

## International Business

by Alan M. Rugman and Simon Collinson

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This review will inform the reader about international business from a Triad perspective, as suggested by Rugman and Collinson (2012). The review evaluates the content on theories and strategies discussed in the book under review. Moreover, our review examines the scope and relevance of challenges and issues to international business, as suggested in this book.

The book *International Business* has been written by famous professors Alan M. Rugman and Simon Collinson. They both are world-renowned scholars in the field of international business. Their main objective behind writing this book is to provide a detailed understanding of international business, especially on Triad (Japan, USA and European Union [EU]). In this book, the authors seem to grant a keen and deep attention to clarify the concepts associated with international business. For this, to make it easy, they have included a list of illustrations which contain 99 figures, 86 tables and six maps. This genuine and comprehensive information helps the reader to understand international business, its challenges, opportunities and solutions. Another good thing about the book is that at the end of each chapter, key points, review, discussion questions and additional bibliography are given. The format and the content of the book is helpful for both academicians and practitioners. Although this book is helpful in understanding international business in context of Triad, a detailed review of the book in contemporary business setting can be helpful in identifying number of research gaps of global nature. Moreover, this book facilitates researchers by stating the detailed bibliography that leads to valuable literature. This book is also helpful to the practitioners, especially those who manage businesses internationally, as it also helps in understanding the cultural differences, national laws and local business realities.

In the sixth edition of *International Business*, there are 22 chapters grouped in five parts, and each part discusses a separate international business issue in the global context. The first part is “The World of International Business” in which concepts such as regional and global business strategy, multinational enterprise and the Triad are discussed. The second part is “The Environment of International Business”; it contains discussions about the



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international politics, international culture, international trade, international financial markets and international financial institutions. Third part is “International Business Strategy”. This part elaborates the multinational strategy, organizing strategy, corporate strategy, national competitiveness, innovation, entrepreneurship and “Born Global” firms. The fourth part is “Functional Area Strategies” in which the writers have discussed production strategy, marketing strategy, human resource management strategy, political risk, negotiation strategy and international financial management. The fifth part is “Regional Strategy”; this part helps the reader to understand the international regional strategies.

Dr Alan M. Rugman is a Professor of International Business at the Henley Business School. He is the Head of the School of International Business and Strategy at Reading University, UK. Dr Rugman has published over 250 articles dealing with the economics, managerial and strategic aspects of multinational enterprise and with trade and investment policy. These have appeared in leading referred journals such as *Journal of International Business Studies*, *Management International Review*, *American Economic Review*, *Strategic Management Journal* and *Journal of Business Ethics*.

Dr Simon Collinson is a Professor of International Business and Innovation at the Henley business School of Reading University, UK. He is also Guangbiao Chair Professor, School of Management, Zhejiang University, China. His research interests include global innovation strategies, research and development, intellectual asset management in multinational firms, the competitiveness of international UK firms, national systems of innovation and emerging economies, high-technology entrepreneurship, small firms network and regional development in Japan and China, local business practices and cross-cultural management.

First part of the book is “The World of International Business”, where regional and global strategies are discussed in detail. Main attention is given to the country- and firm-specific factors that are considered in mapping and devising regional and global strategies. The Triad, i.e. USA, western Europe and Japan, carries most of the world trade and foreign direct investment (FDI). Triad is a cluster of countries which account for over 50 per cent of the world gross domestic product (GDP) and account for 8 per cent of the world’s population. The gross national income (GNI) of the Triad countries is about 48 per cent of the world’s GNI. Beside succinctly provided data, this book provides information on international trade regulation and its impact on multinational corporations in a realistic way. It also discusses small- and medium-sized enterprises in different national contexts. Two real cases are included with the title “Big Oil gets bigger” and “Wal-Mart”. The top 100 economies and MNEs 2010 ranking is provided as an example with sale revenue data in dollars. Moreover, the impacts of Triad are closely examined broadly with North America, Europe and Asia. This book also examines the role and impact of these regions on international business activity. Active learning cases about “Boeing versus airbus” and Panasonic versus Philips help in understanding the impact of decentralization and FDI on a firm’s growth.

Second part of this book is “The Environment of International Business”, which is actually a back bone of international business study. In this part, we learn about international politics, international culture, international trade, international financial markets and institutions. International politics comes first, which is closely linked to international business decision-making and international business strategies. A good example in this context are the economic changes that are sweeping eastern Europe and Asia today. As these regions embrace open markets, their centrally planned economies are giving way to market-driven economies. The most importantly discussed area in international political context is the economic systems, their linkages and contrast with each

other and implications in allocation of resources. Major political systems and their importance in international business and suitability are discussed. Five major levels of economic integration and their impact on international trade and desirability of the member and non-member countries are part of this book. This part also talks how World Trade Organization, EU, North American Free Trade Agreement (NAFTA), Association of South East Asian Nation have their own preferences, but collectively support internationalization in the world in their areas. Culture affects MNEs decisions, as discussed in various models and in active learning case “culture clash at Pharmacia and Upjohn,” have also been discussed. Theory of absolute advantage, theory of comparative advantage, factor endowment theory and international product life-cycle theory gave insight on how specialization and resources help make international trade. In addition, the role and importance of a country’s barrier to trade have been discussed with the focus on why most nations use trade barriers despite vigorous international efforts to eliminate them. International financial markets and institutions play a vital role in international trade. Foreign exchange market, its operation, main participants and fundamental economic factors that determine exchange rate such as demand and supply forces or through government intervention in the foreign exchange market, all are highly insightful in this book. How do Euromarkets, both short- and long-term, affect international trade? How the international monetary system functions, and how it relates to private sector firms and government, writers give a deep view. Two real cases of Hong Kong and Shanghai Banking Corporation and world financial crises clarify the main concept of financial markets and provide solutions to deal in foreign exchange market risks.

Third part of this book is “International Business Strategies”, which deals in multinational strategies, organizing strategy, corporate strategy, national competitiveness, innovation, entrepreneurship and born “Global Firms”. This area explains the formulation of strategy and identifies the internal and external factors that affect the environmental assessments. “Porter five forces model” and “value chain analyses” are used to assess the impact of strategy and their impact on businesses. Book talks of some basic organization structures such as functional, departmental and matrix structure through which organizations are controlled and managed. Most MNEs tailor the organization’s structure or sometimes use the combination of different structures. A real case example is also available about LVMH, which is a France-based world-leading luxury goods group. Worldwide operations and local strategies of Asea Brown Boveri is given as active learning case, which provides a detailed understanding of the corporate strategy and national competitiveness. Authors suggest that by persistently creating better and new products and services, innovating production processes, management practices and business models, firms can stay ahead in the competitive environment. The writers have wisely and efficiently used the concepts relating international business to help readers understand dynamic capabilities, born global, born regional, entrepreneurial life cycles, networks and industry clusters.

Part four of the book provides knowledge and understanding on “Functional Area Strategies” in which production strategy, marketing strategy, human resource management strategy, political risk, negotiation strategy and international financial management are discussed. MNEs offer different products and services because of limited life of goods and services; therefore, MNEs use well-formulated production strategies. Focus is on the entire range of strategies in production through from research, development, manufacturing, shipment and final international destination. MNEs focus on most current approaches which are recently devised such as speed-to-market, concurrent engineering and continuous cost reduction. Global sourcing, costing techniques, quality maintenance, effective materials handling and inventory control are major areas in international business operations. Active

learning case in this area is about the GE production process and “six sigma”, in which importance and usage of “six sigma” is considered in GE production process. Book tells that after production, marketing is very important, MNEs develop marketing strategies to identify opportunities and take competitive advantage. MNEs consider four P’s in marketing strategies in which product, price place and promotion have been discussed in detail. MNEs use different strategies to adapt to the local needs, modified product life-cycle, advertising and personal selling. The good thing of the book in this area is that real cases have been discussed about international marketing of Volkswagen, Bang & Olufsen, etc. After production and marketing strategies, human resource management function and human resource (HR) management strategies are given equal importance in this book. This area covers how MNEs in international business develop HR strategies to select personnel, identify training gaps, give training and compensation. In active learning case “the coca cola company thinks local” has been discussed, focusing human resource strategies. Political change, whether it is gradual or sudden, is a particularly important factor in emerging and developing countries. Changes in institution, governance system and business-related legislations are frequent in such countries and can change the “role of the game”. This book successfully informs the readers how MNEs set the proprieties and evaluate the impact of political change before and after the investment. Major political changes in China and India in the early 1990s, for example, opened up these economies for foreign investors. Keeping such examples in preview, this book tells how multinational enterprises try to forecast political risk, how they understand governments and policy agendas and how they use negotiating tactics to minimize their political risk.

Negotiation strategies in international business scenario are very important; MNEs try to negotiate the favorable terms with host countries. Real case scenarios of Yukos and the Russian Oligarchs and “Problems with Ports” are discussed in detail to shed light on negotiation-related content. Moving to financial markets, this book successfully explain management of global cash flows and describes funds positioning techniques, multilateral netting, etc. This book also covers exchange risk management including transaction risk, translation risk and economic risk. Capital budgeting techniques such as net present value and internal rate of return are also part of international financial management, as discussed in this book. Active learning case of British Airways is discussed in context of international financial management. Real case examples on international financial management such as Skanda and Repsol’s acquisition of YPF have also been discussed to clarify the practical implications of the subject.

In the fifth part of the book, regional strategies are discussed in details with opportunities and threats, current and future challenges in internationalization context with specific reference to EU, Japan, North America and emerging economies, e.g. China. In this part, EU environment has been examined with strategy considerations that must be addressed by the companies doing business in this economic block. Active learning case of France Telecom has been given in which it is discussed how it gets competitive advantage over other firms. Strategic analyses are conducted using competitive intelligence, external information gathering, internal infrastructure analyses and evaluating locations. Some barriers to EU market access are discussed in detail, such as countervailing duty and antidumping duty. Japan is also included in Triad regions of the world. Japan has unique business infrastructure in the world. Political, social, cultural and economic differences underpin the uniqueness of Japan in the world. This area of study provides an overview of the key economic, political, social and cultural characteristics of Japan. Authors suggest that such insights are important for the firms defending their own domestic market against Japanese MNEs for foreign firms breaking into the Japanese market and for MNEs acquiring and

partnering Japanese firms or recruiting Japanese employees. Active learning case with the name of “Doing Business in Japan” is helpful to understand Japanese corporate culture. Japanese business characteristics include manufacturing strengths, strong R&D, keiretsu (conglomerate integration), distribution, retailing and customer orientation.

NAFTA includes USA, Canada and Mexico, which constitute a thriving economics block. According to the recent research review, more than 32 per cent of all US trade is with Canada and Mexico. This chapter (in the fifth part) focuses on other two countries of NAFTA, Canada and Mexico; these countries are very different from the USA and have different business practices. A detailed analysis is given on NAFTA member countries in the active leaning case “NAFTA”. A detailed discussion about Canada is provided in the context of Canada’s industrial climate, regulatory environment, export and import, Francization in Quebec, banking and finance, labor relation, unions, working conditions, investments and Canada’s multinationals. Similarly, today, Mexico is the strongest economy in Latin America; some important issues are highlighted by the writers with reference to MNE investment in Mexico and the relationship of Mexico and NAFTA by using real case examples from Jumex of Mexico and from GlaxoSmithKline in the USA. Approximately, more than 100 nations in this world are not Triad members, obviously, these nations are outside of United Nations, EU and Japan. A subgroup of non-Triad economies is the “emerging economies”; these economies are marked because of their rapid economic growth and changing environment in the world. Writers suggest that it is important for MNEs of all sizes from the world to consider the opportunities in emerging economies. This is because the disposable income of population of these economies is rising as they are increasingly important source of input, product, technology and value-adding capabilities. These developments represent many new opportunities and new risks for MNEs.

Using tables and calculations, writers give a detailed analysis of movement of FDI from Triad economies to emerging economies. This looks a better way to understand the flow of funds from Triad MNEs toward emerging economies. Shifting pattern of comparative and competitive advantage is also given to understand the movement of FDI toward non-Triad regions. Authors suggest that newly industrialized countries is a subgroup of emerging market economies that has experienced rapid economic growth, accompanied by political and social change. The forerunners in this case were the four Asian “tiger” economies, i.e. Singapore, South Korea, Taiwan and Hong Kong. Authors also contribute to extant knowledge in the field of international business by giving Flying geese model that helps to understand changing national-level specialization, shifting location of industrial production and pattern of shifting comparative advantage. The writers argue and then prove that emerging economies are a source of innovation. Two real case examples are taken to give more understanding on emerging economies, i.e. “the Indian IT, software and service industry” and “Bumrungrad International in Thailand”.

In the 1950s, China’s economy was the size of Sudan’s. After 30 years of liberalization, it is the second largest in the purchasing power parity terms. Authors suggest that political change in China led to the economic and social change. Domestic consumer market in China is expanding because of rapid economic growth alongside continued poverty and growing disparities in wealth and income across the population of over 1.5 billion people. Active learning case of “Oxford instrument in China” gives valuable information about the Chinese nation. One study about China characterized the differences as follows:

China gave priority to administrative reforms, aligned bureaucratic incentives at all levels with growth and development objectives and enhanced enterprise and social autonomy, while preserving the capacity of the center to exercise control. This approach transformed government bodies into real owners of the reform process and led to privatization over time that was largely

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welfare-enhancing. Russia, on the contrary, gave priority to economic over States restructuring. Major reforms include mass privatization implemented in an environment of a weak States, which did not have the capacity to protect its ownership rights and coordinate reforms. As a result, privatization was a wasteful process associated with assets stripping and consequently with lack of legitimacy of newly established property rights.

Why many MNEs from the world go to China is a debatable topic. Even MNEs shifted from Triad economies in the past decade. Researchers suggest that China makes transparency in laws and regulations, reduces the cost of doing business in China and enhances export procedure and foreign exchange regulations. Real case examples are provided from China on “Citigroup in China” and “Nanging auto makes the MG”.

Over the course of this text, reader feels that much of the world of international business has changed in the past decade. The next decade is also very important because more changes are expected in international business. Authors maintain that this expected change will affect both the country and firm factors and strategies of multinational firms. Corporate social responsibility and ethical behavior of the firms are very important to be addressed in the near future, and these factors no doubt are critical success factors of the organizations. Somehow, the above two factors are not considered important in some areas of the world but will become important in the near future; failure to follow these two factors is the reason of failure of businesses. Coping with changing environment is very much necessary for MNEs.

In this book, *International Business*, the writers focus on Triad countries and provide detail on almost all areas of the study which are required in international business management. The book is completely fit to understand international business and serves as tool kit for practitioners in making business strategies. Mainly, this book is written for university students so as to help them build concepts and learn from case studies, active learning cases on how multinationals deal in specific situations in the world. This also promotes the reader to adopt practical approach to international business. Managers can get help by studying famous case studies of successful businesses from Japan, EU and USA. Case studies, active learning case and international business strategy in action come from variety of MNEs such as Walt Mart, Nestle, Starbucks, Panasonic, Philips, IBM, Kodak, Nike, British Airways, France Telecom, NAFTA, Airbus in China and Dell Ford. Moreover, bibliography given at the end of each chapter opens a door for a researcher to conduct a thorough literature review. The work of the authors is highly admirable; their insight on international businesses is regular and appreciable. All the tables, figures and maps provided in the book are recent and relate to past one and a half decade. By writing this book, both writers have demonstrated strong ability and necessary expertise to write scholarly content on international business theory and contemporary issues.

All the concepts regarding international business are well defined. Side notes and foot notes are given for further explanations, when needed. The language used to explain concepts is so clear and convincing that even a layman can understand it easily. All the areas essential to the understanding of international business study are covered. Writers make effort to include all the topics which are necessary to understand international business, but still, some important topics are not part of this book, such as emerging economies of Brazil, Russia, India, China and South Africa (BRICS) and Shanghai Cooperation Organization (SCO). The BRICS members are leading developing industrialized countries. In 2015, the five BRICS countries represent over 3.6 billion people, near about half of the world population; BRICS are in the top 25 of the world by population, and four of these countries are in top ten. The five nations have a combined nominal GDP of US\$16.6tn, equivalent to approximately 22 per cent of the gross world product, have combined GDP of around US\$37tn and an estimated US\$4tn in combined foreign reserves. Overall, the BRICS

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are forecasted to expand 4.6 per cent in 2016, from an estimated growth of 3.9 per cent in 2015. Therefore, we suggest that next edition of this book must include BRICS perspective of international business. Similarly, SCO is a Eurasian political, economic and military organization which was founded in 2001 in Shanghai by the leaders of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. These countries, except for Uzbekistan, had been members of the Shanghai Five, founded in 1996; after the inclusion of Uzbekistan in 2001, the members renamed the organization. Therefore, we wait to read about SCO in the next edition of this book as well. More importantly, the Silk Road Economic Belt and the twenty-first-century Maritime Silk Road is very important project of the twenty-first century and is, unfortunately, not a part of this book. This project carries the potential to change the dynamics of international business in years to come. The silk road, also known as The Belt and Road or One Belt-One Road, is a key development strategy and framework proposed by Chinese paramount leader Xi Jinping that focuses on connectivity and cooperation among countries, primarily between the People's Republic of China and the rest of Eurasia.

Another debatable issue relevant to international business today is "Development Bank and Emergency Reserves Fund", which needs to be considered by all scholars and practitioners. The leaders of Russia and Brazil have expressed support for a plan to launch a new development bank and emergency reserves fund, an ambitious challenge to the Western-run multilaterals that shape global finances. This edition of book has not considered such important developments unfolding in the field of international business.

The authors' style is formal, and they make it possible in their best way to address the target audience. Therefore, they conclude all chapters at the end in a convincing way with the support of key points, reviews, discussion questions, key terms used and, more importantly, end notes. The footnotes provide help to understand important information together with references and history where it is needed. The format and layout of the book is easy: at the start of each chapter, the contents with page number are given. Overall objective of each chapter is given in a concise manner at the beginning. Writers also provide detailed objectives of the chapter. Headings and diagrams are used where needed in the book. All the figures, maps and tables are recent and helpful in understanding the content of the book. All the information provided in the context of table, figures and maps is correct. Index of the book is in detail and in accurate format; it helps in finding the desired topic from the book. Authors used the secondary sources in providing bibliography, tables, maps and figures. They also provide references at the end of the each table, map and figure. Authors go so accurately that they even provided website references of the secondary information as we verified from the given websites.

The book is rich in intellectual qualities of the writing; it is simple and clear; it provides a logical sequence in reading. The emotional qualities as depicted in the writing are appropriate and information provided is concise – neither too short nor much exaggerated. One remarkable quality of the writing is the harmony between parts and the chapters. Stylistic devices, e.g. symbols and motif, are used to make the book more appealing and easier for the reader. The content of the chapters is organized in such a way that different subjects' inter linkages are presented both retrospectively and prospectively. The book fulfills the current need of the knowledge and information required in international business and also carries the ability to fulfill future need of the knowledge.

All the contents and topics are outlined in detail with broad and practical examples. This edition is a revision of the previous one; additional material is provided in this edition, such as active learning cases, international business strategy in action and bibliography given in each chapter. This approach supports to enhance leaning of the readers. Some new chapters are also added in this edition, and the numbering of some chapters is changed from previous

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edition. The book has five parts, each having a minimum of three and a maximum of six chapters, with a total of 22 chapters. Each part is logically organized, and relevant chapters are included in each part of the book; therefore, the sequence is changed from the previous edition. The book contains complete details as to which chapter's name is interchanged in this edition from the last edition. In this edition, all maps, figures, charts and illustrations are updated, and sources of information are provided with each at the end of charts and illustrations.

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This book is ranked high among other international business books in the world. Authors make efforts to include all issues related to international business in the world, but they focus on multinationals from the Triad (USA, EU and Japan). Most importantly, they have ignored the other world's emerging economies. The book has no comparison with other books on the same field in the context of Triad. We found this book in the bibliography of the research articles published by world's elite outlets.

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