

*Note: This is the text-only version of this week's lecture.*

All media (i.e. videos, flash presentations, and PowerPoints) and learning activities (i.e. assigned readings, assignments, and discussions) are accessible only through the online course.

## **Week 1: The Nature of International Business**

### **Week 1 Overview**

*Log in to the course to view video and alternative version.*

Click the link below to access a transcript of the video.

[Video Transcript](#)

Week 1 covers numerous introductory concepts and definitions associated with international business that will help us move towards understanding and being able to articulate the complexity of International Business. Further, we will build on these concepts in the remaining weeks of the course.

- First, you will learn that international business differs from domestic business in that it involves three environments instead of one: domestic, foreign, and international. While the kinds of forces are the same in the domestic and foreign environments, their values often differ, and changes in the values of the foreign forces can be at times difficult to assess.
- Then we will address three major concerns, the state of international trade, that of foreign investment, and then an exploration of why businesses enter foreign markets. You will learn about the trade theories that attempt to explain why nations trade with each other and theories of foreign direct investment that attempt to explain why firms go abroad.
- Finally, you will also learn about the international institutions and organizations including monetary institutions that firms must interact with or whose influence affects the way of doing business; especially in the areas of information and financing firms can gain substantially through these institutions.

Week 1 consists of three lessons:

**Lesson 1: The Rapid Change of International Business**

**Lesson 2: International Trade and Foreign Direct Investment**

**Lesson 3: International Institutions from an International Business Perspective**

**Week 1 Learning Activities**

| <b>Learning Activity</b> | <b>Description</b>  | <b>Due Date</b>   | <b>Points</b> |
|--------------------------|---|---|---------------|
| <b>Lesson 1</b>          | <b>The Rapid Change of International Business</b>   |   | ~             |
| Week 1 Reading 1         | Read Chapter 1 of your textbook   | Complete by end of Day 1  | ~             |
| Week 1 Activity 1        | Research Activity: FDI and Ease of Doing Business   | Complete by end of Day 6 (Suggested end of Day 2)                               | 20            |
| <b>Lesson 2</b>          | <b>International Trade and Foreign Direct Investment</b>  |   | ~             |
| Week 1 Reading 2         | Read Chapter 2 of your textbook   | Complete by end of Day 3  | ~             |
| Week 1 Activity 2        | Research Activity: Commodity Sourcing   | Optional  | ~             |
| <b>Lesson 3</b>          | <b>International Institutions from an International Business Perspective</b>  |   | ~             |
| Week 1 Reading 3         | Read Chapter 3 of your textbook   | Complete by end of Day 5  | ~             |
| Week 1 Discussion 1      | Impact of International Business  | Post by end of Day 3<br>Respond by end of Day 5                                 | 30            |
| Week 1 Quiz 1            | This examination lasts 90 minutes and has 25 multiple-choice questions and 1 quantitative problem in multiple choice format (5 questions) | Opens 9:00 a.m. E.T. Day 7 and Closes 9:00 a.m. E.T. of Day 1 of following week | 150           |
| <b>Total</b>             |   |   | <b>200</b>    |

**Note:** All assignments are to be submitted through the **Assignments** area of the course. Similarly, class discussions can be accessed in the **Discussions** area. Groups may use both the **Groups** area and their own Live Session located in the **Live Sessions** area.

*Please note that there are several practice activities and practice questions in each lesson. Please make sure to complete each item.*

## A Note on Research Activities

The purpose of the research activities is to get you acquainted with several resources that you will need for successful completion of the course group project and of course to get you started in the project early. The goal for this week is to select a firm and choose a product, while making a preliminary scan of the countries available for market entry. Please see detailed instructions in your course Syllabus or in Week 5.

While the details of each research activity are presented in the following pages, I would like to provide you with a short summary:

- In the first research activity you are asked to evaluate the attractiveness of foreign countries in terms of FDI.
  - Thinking ahead about your project: maybe here you can relate the product you chose for your firm and the country you chose with a theory of international investment presented in Chapter 2 of your book.
- In the second activity you are presented with the task of examining bilateral trade of a commodity.
  - This is an optional activity but thinking ahead about your project: maybe here you can relate the product you selected with trade flows across countries and support your arguments with trade theories from Chapter 2 of your book.

Each research activity is an individual assignment and no collaboration is allowed among students. You should spend no longer than 30 minutes completing each research activity. Further, you are provided with detailed hints in each research activity and you will receive full points for each submitted assignment (Turnitin). As such, you will not receive feedback by your instructor, unless you explicitly request it. **However, cheating of any form or plagiarism will result in receiving zero** for the corresponding assignment and you must address to the best of your abilities what the research task is asking for. If you submit something irrelevant to the assignment you will receive a zero. The quality of your report will be assessed by your instructor.

## Lesson 1: The Rapid Change of International Business

### Learning Objectives

As a result of participating in this lesson, you will be able to:

- Understand what international business is and why it is important.
- Comprehend why and how international business differs from domestic business.
- Appreciate that international business has a long and important history in the world's development.
- Appreciate the dramatic internationalization of markets.
- Understand the five kinds of drivers - all based on change - that are leading firms to internationalize their operations.
- Recognize the key arguments for and against the globalization of business.
- Explain the reasons for entering foreign markets.
- Recognize that globalization of an international firm occurs over at least seven dimensions and that a company can be partially global in some dimensions and completely global in others.

### Week 1 Reading 1

**Textbook:** *International Business: The Challenge of Global Competition*, 13th Edition, by Ball, D. A., Geringer, J. M., McNett, J. M., Minor, M. S., 2012, New York, N.Y.: McGraw-Hill Irwin. ISBN-10: 0077606124, ISBN-13: 978-0077606121.

- Chapter 1, "The Rapid Change of International Business"

### Important!

Before you proceed, read Chapter 1 of our textbook. Please do not continue until you have done so.

## Lesson 1: Practice Activity-What is International Business?

*Log in to the course to access interactive course content and alternative version.*

Click the link below to access the Alternate Version of this activity.

[Alternate Version](#)

## Lesson 1 Practice Activity: Growth of International Business

*Log in to the course to access interactive course content and alternative version.*

Click the link below to access the Alternate Version of this activity.

[Alternate Version](#)

## **Week 1 Activity 1: Research Activity: FDI and Ease of Doing Business (Submit by end of Day 6, suggested by Day 2)**

**Value: 20 Points**

You are working in a company that is considering investing in a foreign country. You were asked by management to evaluate the attractiveness of foreign countries in terms of return to FDI and ease of doing business. A colleague mentioned a potentially useful tool called the "FDI Confidence Index" and an index on Ease of Doing Business. Find the top 25 countries in terms of FDI attractiveness. Then pick one country and prepare a short report on the country's FDI environment, regulations and ease of doing business. **Your report should be a maximum of 1 page, double-spaced, Word or PDF document. However, you can have unlimited number of exhibits that should be put in an Appendix in the same file.**

### **Hint:**

The FDI Confidence Index is a study published by the consulting firm A.T. Kearney based on surveys of CEOs. You can find the index searching through the web or by searching the phrase "FDI Confidence" in the search box of GlobalEdge: <http://globaledge.msu.edu/>

Several indices are provided in: <http://globaledge.msu.edu/Global-Resources/rankings>

The FDI statistics are provided by a variety of sources. One of the most comprehensive sources is the UNCTAD's World Investment Report (see Country Fact Sheets) and can be accessed by searching the term "FDI" at <http://globaledge.msu.edu> or in the website of UNCTAD.

Alternatively, many of the same statistics, as well as detailed write-ups of the FDI environment can also be reached through the Country Commercial Guides (we will cover these later).

The Ease of Doing Business Index captures the regulatory environment of a country as it relates to the helpfulness of starting and operating a business. It is available from the World Bank at: <http://www.doingbusiness.org/rankings/>

**Submit your completed research task through the Turnitin drop box located within the Assignments area by no later than end of Day 6.**

**Please note that the Turnitin drop box will be available on Day 1 at 12:00 a.m. E.T.**

### **Accessing Grademark Commentary for Individual Turnitin Assignments**

- Select the **View/Complete** link in the assignment drop box, or select your grade in the **My Grades** area.
- Next, select the title of the assignment in the Turnitin Assignment and Portfolio Inbox.
- Once the document view loads, select the **GradeMark** button, located at the top left of the screen.
- To view individual comments, hover the mouse over the blue comment bubbles.

## Lesson 2: International Trade and Foreign Direct Investment

### Week 1 Reading 2

**Textbook:** *International Business: The Challenge of Global Competition*, 13th Edition, by Ball, D. A., Geringer, J. M., McNett, J. M., Minor, M. S., 2012, New York, N.Y.: McGraw-Hill Irwin. ISBN-10: 0077606124, ISBN-13: 978-0077606121.

- Chapter 2, "International Trade and Foreign Direct Investment"

### Important!

Before you proceed, read Chapter 2 of our textbook. Please do not continue until you have done so.

### Lesson 2 Practice: International Trade Theories

International trade theory attempts to explain why nations trade and to help predict the direction, composition, and volume of goods that will be traded. There is a variety of different theories that have been proposed and understanding the differences between these theories helps managers and policy makers to understand whether and how to pursue trade opportunities internationally.

### Lesson 2 Practice Activity: International Trade Theories

*Log in to the course to access interactive course content and alternative version.*

Click the link below to access the Alternate Version of this activity.

[Alternate Version](#)

## Lesson 2: International Trade and Foreign Direct Investment

### Lesson 2 Lecture

*Log in to the course to access interactive course content and alternative version.*

Click the links below for the lecture content. Use the controls at the bottom-left of the screen to navigate the presentations.

[Week 1, Lesson 2 Lecture](#)

Click the link below for an alternate version of Lesson 2: International Trade and Foreign Direct Investment.

[Alternate Version](#)

## Week 1 Activity 2: Research Activity: Commodity Sourcing

**Optional Activity (Submit by end of Day 6, suggested by Day 4)**

**Value: 0 points**

Your company is looking to find new sources of virgin olive oil to sustain growth as it internationalizes and starts producing ready to eat meals in Europe. Currently, your company purchases virgin olive oil only from California and is hoping to be purchasing virgin olive oil from other countries. Applying the most current information from the UN Comtrade database, a United Nations agency website that gathers data on bilateral trade flows, determine which countries have the highest export quantity and value of virgin olive oil. Choose two countries from the list outlining the reasons why. **Your report should be a maximum of 1 page, double-spaced, Word or PDF document. However, you can have unlimited number of exhibits that should be put in an Appendix in the same file.**

**Hint:**

Go to <http://comtrade.un.org/>

- Select "Annual data."
- Under "Data Query" select "Basic Selection."
- In the search box write olive oil and press search
- Select virgin olive oil (HS code of 150910)
- Press add on Reporters select (All)
- Then press on Partners select World
- Select on Years tab select 2010
- Press on Others select Export and then submit Query.

After some calculations you should get for 2010:

| Reporter      | Trade Value (\$) | Net Weight (kg) | Price (Value/Weight) |
|---------------|------------------|-----------------|----------------------|
| Spain         | 1,959,673,259    | 654,404,347     | 2.99                 |
| Italy         | 1,170,009,198    | 263,984,408     | 4.43                 |
| Tunisia       | 282,132,260      | 99,045,795      | 2.85                 |
| Greece        | 262,699,634      | 75,376,670      | 3.49                 |
| Portugal      | 137,850,750      | 31,220,497      | 4.42                 |
| Syria         | 61,307,208       | 16,015,350      | 3.83                 |
| Rest of World | 274,210,787      | 72,435,807      | 3.79                 |

The top 6 exporting countries account for over 94% of world exports (in kg) in virgin olive oil.

**Submit your completed research task through the Turnitin drop box located within the Assignments area by no later than end of Day 6.**

**Please note that the Turnitin drop box will be available on Day 1 at 12:00 a.m. E.T.**

## **Accessing Grademark Commentary for Individual Turnitin Assignments**

- Select the **View/Complete** link in the assignment drop box, or select your grade in the **My Grades** area.
- Next, select the title of the assignment in the Turnitin Assignment and Portfolio Inbox.
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- To view individual comments, hover the mouse over the blue comment bubbles.

## **Lesson 3: International Institutions from an International Business Perspective**

### **Learning Objectives**

As a result of participating in this lesson, you will be able to:

- Understand the importance of international institutions.
- Describe the various types of institutions, drawing on institutional theory.
- Outline the United Nations as an institution and its relevance to international business.
- Describe the purposes of the two global monetary institutions, the IMF and the World Bank.
- Discuss the purpose of the World Trade Organization and its impact on international business.
- Discuss the resources of the Organisation for Economic Cooperation and Development.
- Identify the levels of economic integration and the effectiveness of the major trading blocs.
- Discuss the EU, its impact and its challenges going forward.

### **Week 1 Reading 3**

**Textbook:** *International Business: The Challenge of Global Competition*, 13th Edition, by Ball, D. A., Geringer, J. M., McNett, J. M., Minor, M. S., 2012, New York, N.Y.: McGraw-Hill Irwin. ISBN-10: 0077606124, ISBN-13: 978-0077606121.

- Chapter 3, “International Institutions from an International Business Perspective”

### **Important!**

Before you proceed, read Chapter 3 of our textbook. Please do not continue until you have done so.

## Lesson 3 Lecture

*Log in to the course to access interactive course content and alternative version.*

Note: This presentation does not contain audio.

Click the links below for the lecture content. Use the controls at the bottom-left of the screen to navigate the presentations.

[Week 1 Lesson 3 Presentation](#)

Click the link below for an alternate version of Lesson 3: International Institutions from an International Business Perspective.

[Alternate Version](#)

## Lesson 3 Practice: Economic Integration

*Log in to the course to access interactive course content and alternative version.*

Click the link below to access the Alternate Version of this activity.

[Alternate Version](#)

## Week 1 Discussion 1: Impact of International Business (Initial post Day 3; Respond to a classmate's post by Day 5) Value: 30 points

Think of the readings and lectures of the week as they evolve. Post one original contribution and one response/comment on someone else's contribution.

How can you relate the impact of the issues discussed to your company's activities and your personal responsibilities? How has your company or how have you been affected by globalization forces, trading, foreign direct investment, NAFTA or other regional trading blocs, the EU, and WTO rules?

Should you not work—or have worked—for an organization or company that is directly engaged in international business, your initial discussion post should either (a) relate this week's readings and lectures to your company, its suppliers or customers, or (b) frame this week's course concepts in terms of your personal life (Think of your experiences as a consumer, traveler, voter, citizen of a country, etc.).

[Click here to review how and where to post notes to the discussion area.](#)

Click the link below for the discussion rubric.

[Discussion Board Rubric](#)

## Important: Quiz/Exam Advisory

If you are using the Microsoft Internet Explorer 8 browser, you will need to change your browser settings to "Compatibility View" before taking your exam/quiz.

Click the link below for instructions on how to change compatibility view.

[Compatibility View](#)

Alternatively, you can use the Mozilla Firefox browser to take your exam/quiz. Click the link below to download Mozilla Firefox.

<http://www.mozilla.com/en-US/firefox/ie.html>

If you require further assistance, please contact the Help Desk: **1-866-291-8058**

## Week 1 Quiz 1: Preview

**Value: 150 Points, 15% of Final Grade**

**Due Date: Opens Day 7 for 24 hrs**

**Length: 90 minutes**

**Format: 25 multiple-choice questions; 1 quantitative problem in multiple choice format (5 questions)**

## Preparation

Please review Lessons 1, 2, and 3, concepts from your book, notes, and the materials we have covered this week in preparation for the Week 1 Quiz.

## Directions

This examination assesses the degree to which you comprehend the Week 1 content. The quiz consists of two components:

1. Twenty-five multiple-choice questions worth 4.4 points each, for a total of 110 points.
2. One quantitative problem with five multiple-choice questions each worth 8 points for a total of 40 points. This problem will be similar to the practice problems on the online material.

The quiz must be completed in a single, 90-minute session within the Blackboard environment. A timer begins running as soon as you commence the first question, and it does not stop until it reaches 90 minutes (Note: The timer continues running even if you navigate away from the page)

Before you begin, have your working tools easily accessible, such as your book, calculator, a pen, and some paper. This quiz is open book.

## Week 1 Quiz

**Value: 150 points**

**Twenty-five multiple choice questions worth 4.4 points each for a total of 110 points. One quantitative problem with five multiple choice questions each worth 8 points for a total of 40 points. This problem will be similar to the practice problems on the online material.**

The quiz must be completed in a single, 90-minute session within the Blackboard environment. A timer begins running as soon as you commence the first question, and it does not stop until it reaches 90 minutes (Note: The timer continues running even if you navigate away from the page)

**Note:** Week 1 Quiz will not be displayed on Week 1 menu until 9:00 a.m. E.T. on Day 7. Correct answer feedback will be available at 9:00 a.m. E.T. on Day 1 of following week.