
- Chapter 9: Learning About and Assessing Emerging Markets
- Chapter 12: Global Market Opportunity Assessment for Cancer Insurance
- Chapter 14: Selecting a Site for a Foreign Manufacturing Plant

This Book Supports Association to Advance Collegiate Schools of Business (AACSB) International Accreditation

Each chapter ends with a collection of exercises: Closing Case, Test Your Comprehension, Apply Your Understanding, globalEDGE™ Internet Exercises, and C/K/R Management Skill Builder©. In every chapter, next to each exercise, we provide a specific AACSB tagging logo to help instructors identify those exercises that support AACSB learning goals. We also provide AACSB tagging for all the questions in the Test Item File that accompanies the textbook.

What is the AACSB? AACSB is a not-for-profit corporation of educational institutions, corporations and other organizations devoted to the promotion and improvement of higher education in business administration and accounting. A collegiate institution offering degrees in business administration or accounting may volunteer for AACSB accreditation review. The AACSB makes initial accreditation decisions and conducts periodic reviews to promote continuous quality improvement in management education. Pearson Education is a proud member of the AACSB and is pleased to provide advice to help you apply AACSB Learning Standards.



What are AACSB Learning Standards? One of the criteria for AACSB accreditation is the quality of the curricula. Although no specific courses are required, the AACSB expects a curriculum to include learning experiences in such areas as:

- Communication
- Ethical reasoning
- Analytical skills
- Use of information technology
- Multiculturalism and diversity
- Reflective thinking

These six categories are AACSB Learning Standards. Questions that test skills relevant to these standards are tagged with the appropriate standard. For example, a question testing the moral questions associated with externalities would receive the Ethical Reasoning tag.

How can I use these tags? Tagged exercises help you measure whether students are grasping the course content that aligns with AACSB guidelines noted above. In addition, the tagged exercises may help to identify potential applications of these skills. This, in turn, may suggest enrichment activities or other educational experiences to help students achieve these goals.

Resources in Support of the Text

Instructor's Resource Center

At www.prenhall.com/irc, instructors can access a variety of print, digital, and presentation resources available with this text in downloadable format. Registration is simple and gives you immediate access to new titles and new editions. As a registered faculty member, you can download resource files and receive immediate access and instructions for installing course management content on your campus server.

If you ever need assistance, our dedicated technical support team is ready to help with the media supplements that accompany this text. Visit www.247.prenhall.com for answers to frequently asked questions and toll-free user support phone numbers.

The following supplements are available to adopting instructors

- **Instructor's Resource Center (IRC) on CD-ROM**—ISBN: 0-13-156318-1

All instructor resources in one place. It's your choice. The Instructor's Resource Center on CD-Rom includes the following supplements:

- **Instructor's Manual**
- **Test Item File**
- **Image Bank**
- **PowerPoints**
- **Printed Instructor's Manual**—ISBN: 0-13-232241-2

Authored by Professor Carol Sanchez of Grand Valley State University and Professor Marta Szabo White of George State University, the Instructor's Manual offers much more than just the traditional, limited chapter outline and answers to the end-of-chapter materials. In addition to these basic items, you will find suggested teaching strategies for 45-, 90-, and 180-minute sessions, chapter coverage suggestions for semester and quarter-length courses, and modular suggestions for courses focused on general management, strategy, and/or organizational behavior. The coverage for each chapter includes a variety of resources such as exercises, critical-thinking assignments, debate topics, and research assignments. Two appendices contain complete PowerPoint slides and an in-depth Video Guide.

- **Printed Test Item File**—ISBN: 0-13-156319-X

The test bank, authored by Cara Cantarella of Acumen Enterprises, Inc., contains approximately 75 questions per chapter, including multiple-choice, true/false, short answer, and essay questions based on a short business scenario. Cara is an assessment expert with extensive experience in test authoring. Each question for each chapter has been carefully reviewed and edited by the authors and Professor Candan Celik of Michigan State University to ensure accuracy and appropriateness.

Test questions are annotated with the following information:

- Page number from the main text of where the question's topic is covered
- Learning Objective from the main text
- Difficulty level: Easy for straight recall, Moderate for some analysis, or Analytical for complex analysis
- Topic: the term or concept the question supports
- Skill: concept or application

For each question that tests a standard from the Association to Advance Collegiate Schools of Business (AACSB), we use one of the following annotations:

- Communication
- Ethical Reasoning
- Analytical Skills
- Use of Information Technology
- Multicultural and Diversity
- Reflective Thinking

TestGen Test Generating Software—Available at the IRC online

This easy-to-use software allows instructors to custom design, save, and generate classroom tests. Instructors can edit, add, or delete questions from the test bank; edit existing graphics and create new graphics; analyze test results; and organize a database of tests and student results. It provides many flexible options for organizing and displaying tests, along with a search-and-sort feature.

- **PowerPoint Slides**—created by the authors—are available at the IRC (online or on CD-ROM).
- **Image Bank**—Visit the IRC on CD-ROM for this resource

All of the exhibits from the textbook are available electronically for instructors to download, print, display in class, or produce customized materials.

- **Custom Videos on DVD**—ISBN: 0-13-232207-2

The new DVD (ISBN: 0-13-232207-2) accompanying *International Business: Strategy, Management, and the New Realities*, contains both short and full-length clips highlighting international business issues. The Instructor's Manual offers the complete Video Guide.

Knowledge Portal Online Courses

The Knowledge Portal online courses offer the best teaching and learning online resources all in one place. It is all that instructors need to plan and administer their courses and all that students need for anytime, anywhere access to online course material. All of the materials for *International Business: Strategy, Management, and the New Realities*, are conveniently organized by chapter in the Knowledge Portal. The Knowledge Portal online courses are available in three course management platforms: *BlackBoard*, *CourseCompass*, and *WebCT* and features the following materials:

- **For the Student:** Student PowerPoints
- Link to FT.com for an additional \$25 six-month subscription
- Market Entry Strategy Project
- Chapter quizzes
- Link to www.globaledge.msu.edu
- Selection of short video clips
- Management Skill Builder exercises
- **For the Instructor:** All of the instructor's supplements, including the materials from the Instructor's Resource Center—(Test Bank, Instructor's Manual, and PowerPoint® slides)—have been pre-loaded into the Knowledge Portal online courses. Instructors choose can easily modify these materials for their online courses.

The Knowledge Portal online courses require an access code, which can be shrink-wrapped free of charge with new copies of this text. Please contact your local sales representative for the correct ISBN.

Knowledge Portal Companion Website

The Knowledge Portal Companion Website (for those who do not desire course management functionality) at www.prenhall.com/cavusgil contains valuable resources for both students and professors. This content is open access except as indicated. An access code is shipped with each copy of the book.

- Student PowerPoints
- Link to FT.com for an additional \$25 six-month subscription
- Market Entry Strategy Project (Pass Code Protected)
- Chapter quizzes
- Link to www.globaledge.msu.edu
- Selection of short video clips (Pass Code Protected)
- Management Skill Builder exercises (Pass Code Protected)



Vango Notes

Study on the go with VangoNotes (www.VangoNotes.com), detailed chapter reviews in downloadable MP3 format. Now wherever you are and whatever you're doing, you can study on the go by listening to the following for each chapter of your textbook:

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CourseSmart is an exciting new choice for students looking to save money. As an alternative to purchasing the print textbook, students can purchase an electronic version of the same content at a savings of up to 50 percent off the suggested list price of the print text. With a CourseSmart eTextbook, students can search the text, make notes online, print out reading assignments that incorporate lecture notes, and bookmark important passages for later review. For more information, or to purchase access to the CourseSmart eTextbook, visit www.coursesmart.com.

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The authors and the product team would appreciate hearing from you! Let us know what you think about this textbook by writing to college_marketing@prenhall.com. Please include “Feedback about Cavusgil/Knight/Riesenberger 1e” in the subject line.

For any questions related to this product, please contact our customer service department online at www.247.prenhall.com.

> Acknowledgments

Our Reviewers

Through three drafts of the manuscript, we received guidance and insights at several critical junctures from many trusted reviewers who provided specific recommendations on how to improve and refine the content, presentation, and organization. Their contributions were invaluable in crystallizing our thinking. We extend our gratitude to:

Raj Aggarwal, University of Akron
Richard Ajayi, University of Central Florida
Allen Amason, University of Georgia
Bulent Aybar, Southern New Hampshire University
Nizamettin Aydin, Suffolk University
Peter Banfe, Ohio Northern University
Eric Baumgardner, Xavier University
Lawrence Beer, Arizona State University
David Berg, University of Wisconsin-Milwaukee
Jean Boddewyn, Baruch College, City University of New York
Kirt Butler, Michigan State University
Tom Cary, City University, Seattle
Aruna Chandra, Indiana State University
Tim Curran, University of South Florida
Madeline Calabrese Damkar, California State University-East Bay
Seyda Deligonul, St. John Fisher College
Peter Dowling, Victoria University of Wellington, New Zealand
Bradley Farnsworth, University of Michigan
David Griffith, Michigan State University
Tom Head, Roosevelt University
Bruce Heiman, San Francisco State University
Ali Kara, Pennsylvania State University-University Park
Daekwan Kim, Florida State University
Ahmet Kirca, Michigan State University

Tatiana Kostova, University of South Carolina
Chuck Kwok, University of South Carolina
Yikuan Lee, San Francisco State University
Bijou Lester, Drexel University
Barbara Moebius, Waukesha County Technical College
Bruce Money, Brigham Young University
Bill Murray, University of San Francisco
Matthew B. Myers, University of Tennessee
Jeffrey W. Overby, Belmont University
Susan Peterson, Scottsdale Community College
Iordanis Petsas, University of Scranton
Zahir Quraeshi, Western Michigan University
Roberto Ragozzino, University of Central Florida
Hakan Saraoglu, Bryant University
Carol Sanchez, Grand Valley State University
Kurt Stanberry, University of Houston-Downtown
John Stanbury, George Mason University
Philip Sussan, University of Central Florida
Charles Ray Taylor, Villanova University
Deanna Teel, Houston Community College
Thuhang Tran, Middle Tennessee State University
Cheryl Van Deusen, University of North Florida
Linn Van Dyne, Michigan State University
William Walker, University of Houston
Marta Szabo White, Georgia State University
Betty Yobaccio, Bryant University

Focus Group Participants

We were also fortunate that so many colleagues generously gave their time and offered perspectives on our teaching resources and the Educator's Consortium. We met with these colleagues in person, teleconferenced with them, or otherwise received their input. The insights and recommendations of these educators were instrumental in the design and format of the C/K/R Portal. We extend our gratitude and thanks to the following reviewers and colleagues:

Yusaf Akbar, Southern New Hampshire University
Victor Alicea, Normandale Community College
Gail Arch, Curry College
Anke Arnaud, University of Central Florida
Choton Basu, University of Wisconsin, Whitewater
Paula Bobrowski, Auburn University

Teresa Brosnan, City University, Bellevue
Nichole Castater, Clark Atlanta University
Mike C.H. (Chen-Ho) Chao, Baruch College, City University of New York
David Chaplin, Waldorf College
Dong Chen, Loyola Marymount University

Chen Oi Chin, Lawrence Technological University
 Patrick Chinon, Syracuse University
 Farok J. Contractor, Rutgers University
 Christine Cope Pence, University of California, Riverside
 Angelica Cortes, University of Texas-Pan American
 Michael Deis, Clayton State University
 Les Dlabay, Lake Forest College
 Gary Donnelly, Casper College
 Gideon Falk, Purdue University-Calumet
 Marc Fetscherin, Rollins College
 Charles Fishel, San Jose State University
 Frank Flauto, Austin Community College
 Georgine K. Fogel, Salem International University
 Frank Franzak, Virginia Commonwealth University
 Debbie Gilliard, Metropolitan State College
 Robert Goddard, Appalachian State University
 Kenneth Gray, Florida A&M University
 Andy Grein, Baruch College, City University of New York
 Andrew C. Gross, Cleveland State University
 David Grossman, Florida Southern College
 Seid Hassan, Murray State University
 Xiaohong He, Quinnipiac University
 Wei He, Indiana State University
 Christina Heiss, University of Missouri-Kansas City
 Guy Holburn, University of Western Ontario
 Anisul Islam, University of Houston-Downtown
 Basil Janavaras, Minnesota State University
 Raj Javalgi, Cleveland State University
 Yikuan Jiang, California State University-East Bay
 Ken Kim, University of Toledo
 Anthony C. Koh, The University of Toledo
 Ann Langlois, Palm Beach Atlantic University
 Michael La Rocco, University of Saint Francis
 Romas A. Laskauskas, Villa Julie College
 Shaomin Li, Old Dominion University

Ted London, University of Michigan
 Peter Magnusson, Saint Louis University
 Charles Mambula, Suffolk University
 David McArthur, Utah Valley State College
 Ofer Meilich, Bradley University
 Lauryn Migenes, University of Central Florida
 Mortada Mohamed, Austin Community College
 Robert T. Moran, Thunderbird
 Carolyn Mueller, Stetson University
 Kelly J. Murphrey, Texas A&M University
 William Newburry, Florida International University
 Stanley Nollen, Georgetown University
 Augustine Nwabuzor, Florida A&M University
 David Paul, California State University-East Bay
 Christine Pence, University of California Riverside
 Heather Pendarvis-McCord, Bradley University
 Kathleen Rehbein, Marquette University
 Liesl Riddle, George Washington University
 John Rushing, Barry University
 Mary Saladino, Montclair State University
 Carol Sanchez, Grand Valley State University
 Camille Schuster, California State University-San Marcos
 Eugene Seeley, Utah Valley State College
 Mandep Singh, Western Illinois University
 Rajendra Sinhaa, Des Moines Area Community College
 John E. Spillan, Pennsylvania State University-DuBois
 Uday S. Tate, Marshall University
 Janell Townsend, Oakland University
 Sameer Vaidya, Texas Wesleyan University
 Robert Ware, Savannah State University
 Marta Szabo White, Georgia State University
 Steve Williamson, University of North Florida
 Lynn Wilson, Saint Leo University
 Attila Yaprak, Wayne State University
 Rama Yelkur, University of Wisconsin-Eau Claire
 Christopher Ziemnowicz, Concord University

Our Colleagues, Doctoral Students, and Practitioners

Numerous individuals have contributed to our thinking over the years. Through conversations, conferences, seminars, and writings, we have greatly benefited from the views and experience of international business educators and professionals from around the world. The senior author also had many rich conversations with the doctoral students whom he mentored over the years. Their names appear below if they have not been previously mentioned above. Directly or indirectly, their thoughtful ideas and suggestions have had a significant impact on the development of this book. Some have also contributed specific content to the Educator's Consortium. Our appreciation goes to many individuals including:

Billur Akdeniz, Michigan State University
 Lyn Amine, Saint Louis University
 Catherine N. Axinn, Ohio University
 Ted Bany, The Upjohn Company
 Nigel Barrett, University of Technology Sydney, Australia

Christopher Bartlett, Harvard Business School
 Simon Bell, University of Cambridge
 Daniel C. Bello, Georgia State University
 Muzaffer Bodur, Bogazici University, Istanbul, Turkey
 Nakiye Boyacigiller, Sabanci University

John Brawley, The Upjohn Company
 Roger Calantone, Michigan State University
 Erin Cavusgil, Michigan State University
 Brian Chabowski, University of Tulsa
 Emin Civi, University of New Brunswick, St. John,
 Canada
 Tefvik Dalgic, University of Texas at Dallas
 Guillermo D'Andrea, Universidad Austral-Argentina
 Angela da Rocha, Universidad Federal do Rio de
 Janeiro, Brazil
 Deniz Erden, Bogazici University, Istanbul, Turkey
 Felicitas Evangelista, University of Western Sydney,
 Australia
 Cuneyt Evirgen, Sabanci University
 Richard Fletcher, University of Western Sydney, Australia
 Harold Fishkin, The Upjohn Company
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This book would not have been possible without the tireless efforts of many dedicated professionals at our publisher, Prentice Hall. We are especially grateful to David Parker who was an acquisitions editor when we started this project three years ago. His positive outlook, professional demeanor, and good sense of humor provided the motivation for us to persist with this effort. We were also very fortunate to have highly competent and professional assistance of Lena Buonanno throughout the entire project. Her careful editing and creative ideas were instrumental in enhancing the content and composition of the final product. Gina Huck Siegert provided able and cheerful coordination through two rounds of revisions with our reviewers. Kathleen McLellan helped organize numerous focus groups with insightful educators and assisted with marketing efforts. Our appreciation goes to many other individuals at Prentice Hall, including: Linda Albelli, Robert Aleman, Alvelino Alves, Cara Cantarella, Elizabeth Davis, Stephen Deitmer, Jerome Grant, Kevin Holm, Patrice Jones, Brian Kibby, Maria Lange, John LaVacca, Judy Leale, Patrick Leow, Ben Paris, Ashley Santora, and Kristen Varina.