

*adidas* is the founding member of the *Fair Labor Association* (FLA), which provides external, independent monitoring, complaints procedures and public reporting, and partnerships with other NGOs. For example, in Indonesia *adidas* acted as lead in an initiative to engage with the trade union movement, which established a framework agreement for trade union rights in the workplace. Employees can report violations of employment codes to independent monitors not only to a telephone hot line but also by SMS.

Over the years, the standards of engagement have led to improvements in business practices in supplier firms, especially in those firms that chose a proactive approach. An independent study found rising product quality, fewer accidents, lower staff turnover and rising productivity in a proactive supplier firm, while reluctant adoption of the code in another supplier firm led to inferior economic performance. Moreover, a track record of responsible supply chain management enhances the reputation of the brand globally.

But *adidas* cannot stand still. Fashions and user habits are constantly changing, as are best practices in the manufacturing of textiles and footwear. Online sales are becoming increasingly important, and *adidas* is not only developing its own phone app and an online supply chain but is also assessing its global network of traditional outlets. Also the manufacturing of shoes is changing. By 2017, *adidas* was building a 3-D printing plant that would produce shoes fully automatically in Germany, while one of its US suppliers, Tianyuan Garments, was experimenting with textile machines that could stitch together T-shirts completely automatically.

Sources: (1) S. Frenkel & D. Scott, 2002, *Compliance, Collaboration, and Codes of Labor Practice: The adidas Connection*, *CMR*, 45: 29–49; (2) L. Hartman, R. Wokutch & J. French, 2003, *adidas-Salomon*, in: L. Hartman, D. Arnold & R. Wokutch, eds, *Rising Above Sweatshops*, Westport, CT: Praeger, 191–248; (3) *The Economist*, 2017. Stitches in time, August 26; (4), *Handelsblatt*, 2018, Diese App ist für Adidas wichtiger als jeder Turnschuh, March 26; (5) www.adidas-group.com.

Were you surprised to learn how many people in different countries are involved with *adidas* – not just wearing their shoes and sports clothing but as labourers, NGOs or brand managers? Did you expect *adidas* to be so concerned what people think about its labour practices around the world? Did you realize that its marketing practices are adapted locally, even when referring to the same global brand? International business (IB) has become an integral part of many businesses – and products. Yet, managing IB activities – for example, coordinating multiple suppliers of components – is challenging even for experienced managers. This book is about these sorts of challenges faced by managers of firms operating around the globe. In particular, we will be exploring what determines the success and failure of firms engaged in IB.

## EUROPEAN AND GLOBAL BUSINESS

**International business (IB)** is about (1) firms engaging in international (cross-border) economic activities and/or (2) the activity of doing business abroad. IB activities take many forms and involve many different actors. The most important actors in IB are known as **multinational enterprises (MNEs)**, defined as firms that engage in **foreign direct investment (FDI)** by directly investing in, controlling and managing value-added activities in other countries.<sup>1</sup> For example, *adidas*, an MNE, has undertaken many FDI projects, such as manufacturing plants in the UK or retail shops in China. In addition, it has a variety of relationships with other businesses (from suppliers to distributors), sports teams it sponsors and, last but not least, consumers. These others may not be MNEs themselves, but they engage in IB too. For example domestic firms actively compete and/or collaborate with foreign entrants. Understanding IB is thus also important for anyone facing foreign competitors.<sup>2</sup>

There are two key words in IB: international (I) and business (B). The I indicates that we will spend substantial time on analyzing the international environment of business, especially in Chapters 2, 3, 8 and 9. The B indicates why we study the

### international business (IB)

- (1) A firm that engages in international (cross-border) economic activities and/or
- (2) the action of doing business abroad.

### LEARNING OBJECTIVE

- 1 Explain the concept of international business (IB)

### multinational enterprise (MNE)

A firm that engages in foreign direct investments and operates in multiple countries.

### foreign direct investment (FDI)

Investments in, controlling and managing value-added activities in other countries.