



Eighth Edition

International Management

Culture, Strategy, and Behavior

Fred Luthans
Jonathan P. Doh

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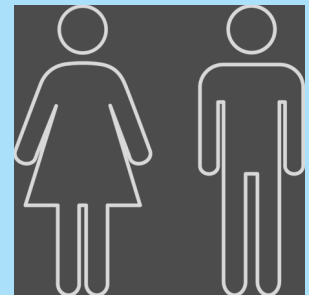
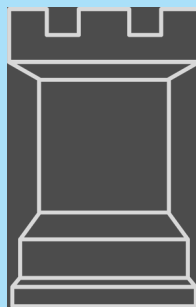
Eighth Edition

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INTERNATIONAL MANAGEMENT: CULTURE, STRATEGY, AND BEHAVIOR, EIGHTH EDITION

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Dedicated in Memory of

Richard M. Hodgetts

A Pioneer in International Management Education

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Preface

Changes in the global business environment continue unabated. The global financial crisis and economic recession have challenged some assumptions about globalization and economic integration, but they have also underscored the interconnected nature of global economies. Most countries and regions around the world are inextricably linked, yet profound differences in institutional and cultural environments persist. The challenges for international management reflect this dynamism and the increasing unpredictability of global economic and political events. Continued growth of the emerging markets is reshaping the global balance of economic power. Many emerging markets continued to experience growth during a period in which developed countries saw their economies stagnate or decline. The global political environment remains volatile and uncertain, with ongoing conflicts in the Middle East and Africa and continuing tensions in Iran, North Korea, Iraq, and Afghanistan, especially as the U.S. role in these latter two countries evolves. On the economic front, failure to conclude important trade agreements, including the so-called “Development” Round of multilateral trade negotiations under the World Trade Organization, and the lagging support for some bilateral trade agreements pose additional challenges to global managers and multinational companies. In addition, the BP oil spill in the Gulf of Mexico has renewed calls for corporations to do more to protect the planet and governments to get tougher with companies in terms of oversight and accountability. The advent of social networking and other media has transformed the way citizens interact and how businesses market, promote, and distribute their products globally. The same can be said for mass collaboration efforts occurring through digital, online technology for the development of new and innovative systems, products, and ideas. Both social networking and mass collaboration bring new power and influence to individuals across borders and transform the nature of their relationships with global organizations. As in the past, these developments underscore and reinforce the importance of understanding different cultures, national systems, and corporate management practices around the world. Students and managers now recognize that all business is global and that the world is now interconnected not only geographically but also electronically and psychologically; it is hard to imagine any business or nonbusiness organization that is not directly affected by globalization. Yet, as cultural, political, and economic differences persist, savvy international managers must be able to develop a global mindset in order to effectively adjust, adapt, and navigate the changing landscape they face on a day-to-day basis.

In this new eighth edition of *International Management*, we have taken care to retain the effective foundation gained from research and practice over the past decades. At the same time, we have fully incorporated important new and emerging developments that have changed what international managers are currently facing and likely to face in the coming years. Of special importance is that students of international management understand what will be expected of them from the range of stakeholders with whom they interact and the ways in which technology and social media change the nature of global connections. Although we have extensive new, evidence-based material in this edition, as described below, we continue to strive to make the book even more user-friendly and applicable to practice. We continue to take a balanced approach in the eighth edition of *International Management: Culture, Strategy, and Behavior*. Whereas other texts stress culture, strategy, or behavior, we feel that our emphasis on all three critical dimensions and the resulting synergy has been a primary reason why the previous editions have been the market-leading international management text. Specifically,

this edition has the following chapter distribution: environment (three chapters), culture (four chapters), strategy (four chapters), and organizational behavior/human resource management (three chapters). Because international management is such a dramatically changing field, all the chapters have been updated and improved. New real-world examples and research results are integrated throughout the book, accentuating the experiential relevance of the straightforward content. As always, we emphasize a balance of research and application.

In particular for the new eighth edition we have incorporated important new content in the areas of ethics and social responsibility, offshoring and outsourcing, the emergence of social media as a means of transacting business around the world, management practices in and for emerging and developing countries, and other important developments in the international management field. Given the changing nature of global work, and the interconnected nature of the geographic, thematic, and functional challenges of global management, we have integrated many topical areas—such as offshoring and outsourcing—throughout the book to emphasize these trends as they pertain to today’s and tomorrow’s international managers. For example, we continue to increase emphasis on emerging markets and the importance of now recognized global leaders such as Brazil, Russia, India, and China—the so-called “BRIC” economies—as well as the “second wave” emerging markets, such as Indonesia, Vietnam, and other countries in Africa, Asia, Central and Eastern Europe, Latin America, and the Middle East. We have also included the most current insights on the role of technology in global business and the increasing importance of corporate social responsibility and sustainability in global management. We have incorporated the latest research on the increasing pressure for MNCs to adopt more “green” management practices, including Chapter 3’s opening World of International Management which includes discussion of GE’s “ecomagination” initiative and a boxed feature in that chapter on the BP oil spill in the Gulf of Mexico. We have updated discussion of and provided additional emphasis on the “emerging giant” multinationals from China and India and the increasing relevance and effectiveness of marketing efforts to “base of the pyramid” economies, with examples from telecommunications, consumer products, and others. On a more cross-cultural and behavioral level, we have incorporated additional findings of the comprehensive GLOBE study on cross-cultural leadership.

A continuing and relevant end-of-chapter feature in this edition is the “Internet Exercise.” The purpose of each exercise is to encourage students to use the Internet to find information from the websites of prominent MNCs to answer relevant questions about the chapter topic. An end-of-book feature is a series of Skill-Building and Experiential Exercises for aspiring international managers. These in-class exercises represent the various parts of the text (culture, strategy, and behavior) and provide hands-on experience.

A new dimension of the eighth edition of *International Management* is the all-new chapter-opening discussions called “The World of International Management” (WIM) based on very recent, relevant news stories to grab readers’ interest and attention. These timely opening discussions transition the reader into the chapter topic. At the end of each chapter, there is a pedagogical feature that recapitulates the chapter’s subject matter: “The World of International Management—Revisited.” Here we pose several discussion questions based on the topic of the opening feature in light of the student’s entire reading of the chapter. Answering these questions requires readers to reconsider and to draw from the chapter material. Suggested answers to these “WIM—Revisited” discussion questions appear in the completely updated Instructor’s Manual, where we also provide some multiple-choice and true-false questions that draw directly from the chapters’ World of International Management topic matter for instructors who want to include this material in their tests.

The featured use of cases is further enhanced in this edition. All cases have been updated and several new ones have been added for this edition. The short within-chapter

case illustrations—“In the International Spotlight” and “You Be the International Management Consultant”—can be read and discussed in class. The revised or newly added “Integrative Cases” positioned at the end of each main part of the text were created exclusively for this edition and provide opportunities for reading and analysis outside of class. Review questions provided for each case are intended to facilitate lively and productive written analysis or in-class discussion. Our “Brief Integrative Cases” typically explore a specific situation or challenge facing an individual or team. Our longer and more detailed “In-Depth Integrative Cases” provide a broader discussion of the challenges facing a company. These two formats allow maximum flexibility so that instructors can use the cases in a tailored and customized fashion. Accompanying many of the in-depth cases are short exercises that can be used in class to reinforce both the substantive topic and students’ skills in negotiation, presentation, and analysis. The cases have been extensively updated and several are new to this edition. Cases concerning the global AIDS epidemic, HSBC, Nike, Walmart, Tata, AirAsia, Sony, Danone, Chiquita, Coca-Cola, Microsoft, and others are unique to this book and specifically to this edition. Of course, instructors also have access to Create (www.mcgraw-hillcreate.com), McGraw-Hill’s extensive content database, which includes thousands of cases from major sources such as Harvard Business School, Ivey, Darden, and NACRA case databases.

Along with the new or updated “International Management in Action” boxed application examples within each chapter and other pedagogical features at the end of each chapter (i.e., “Key Terms,” “Review and Discussion Questions,” “The World of International Management—Revisited,” and “Internet Exercise”), the end-of-part brief and in-depth cases and the end-of-book skill-building exercises and simulations on the Online Learning Center complete the package.

To help instructors teach international management, this text is accompanied by a revised and expanded Instructor’s Resource Manual, Test Bank, and PowerPoint Slides, all of which are available password protected on the Online Learning Center at www.mhhe.com/luthans8e.

Two other innovations new to the eighth edition are an additional case, *Nokia Targets the Base of the Pyramid*, available on the Online Learning Center (www.mhhe.com/luthans8e), for instructors looking for an additional, original case to use with the book. And we have provided instructors with a guide to online publicly available videos, many available on YouTube, that link directly to chapter themes. These short clips give instructors an opportunity to use online visual media in conjunction with traditional lecture, discussion, and PowerPoint presentations. Our guide includes the name, short description, and link for the videos, which we will keep updated on the book website.

International Management is generally recognized to be the first “mainline” text of its kind. Strategy casebooks and specialized books in organizational behavior, human resources, and, of course, international business, finance, marketing, and economics preceded it, but there were no international management texts before this one, and it remains the market leader. We have had sustainability because of the effort and care put into the revisions. We hope you agree that this eighth edition continues the tradition and remains the “world-class” text for the study of international management.

We would like to acknowledge those who have helped to make this book a reality. We will never forget the legacy of international management education in general and for this text in particular provided by our departed colleague Richard M. Hodgetts. Special thanks also go to our growing number of colleagues throughout the world who have given us many ideas and inspired us to think internationally. Closer to home, Fred Luthans would like to give special recognition to two international management scholars: Henry H. Albers, former Chair of the Management Department at the University of Nebraska and former Dean at the University of Petroleum and Minerals,

Saudi Arabia, to whom previous editions of this book were dedicated; and Sang M. Lee, currently Chair of the Management Department at Nebraska and President of the Pan Pacific Business Association. Jonathan Doh would like to thank the Villanova School of Business and its leadership, especially Dean Jim Danko, Senior Associate Dean Kevin Clark, and Herb Rammrath who generously endowed the Chair in International Business Jonathan now holds. Also, for this new eighth edition we would like to thank Kelley Bergsma, who did much of the research and drafting of the chapter opening World of International Management features, Meredith Altenhofen, for research support in the revision of the chapters, Tetyana Azarova, for research assistance in and preparation of the new and revised cases, Matthew Reitzle, for help with the In the International Spotlight inserts, and Deborah Zachar, with reviewing and fact-checking.

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Our thanks, too, to the reviewers of previous editions of the text: Chi Anyansi-Archibong, North Carolina A&T State University; Lauryn Migenes, University of Central Florida; Jan Flynn, Georgia College and State University; Valerie S. Perotti, Rochester Institute of Technology; Joseph Richard Goldman, University of Minnesota; James P. Johnson, Rollins College; Juan F. Ramirez, Nova Southeastern University; Lawrence A. Beer, Arizona State University; Tope A. Bello, East Carolina University; Irfan Ahmed, Sam Houston State University; Alan N. Miller, University of Nevada, Las Vegas; Lawrence A. Beer, Arizona State University; Constance Campbell, Georgia Southern University; Timothy Wilkinson, University of Akron; Scott Kenneth Campbell, Georgia College & State University; Janet S. Adams, Kennesaw State University; William Newbury, Rutgers Business School; Dr. Dharma deSilva, Center for International Business Advancement (CIBA); Christine Lentz, Rider University; Yohannan T. Abraham, Southwest Missouri State University; Kibok Baik, James Madison University; R. B. Barton, Murray State University; Mauritz Blonder, Hofstra University; Gunther S. Boroschek, University of Massachusetts–Boston; Charles M. Byles, Virginia Commonwealth University; Helen Deresky, SUNY Plattsburgh; Val Finnigan, Leeds–Metropolitan University; David M. Flynn, Hofstra University; Robert T. Green, University of Texas at Austin; Jean M. Hanebury, Salisbury State University; Richard C. Hoffman, Salisbury State University; Johan Hough, University of South Africa; Mohd Nazari Ismail, University of Malaya; Robert Kuhne, Hofstra University; Robert C. Maddox, University of Tennessee; Douglas M. McCabe, Georgetown University; Jeanne M. McNett, Assumption College; Ray Montagno, Ball State University; Rebecca J. Morris, University of Nebraska–Omaha; Ernst W. Neuland, University of Pretoria; Yongsun Paik, Loyola Marymount University; Richard B. Peterson, University of Washington; Suzanne J. Peterson, University of Nebraska–Lincoln; Joseph A. Petrick, Wright State University; Richard David Ramsey, Southeastern Louisiana University; Mansour Sharif-Zadeh, California State Polytechnic University, Pomona; Jane H. Standford, Texas A&M–Kingsville University; Dale V. Steinmann, San Francisco State University; Randall Stross, San Jose State University; George Sutija, Florida International University; Katheryn H. Ward, Chicago State University; Aimee Wheaton, Regis College; Marion M. White, James Madison University; Corinne Young, University of Tampa; and Anatoly Zhuplev, Loyola Marymount University.

Finally, thanks to the team at McGraw-Hill who worked on this book: Paul Ducham, Editorial Director; Laura Spell, Managing Developmental Editor; Jane Beck, Editorial Coordinator; Jaime Halteman, Marketing Manager; and Erin Melloy, Project Manager. Last but by no means least, we greatly appreciate the love and support provided by our families.

Fred Luthans and Jonathan P. Doh



LUTHANS



DOH



The eighth edition
of *International Management: Culture, Strategy, and Behavior* is still setting the standard. Current authors Fred Luthans and Jonathan P. Doh

have taken care to retain the effective foundation gained from research and practice over the past decades. At the same time, they have

fully incorporated important new

and emerging developments that have changed what international managers are currently facing and likely to face in the coming years.

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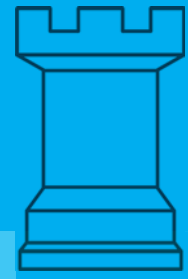
New and Enhanced Themes and Structure

- Thoroughly revised and updated chapters to reflect the most critical issues for international managers.
- Greater attention to and focus on a global and ethical perspective on international management.
- All new opening World of International Management features written by the authors on current international management challenges; these mini-cases were prepared expressly for this edition and are not available elsewhere.
- Discussions of the impact of the global economic recession on international management in the opening chapter and throughout the book.
- New and updated discussions of offshoring and outsourcing and the globalization of human capital (Chapters 1, 2, 3, 14 and throughout cases and inserts) including a box insert (Chapter 3) on “the ethics of offshoring.”
- Greater emphasis on emerging markets and developing countries, including the “BRIC” (Brazil, Russia, India, China) countries but also the “next wave” emerging countries.

Thoroughly Revised and Updated Chapter Content

- All new opening WIM discussions on topics including the globalization of social networking, Google’s challenges in China, General Electric’s strategic corporate social responsibility and sustainability strategies, global trends in the automotive and pharmaceutical industries, managing global teams, offshoring and culture, IKEA’s challenges in Russia, and many other subjects. These new features were written expressly for this edition and are not available elsewhere.
- Updated chapter on ethics and social responsibility with more extensive discussion of core ethical theories and how they relate to international management practices and the global sustainability movement.
- Extensive coverage of Project GLOBE and its comparison to Hofstede’s classic description of national cultural dimensions (Chapters 4, 13).

STILL SETTING THE STANDARD. . .



- Revised or new “In the International Spotlight” inserts which profile the key economic and political issues relevant to managers in specific countries, including new spotlights on South Africa and Denmark.
- Greater coverage of the challenges and opportunities for international strategy targeted to the developing “base of the pyramid” economies (Chapter 8, and Tata and Nokia cases).

Thoroughly Updated and/or New Cases, Inserts, Exercises, and Supplements

- New and/or updated country spotlights, “International Management in Action” features, and “You Be the International Management Consultant” sections.
- Thoroughly updated cases (not available elsewhere): *Pharmaceutical Companies, Intellectual Property, and the Global AIDS Epidemic; Advertising or Free Speech? The Case of Nike and Human Rights; Beyond Tokyo: Disney’s Expansion In Asia; HSBC in China; Coca Cola in India; Microsoft Opens the Gates: Patent, Piracy, and Political Challenges in China;* and *Chiquita’s Global Turnaround.*
- Brand new end-of-part cases developed exclusively for this edition (most not available elsewhere): *Student Advocacy and “Sweatshop” Labor: The Case of Russell Athletics; Danone’s Wrangle with Wahaha; Walmart’s Global Strategies; Can Sony Regain its Innovative Edge? The OLED Project; Tata “Nano”: The People’s Car;* and *The Ascendance of AirAsia: Building a Successful Budget Airline in Asia.*
- Totally revised PowerPoint slides, Instructor’s Manual, and test bank.
- A guide to videos available online, with title, short description, and url.
- An original case prepared for this edition, *Nokia Targets the Base of the Pyramid*, available online to instructors who wish to incorporate an additional case on a current, relevant topic.

About the Authors



FRED LUTHANS is the George Holmes Distinguished Professor of Management at the University of Nebraska–Lincoln. He is also a senior research scientist with Gallup Inc. He received his BA, MBA, and PhD from the University of Iowa, where he received the Distinguished Alumni Award in 2002. While serving as an officer in the U.S. Army from 1965–1967, he taught leadership at the U.S. Military Academy at West Point. He has been a visiting scholar at a number of colleges and universities and has lectured in most European and Pacific Rim countries. He has taught international management as a visiting faculty member at the universities of Bangkok, Hawaii, Henley in England, Norwegian Management School, Monash in Australia, Macau, Chemnitz in the former East Germany, and Tirana in Albania. A past president of the Academy of Management, in 1997 he received the Academy’s Distinguished Educator Award. In 2000 he became an inaugural member of the Academy’s Hall of Fame for being one of the “Top Five” all-time published authors in the prestigious Academy journals. Currently, he is co-editor-in-chief of the *Journal of World Business*, editor of *Organizational Dynamics*, co-editor of *Journal of Leadership and Organization Studies*, and the author of numerous books. His book *Organizational Behavior* (Irwin/McGraw-Hill) is now in its 12th edition. He is one of very few management scholars who is a Fellow of the Academy of Management, the Decision Sciences Institute, and the Pan Pacific Business Association, and he has been a member of the Executive Committee for the Pan Pacific Conference since its beginning 25 years ago. This committee helps to organize the annual meeting held in Pacific Rim countries. He has been involved with some of the first empirical studies on motivation and behavioral management techniques and the analysis of managerial activities in Russia; these articles have been published in the *Academy of Management Journal*, *Journal of International Business Studies*, *Journal of World Business*, and *European Management Journal*. Since the very beginning of the transition to a market economy after the fall of communism in Eastern Europe, he has been actively involved in management education programs sponsored by the U.S. Agency for International Development in Albania and Macedonia, and in U.S. Information Agency programs involving the Central Asian countries of Kazakhstan, Kyrgyzstan, and Tajikistan. For example, Professor Luthans’ recent international research involves his construct of positive psychological capital (PsyCap). He and colleagues have published their research demonstrating the impact of Chinese workers’ PsyCap on their performance in *International Journal of Human Resource Management* and *Management and Organization Review*. He is applying his positive approach to organization behavior (POB) and authentic leadership to effective global management.



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25 chapters in scholarly edited volumes, and more than 75 conference papers. Recent articles have appeared in journals such as *Academy of Management Review*, *California Management Review*, *Journal of International Business Studies*, *Organization Science*, *Sloan Management Review*, and *Strategic Management Journal*. He is co-editor and contributing author of *Globalization and NGOs* (Praeger, 2003) and *Handbook on Responsible Leadership and Governance in Global Business* (Elgar, 2005) and co-author of the previous edition of *International Management: Culture, Strategy, and Behavior* (7th ed., McGraw-Hill/Irwin, 2009), the best-selling international management text. His current research focus is on strategy for emerging markets, global corporate responsibility, and offshore outsourcing of services. His most recent books are *Multinationals and Development* (with Alan Rugman, Yale University Press, 2008) and *NGOs and Corporations: Conflict and Collaboration* (with Michael Yaziji, Cambridge University Press, 2009). He is co-Editor-in-Chief of *MRN International Environment of Global Business* (SSRN Journal) and an Associate Editor of *Academy of Management Learning and Education*, *Business & Society*, and *Long Range Planning*. Jonathan has also developed more than a dozen original cases and simulations published in books, journals, and case databases, and used at many leading global universities. He has been a consultant or executive instructor for ABB, Anglo American, Bodycote, Bosch, China Minsheng Bank, Hana Financial, HSBC, Ingersoll Rand, Medtronic, Shanghai Municipal Government, Siam Cement, the World Economic Forum, and Deloitte Touche, where he served as senior external adviser to the Global Energy Resource Group. He received his PhD from George Washington University in strategic and international management.

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