

Sixth Edition

International Management



CULTURE, STRATEGY, AND BEHAVIOR



HODGETTS

LUTHANS

DOH

International Management

Culture, Strategy, and Behavior

Sixth Edition

Richard M. Hodgetts

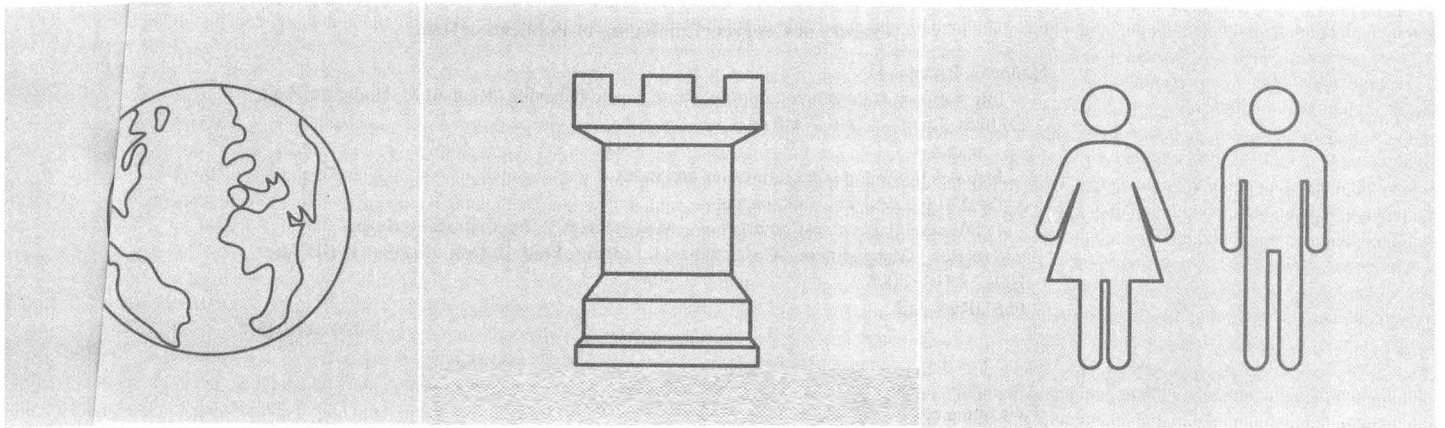
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Dedicated in Memory of

Richard M. Hodgetts

A Pioneer in International Management Education

Preface

The environment for international management has taken some unprecedented twists and turns over the past few years. The global reverberations from 9/11, the preemptive war in Iraq, increasing criticism of “exporting jobs” and “rightsizing” to meet global competition, to name but a few, present a challenging set of circumstances for current and aspiring international managers. While globalization and economic integration continue unabated, growing pressures regarding the distribution of the benefits of economic development have raised serious questions about the responsibilities of countries and corporations to the global “common good.” At the same time, corporate scandals in the United States, Europe, Japan, and many developing countries have raised awareness of the importance of well-functioning governance systems and broader regulatory oversight of management practices at home and abroad. These developments have generated calls for new ethical values and practices that consider the social and environmental responsibilities essential not only to “do the right thing” but also to attain competitive advantage in the global economy.

These largely unanticipated developments underscore and reinforce the importance of understanding different cultures, national systems, and corporate management practices around the world. Now, more than ever, all students must recognize that they will have the qualifier “international” in front of whatever their chosen career field. 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. The challenge in today’s uncertain geopolitical and economic environment is to learn and effectively practice international management. Nothing can be taken for granted, and international managers no longer have the luxury of burying their inadequacies and mistakes in a robust world economy. Those with the knowledge and skills to apply the contents of this text on international management will be taking a huge step toward gaining a competitive advantage over those who do not have such a perspective. They will be in a strong position to gain a broad understanding and to take specific steps for implementation of effective managing across cultures.

In the sixth 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.

With the passing of the legendary Richard Hodgetts, our co-author and friend, we dedicate this new edition to his memory. We also enthusiastically welcome a new author to the team, Jonathan Doh from Villanova University. An active researcher, teacher, consultant, and practitioner, Jonathan brings considerable experience, energy, and passion in the areas of international strategy, emerging markets and institutions, corporate social responsibility, and a deep understanding of globalization and its implications for international management (see more on Jonathan in “About the Authors”).

Although we have extensive new material in this edition, as described below, we nevertheless have streamlined the text to make it even more user-friendly, reducing the number of chapters from 17 to 15, and condensing or repositioning material so that the most essential elements of each chapter are even clearer and more accessible. (For current adopters, we’ve provided a brief “map” on page xxix that shows the relationship between the 15 chapters of the sixth edition and the 17 that appeared in the fifth.) We continue to take a balanced approach in the sixth edition of *International Management: Culture, Strategy, and Behavior*. Whereas

other texts stress culture, strategy, or behavior, we feel that our emphasis on all three 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 (3 chapters), culture (4 chapters), strategy (4 chapters), and organizational behavior/human resource management (4 chapters). Because international management is such a dramatically changing field, all the chapters have been updated and improved. In most chapters there are 20 or 30 new references (and thus new real-world examples and research results). As always, we emphasize a balance of research and application.

In particular for the sixth edition, we have incorporated important new content in the areas of globalization/antiglobalization, global corporate responsibility, strategy for emerging markets, international entrepreneurship and new ventures, offshoring and outsourcing, managing alliances and joint ventures, and other important developments in the international management field. We have added emphasis throughout on global ethics and corporate responsibility, recent corporate governance scandals, the importance of global leadership, and the implications of these phenomena for today's and tomorrow's international managers. This new content is not just from popular periodicals; we've incorporated the latest research on international management, including research on the rise of emerging markets, international new ventures, and findings of the comprehensive GLOBE study on cross-cultural leadership.

Another exciting dimension of this edition is the addition of all new chapter-opening articles from *BusinessWeek*. These are very recent, relevant, short news stories to grab readers' interest and attention. A transition paragraph leads readers into the chapter topic. At the end of each chapter, there is a pedagogical feature titled "The World of *BusinessWeek*—Revisited." Here we pose several discussion questions based on the opening news article. Answering them requires readers to draw from the chapter material. Suggested answers to these discussion questions appear in the Instructor's Manual, where we also provide some multiple choice and true-false questions that draw directly from the story for instructors who want to include this material in their tests.

Another end-of-chapter feature is the "Internet Exercise." The purpose of each exercise is to encourage students to use the Internet to find information from the Web sites 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.

The use of cases is featured and enhanced in this edition. The two short end-of-chapter cases have been updated. These cases—"In the International Spotlight" and "You Be the International Management Consultant"—can be read and discussed in class. "Integrative Cases" positioned at the end of each part 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—new to this edition—allow maximum flexibility so that instructors can use the cases in a tailored and customized fashion. Accompanying each in-depth case is a short exercise that can be used in class to reinforce both the substantive topic and students' skills in negotiation, presentation, and analysis. About half of the "Integrative Cases" are new to this edition. Several new cases were developed specifically (and exclusively) for this book, including cases on Wal-Mart, HP-Compaq, BP, AirAsia, and Chiquita. (Of course, instructors also have access to McGraw-Hill's extensive Primis case database, which includes thousands of cases from major sources such as Harvard Business School, Ivey, Darden, and NACRA case databases.) In addition to the popular skill-building exercises, we've included two new in-class simulations as an end-of-book feature.

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 *Business-Week*—Revisited,” and “Internet Exercise”), the end-of-part brief and in-depth cases, and the end-of-book skill-building exercises and simulations provide the complete package for relating text material to the real world of international management. To help instructors teach international management, this text is accompanied by a revised and expanded Instructor’s Resource Manual and Test Bank. This edition includes entirely new and high-caliber PowerPoint presentation slides for each chapter and a set of videos complementing many of the key concepts and examples from the text.

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 the sixth edition continues the tradition and remains the best “world-class” text for the study of international management.

We would like to acknowledge those who have helped to make this book a reality. Special thanks 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, Luthans would like to give special recognition to two international management scholars. First is 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. He had a significant influence on my early career and stimulated me to research and write in the field of management and, most importantly, to think globally. More recently, I would like to acknowledge the influence of Sang M. Lee, currently Chair of the Management Department at Nebraska and President of the Pan Pacific Business Association. He is a true “Global-Academic,” and I appreciate his stimulation, advice, and support. Also, for this new edition we would like to thank Erik Holt for his research assistance and Lawrence Beer for contributing the “Roots of Globalization” insert.

In addition, we would like to acknowledge the help that we received from the many reviewers from around the globe, whose feedback guided us in preparing the sixth edition of the text. These include Alan N. Miller, University of Nevada, Las Vegas; Lawrence A. Beer, Arizona State University; Lauryn Migenes, University of Central Florida; 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. Our thanks, too, to the reviewers of previous editions of the text: 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. Stanford, Texas A&M–Kingsville University; Dale V. Steinmann, San Francisco State University; Randall Stross, San Jose State University; George Sutija, Florida International University; David Turnipseed, Georgia Southern

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Finally, thanks to the team at McGraw-Hill who worked on this book: John Biernat, Editorial Director; Ryan Blankenship, Sponsoring Editor; Lindsay Harmon and Allison Clelland, Editorial Assistants; Lisa Nicks, Marketing Manager; Laura Griffin, Project Manager; Gina Hangos, Production Supervisor; Betty Hadala, Media Project Manager; Gina DiMartino, Supplement Producer; Victoria Bryant, Media Producer; Lori Kramer, Photo Research Coordinator; and Pam Verros, Designer. Last but by no means least, we greatly appreciate the love and support provided by our families.

Fred Luthans and Jonathan P. Doh

HODGETTS

LUTHANS

DOH



**The sixth 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.**

NEW *streamlined structure and content.* This allows for greater flexibility and adaptability for courses of different lengths and formats.



NEW *sections on globalization/antiglobalization, global corporate responsibility, strategy for emerging markets, international entrepreneurship and new ventures, offshoring and outsourcing.*

These important emerging issues in International Management are reshaping the business environment and forcing companies to adjust their strategies and operations.



ENHANCED *coverage of the challenges and opportunities of alliances and joint ventures.*

Alliances and joint ventures and other cooperative arrangements are on the rise; this treatment explores their arrangements from a *managerial* perspective.



ADDED *emphasis on global ethics and corporate responsibility, recent corporate governance scandals, and implications for global managers.*

The AACSB Ethics Task Force has recommended an infusion of ethics and social responsibility throughout business curricula; the challenges associated with ethics, social responsibility, and governance in the international managerial environment are some of the most important subjects in business education today.

STILL SETTING THE STANDARD...



LATEST RESEARCH *on International Management, including research on the rise of emerging markets, international new ventures, and findings of the GLOBE study on cross-cultural leadership.* Research in International Management has uncovered new insights related to these cutting-edge topics: we incorporate and integrate this research within established and new frameworks.



ALL NEW *BusinessWeek chapter opening cases emphasizing current issues in International Management.*

These include articles on offshoring and outsourcing, and cases on BMW, Heineken, Parmalat, GE, and others.



FRESH *brief and in-depth integrative cases at the end of each part.*

This format provides short cases to be used for in-class discussion and longer cases to serve as the basis for assignments, analyses, and presentations. All cases include custom review questions; each in-depth case also includes a short in-class exercise.



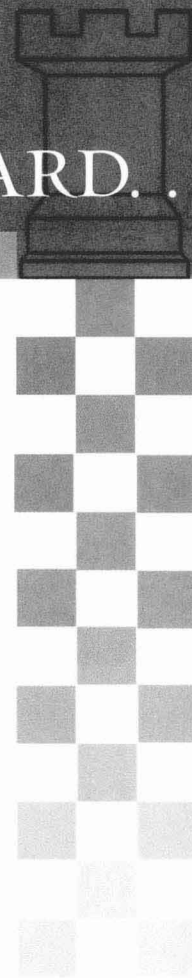
SPECIALLY DESIGNED *cases developed specifically for this book.*

The cases emphasize corporate responsibility, strategy in emerging markets, global leadership, and international entrepreneurship. These cases include: *Wal-Mart's Japan Strategy*, *The HP-Compaq Merger and Its Global Implications*, *Lord John Brown and BP's Global Shift*, *Can the Budget Airline Model Work in Asia?* *The Story of AirAsia*, and *Chiquita's Global Turnaround*.

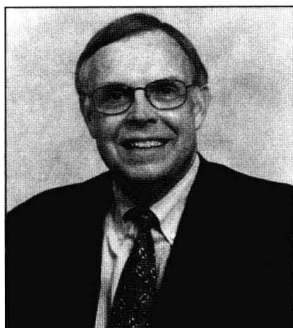


COMPREHENSIVE *management/negotiation simulations, including "Frankenfoods" or Rice Bowl for the World: The U.S-EU Dispute over Trade in Genetically Modified Organisms."*

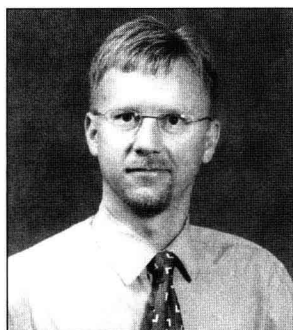
Experiential exercises are one of the most effective tools in management education. The addition of these exercises provides students with real-world applied practices in International Management.



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 10th 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 20 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. Professor Luthans's most recent international research involves the relationship between psychological variables and attitudes and performance of managers and entrepreneurs across cultures. He is applying his positive approach to organization behavior (POB) and authentic leadership to effective global management.



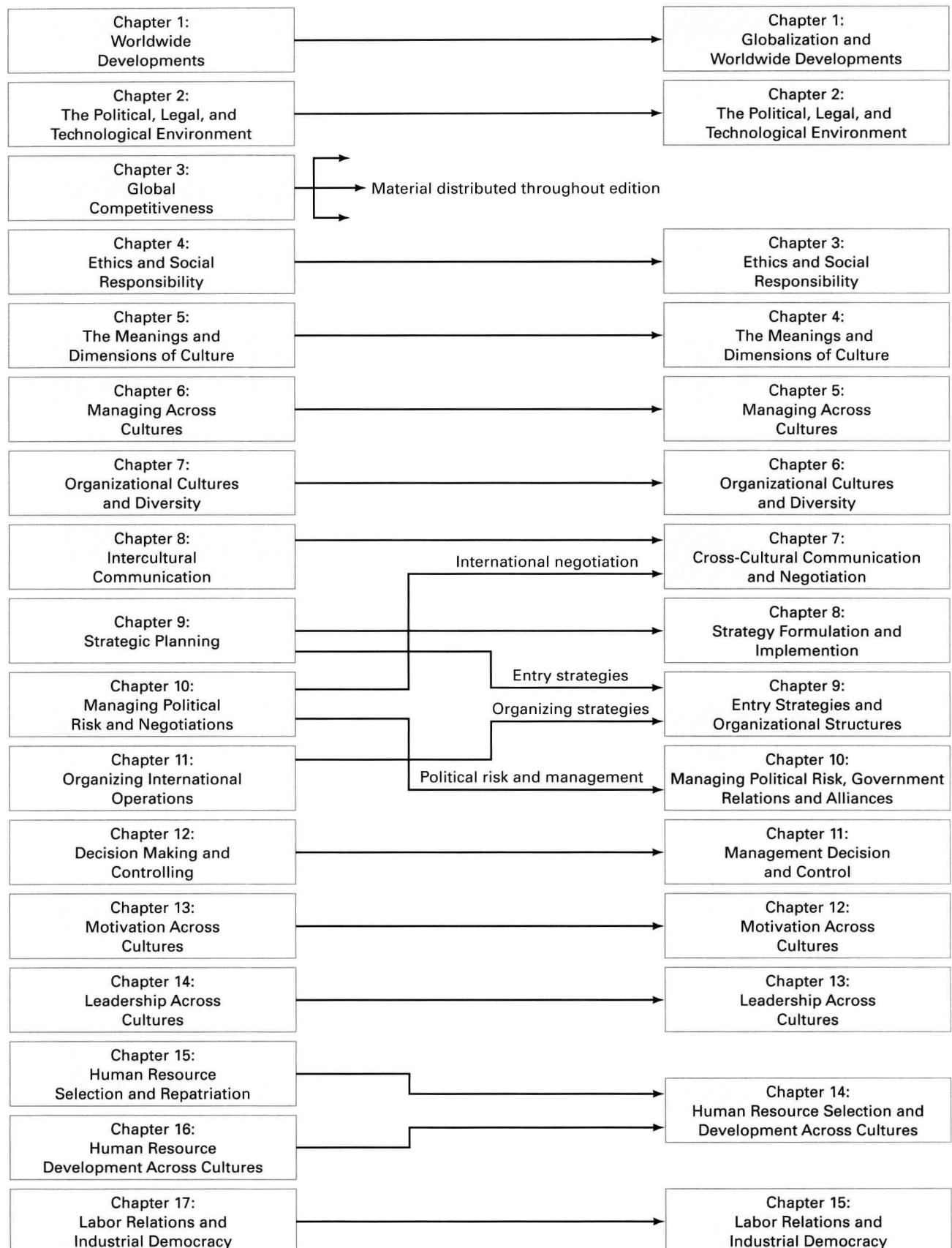
JONATHAN P. DOH is Assistant Professor of Management in the College of Commerce and Finance at Villanova University, where he serves as founding Director of the Center for Responsible Leadership and Governance. He holds a PhD in strategic and international management from George Washington University, an MA from the Rockefeller College of Public Affairs and Policy at SUNY–Albany, and a BA from SUNY–Plattsburgh, where he was a 2002/2003 distinguished visiting alumnus. A Senior Associate at the Center for Strategic and International Studies in Washington, D.C., Doh also serves on the Executive Faculty of the Graduate School of Business Administration, Zurich, Switzerland. In 2003, he was a visiting professor at the University of Auckland, New Zealand. Previously, he was on the faculty of American University and Georgetown University, where he taught international business and global strategy. From 1990 to 1995, he served as an international economist and senior trade official with the U.S. Department of Commerce. He was Director for Trade Policy in the Office of Canada during implementation of the U.S.–Canada Free Trade Agreement, and Director of the NAFTA Affairs Division during

approval and implementation of NAFTA. He is a frequent speaker to business and foreign affairs groups and has participated in lecture tours sponsored by the U.S. State Department and U.S. Information Agency in Germany, Mexico, Hong Kong, and Canada. His research and teaching interests include international corporate strategy, international business–government relations, the telecommunications and electric power industries, and global corporate citizenship and social responsibility. Recent articles appear in the leading international business (IB) journals (*Journal of International Business Studies*, *Management International Review*, *Journal of World Business*), in the journals of the Academy of Management (*Academy of Management Review*, *Academy of Management Executive*, *Academy of Management Learning and Education*, *Academy of Management Best Paper Proceedings*), as well as in numerous other management and IB journals, including *California Management Review*, *International Business Review*, *Journal of Management Studies*, *Journal of Business Ethics*, and *Long Range Planning*. His volume *Globalization and NGOs: Transforming Business, Governments, and Society*, co-edited with Hildy Teegen, was published by Praeger in 2003. The *Handbook on Responsible Leadership and Governance in Global Business*, co-edited with Stephen Stumpf, will be published by Edward Elgar in 2005. He serves on the editorial boards of the *Academy of Management Learning and Education*, the *Journal of International Business Studies*, the *Journal of Management Studies*, and the *Journal of Leadership and Organizational Studies*. In addition to his teaching and research, Doh has served as a consultant to Motorola Corporation, to Asea Brown Boveri, and to the Government of Thailand, and he has conducted executive management courses for public and private organizations, including Deutsche Bank Asia. He has been a consulting adviser to the Global Energy Group of Deloitte Touche Tohmatsu International.

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