



Eighth Edition

# International Management

Culture, Strategy, and Behavior



Fred Luthans  
Jonathan P. Doh

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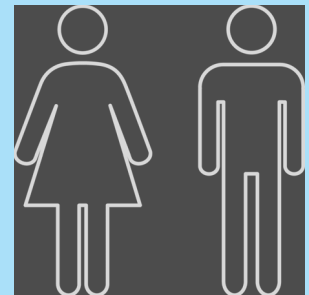
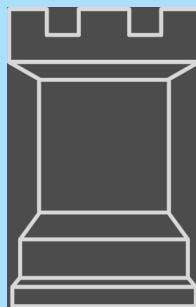
Eighth Edition

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

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**Dedicated in Memory of**

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**Richard M. Hodgetts**

A Pioneer in International Management Education

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# Preface

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**C**hanges 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](http://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](http://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](http://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.

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 eighth edition of the text. These include: M. Suzanne Clinton, University of Central Oklahoma; Zhe Zhang, University of Central Florida–Orlando; Owen Sevier, University of Central Oklahoma; Jerry Haar, Florida International University–Miami; Li Weixing, University of Nebraska–Lincoln; David Turnipseed, University of South Alabama–Mobile; Curtis Matherne III, East Tennessee State University; Ann Langlois, Palm Beach Atlantic University; George Yacus, Old Dominion University; Steve Jenner, California State University–Dominguez Hills; Ben Lever III, College of Charleston; Dave Flynn, Hofstra University; Annette Gunter, University of Central Oklahoma; Marjorie Jones, Nova Southeastern University; and Koren Borges, University of North Florida.

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.

✘

## 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

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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.

# Brief Contents

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<b>Part One</b>	<b>Environmental Foundation</b>	<b>1</b>
	1 Globalization and International Linkages	2
	2 The Political, Legal, and Technological Environment	34
	3 Ethics and Social Responsibility	60
	Brief Integrative Case 1.1: Colgate's Distasteful Toothpaste	84
	Brief Integrative Case 1.2: Advertising or Free Speech?	
	The Case of Nike and Human Rights	87
	In-Depth Integrative Case 1.1: Student Advocacy and "Sweatshop" Labor: The Case of Russell Athletic	89
	In-Depth Integrative Case 1.2: Pharmaceutical Companies, Intellectual Property, and the Global AIDS Epidemic	94
<b>Part Two</b>	<b>The Role of Culture</b>	<b>105</b>
	4 The Meanings and Dimensions of Culture	106
	5 Managing Across Cultures	138
	6 Organizational Cultures and Diversity	166
	7 Cross-Cultural Communication and Negotiation	192
	Brief Integrative Case 2.1: Coca-Cola in India	232
	Brief Integrative Case 2.2: Danone's Wrangle with Wahaha	238
	In-Depth Integrative Case 2.1a: Euro Disneyland	244
	In-Depth Integrative Case 2.1b: Beyond Tokyo: Disney's Expansion in Asia	254
	In-Depth Integrative Case 2.2: Walmart's Global Strategies	258
<b>Part Three</b>	<b>International Strategic Management</b>	<b>267</b>
	8 Strategy Formulation and Implementation	268
	9 Entry Strategies and Organizational Structures	302
	10 Managing Political Risk, Government Relations, and Alliances	336
	11 Management Decision and Control	360
	Brief Integrative Case 3.1: Microsoft Opens the Gates: Patent, Piracy, and Political Challenges in China	388



Brief Integrative Case 3.2: Can Sony Regain Its Innovative Edge? The OLED Project	393	
In-Depth Integrative Case 3.1: Tata “Nano”: The People’s Car	399	
In-Depth Integrative Case 3.2: The Ascendance of AirAsia: Building a Successful Budget Airline in Asia	408	
<b>Organizational Behavior and Human Resource Management</b>	<b>419</b>	<b>Part Four</b>
<b>12 Motivation Across Cultures</b>	<b>420</b>	
<b>13 Leadership Across Cultures</b>	<b>454</b>	
<b>14 Human Resource Selection and Development Across Cultures</b>	<b>492</b>	
Brief Integrative Case 4.1: A Copy Shop Goes Global	538	
Brief Integrative Case 4.2: The Road to Hell	541	
In-Depth Integrative Case 4.1: HSBC in China	544	
In-Depth Integrative Case 4.2: Chiquita’s Global Turnaround	560	
Supplemental In-Depth Integrative Case: Nokia Targets the Base of the Pyramid (available on the Online Learning Center at <a href="http://www.mhhe.com/luthans8e">www.mhhe.com/luthans8e</a> )		
<b>Skill-Building and Experiential Exercises</b>	<b>569</b>	
References	587	
Endnotes	593	
Glossary	623	
Indexes	629	

# Table of Contents

---

<b>Part One</b>	<b>Environmental Foundation</b>	<b>1</b>
<b>1</b>	<b>Globalization and International Linkages</b>	<b>2</b>
	<b>The World of International Management: An Interconnected World</b>	<b>2</b>
	<b>Introduction</b>	<b>4</b>
	<b>Globalization and Internationalization</b>	<b>6</b>
	<i>Globalization, Antiglobalization, and Global Pressures</i>	6
	<i>Global and Regional Integration</i>	9
	<i>The Shifting Balance of Economic Power in the     Global Economy</i>	12
	<b>Global Economic Systems</b>	<b>17</b>
	<i>Market Economy</i>	17
	<i>Command Economy</i>	18
	<i>Mixed Economy</i>	18
	<b>Economic Performance and Issues of Major Regions</b>	<b>18</b>
	<i>Established Economies</i>	18
	<i>Emerging Economies</i>	21
	<i>Developing Economies on the Verge</i>	24
	<b>The World of International Management—Revisited</b>	<b>28</b>
	<b>Summary of Key Points</b>	<b>30</b>
	<b>Key Terms</b>	<b>30</b>
	<b>Review and Discussion Questions</b>	<b>30</b>
	<b>Answers to the In-Chapter Quiz</b>	<b>31</b>
	<b>Internet Exercise: Franchise Opportunities at McDonald’s</b>	<b>31</b>
	<b>In the International Spotlight: India</b>	<b>32</b>
	<b>You Be the International Management Consultant: Here Comes the Competition</b>	<b>33</b>
<b>2</b>	<b>The Political, Legal, and Technological Environment</b>	<b>34</b>
	<b>The World of International Management: Google’s China Gamble</b>	<b>34</b>
	<b>Political Environment</b>	<b>36</b>
	<i>Ideologies</i>	37
	<b>Political Systems</b>	<b>40</b>

<b>Legal and Regulatory Environment</b>	<b>41</b>
<i>Basic Principles of International Law</i>	42
<i>Examples of Legal and Regulatory Issues</i>	43
<i>Regulation of Trade and Investment</i>	46
<b>Technological Environment and Global Shifts in Production</b>	<b>49</b>
<i>Trends in Technology, Communication, and Innovation</i>	49
<i>Biotechnology</i>	51
<i>E-Business</i>	52
<i>Telecommunications</i>	53
<i>Technological Advancements, Outsourcing, and Offshoring</i>	54
<b>The World of International Management—Revisited</b>	<b>56</b>
<b>Summary of Key Points</b>	<b>56</b>
<b>Key Terms</b>	<b>57</b>
<b>Review and Discussion Questions</b>	<b>57</b>
<b>Internet Exercise: Hitachi Goes Worldwide</b>	<b>57</b>
<b>In the International Spotlight: Vietnam</b>	<b>58</b>
<b>You Be the International Management Consultant: A Chinese Venture</b>	<b>59</b>
<b>3 Ethics and Social Responsibility</b>	<b>60</b>
<b>The World of International Management: GE's Imagination: Strategic CSR</b>	<b>60</b>
<b>Ethics and Social Responsibility</b>	<b>63</b>
<i>Ethics and Social Responsibility in International Management</i>	63
<i>Ethics Theories and Philosophy</i>	63
<i>Human Rights</i>	64
<i>Labor, Employment, and Business Practices</i>	66
<i>Environmental Protection and Development</i>	67
<b>Globalization and Ethical Obligations of MNCs</b>	<b>69</b>
<i>Reconciling Ethical Differences across Cultures</i>	71
<i>Corporate Social Responsibility and Sustainability</i>	71
<i>Corporate Governance</i>	75
<i>Corruption</i>	76
<i>International Assistance</i>	78
<b>The World of International Management—Revisited</b>	<b>79</b>
<b>Summary of Key Points</b>	<b>80</b>
<b>Key Terms</b>	<b>80</b>
<b>Review and Discussion Questions</b>	<b>80</b>
<b>Internet Exercise: Social Responsibility at Johnson &amp; Johnson and HP</b>	<b>81</b>
<b>In the International Spotlight: Saudi Arabia</b>	<b>82</b>
<b>You Be the International Management Consultant: It Sounds a Little Fishy</b>	<b>83</b>
<b>Brief Integrative Case 1.1: Colgate's Distasteful Toothpaste</b>	<b>84</b>
<b>Brief Integrative Case 1.2: Advertising or Free Speech?</b>	
<b>The Case of Nike and Human Rights</b>	<b>87</b>

In-Depth Integrative Case 1.1: Student Advocacy and “Sweatshop” Labor: The Case of Russell Athletic	89
In-Depth Integrative Case 1.2: Pharmaceutical Companies, Intellectual Property, and the Global AIDS Epidemic	94
<b>Part Two</b>	<b>The Role of Culture</b>
	<b>105</b>
<b>4</b>	<b>The Meanings and Dimensions of Culture</b>
	<b>106</b>
The World of International Management: The Cultural Roots of Toyota’s Quality Crisis	106
The Nature of Culture	108
Cultural Diversity	109
Values in Culture	113
<i>Value Differences and Similarities across Cultures</i>	113
<i>Values in Transition</i>	114
<i>Hofstede’s Cultural Dimensions</i>	116
<i>Trompenaars’s Cultural Dimensions</i>	122
Integrating Culture and Management: The GLOBE Project	130
<i>Culture and Management</i>	131
<i>GLOBE’s Cultural Dimensions</i>	131
<i>GLOBE Country Analysis</i>	132
The World of International Management—Revisited	134
Summary of Key Points	134
Key Terms	135
Review and Discussion Questions	135
Internet Exercise: Renault-Nissan in South Africa	135
In the International Spotlight: South Africa	136
You Be the International Management Consultant: A Jumping-Off Place	137
<b>5</b>	<b>Managing Across Cultures</b>
	<b>138</b>
The World of International Management: Car Culture: Changing Global Trends in the Automotive Industry	138
The Strategy for Managing across Cultures	140
<i>Strategic Predispositions</i>	141
<i>Meeting the Challenge</i>	142
Cross-Cultural Differences and Similarities	145
<i>Parochialism and Simplification</i>	146
<i>Similarities across Cultures</i>	148
<i>Many Differences across Cultures</i>	148
Cultural Differences in Selected Countries and Regions	152
<i>Doing Business in China</i>	153
<i>Doing Business in Russia</i>	155
<i>Doing Business in India</i>	157
<i>Doing Business in France</i>	158
<i>Doing Business in Brazil</i>	159
<i>Doing Business in Arab Countries</i>	160

<b>The World of International Management—Revisited</b>	<b>162</b>
<b>Summary of Key Points</b>	<b>162</b>
<b>Key Terms</b>	<b>163</b>
<b>Review and Discussion Questions</b>	<b>163</b>
<b>Internet Exercise: Sony’s Approach</b>	<b>163</b>
<b>In the International Spotlight: Mexico</b>	<b>164</b>
<b>You Be the International Management Consultant: Beijing, Here We Come!</b>	<b>165</b>
<b>6 Organizational Cultures and Diversity</b>	<b>166</b>
<b>The World of International Management: Managing Culture and Diversity in Global Teams</b>	<b>166</b>
<b>The Nature of Organizational Culture</b>	<b>168</b>
<i>Definition and Characteristics</i>	169
<b>Interaction between National and Organizational Cultures</b>	<b>170</b>
<b>Organizational Cultures in MNCs</b>	<b>174</b>
<i>Family Culture</i>	176
<i>Eiffel Tower Culture</i>	176
<i>Guided Missile Culture</i>	177
<i>Incubator Culture</i>	178
<b>Managing Multiculturalism and Diversity</b>	<b>180</b>
<i>Phases of Multicultural Development</i>	180
<i>Types of Multiculturalism</i>	182
<i>Potential Problems Associated with Diversity</i>	183
<i>Advantages of Diversity</i>	185
<i>Building Multicultural Team Effectiveness</i>	185
<i>A Successful Multicultural Workforce</i>	187
<b>The World of International Management—Revisited</b>	<b>188</b>
<b>Summary of Key Points</b>	<b>188</b>
<b>Key Terms</b>	<b>189</b>
<b>Review and Discussion Questions</b>	<b>189</b>
<b>Internet Exercise: Hewlett-Packard’s International Focus</b>	<b>189</b>
<b>In the International Spotlight: Japan</b>	<b>190</b>
<b>You Be the International Management Consultant: A Good-Faith Effort Is Needed</b>	<b>191</b>
<b>7 Cross-Cultural Communication and Negotiation</b>	<b>192</b>
<b>The World of International Management: Offshoring Culture and Communication</b>	<b>192</b>
<b>The Overall Communication Process</b>	<b>195</b>
<i>Verbal Communication Styles</i>	195
<i>Interpretation of Communications</i>	198
<b>Communication Flows</b>	<b>199</b>
<i>Downward Communication</i>	199
<i>Upward Communication</i>	201

<b>Communication Barriers</b>	<b>202</b>
<i>Language Barriers</i>	202
<i>Perceptual Barriers</i>	205
<i>The Impact of Culture</i>	207
<i>Nonverbal Communication</i>	209
<b>Achieving Communication Effectiveness</b>	<b>212</b>
<i>Improve Feedback Systems</i>	212
<i>Provide Language Training</i>	212
<i>Provide Cultural Training</i>	213
<i>Increase Flexibility and Cooperation</i>	213
<b>Managing Cross-Cultural Negotiations</b>	<b>215</b>
<i>Types of Negotiation</i>	215
<i>The Negotiation Process</i>	216
<i>Cultural Differences Affecting Negotiations</i>	217
<i>Negotiation Tactics</i>	220
<i>Negotiating for Mutual Benefit</i>	221
<i>Bargaining Behaviors</i>	223
<b>The World of International Management—Revisited</b>	<b>226</b>
<b>Summary of Key Points</b>	<b>227</b>
<b>Key Terms</b>	<b>227</b>
<b>Review and Discussion Questions</b>	<b>228</b>
<b>Internet Exercise: Working Effectively at Toyota</b>	<b>228</b>
<b>In the International Spotlight: China</b>	<b>230</b>
<b>You Be the International Management Consultant: Foreign or Domestic?</b>	<b>231</b>
<b>Brief Integrative Case 2.1: Coca-Cola in India</b>	<b>232</b>
<b>Brief Integrative Case 2.2: Danone’s Wrangle with Wahaha</b>	<b>238</b>
<b>In-Depth Integrative Case 2.1a: Euro Disneyland</b>	<b>244</b>
<b>In-Depth Integrative Case 2.1b: Beyond Tokyo: Disney’s Expansion in Asia</b>	<b>254</b>
<b>In-Depth Integrative Case 2.2: Walmart’s Global Strategies</b>	<b>258</b>
<b>Part Three</b>	<b>International Strategic Management</b>
	<b>267</b>
<b>8 Strategy Formulation and Implementation</b>	<b>268</b>
<b>The World of International Management: Big Pharma Goes Global Strategic Management</b>	<b>268 271</b>
<i>The Growing Need for Strategic Management</i>	272
<i>Benefits of Strategic Planning</i>	273
<i>Approaches to Formulating and Implementing Strategy</i>	273
<i>Global and Regional Strategies</i>	277
<b>The Basic Steps in Formulating Strategy</b>	<b>280</b>
<i>Environmental Scanning</i>	281
<i>Internal Resource Analysis</i>	282
<i>Goal Setting for Strategy Formulation</i>	283

<b>Strategy Implementation</b>	<b>284</b>
<i>Location Considerations for Implementation</i>	285
<i>Combining Country and Firm-Specific Factors in International Strategy</i>	286
<i>The Role of the Functional Areas in Implementation</i>	288
<b>Specialized Strategies</b>	<b>289</b>
<i>Strategies for Emerging Markets</i>	290
<i>Entrepreneurial Strategy and New Ventures</i>	295
<b>The World of International Management—Revisited</b>	<b>297</b>
<b>Summary of Key Points</b>	<b>298</b>
<b>Key Terms</b>	<b>298</b>
<b>Review and Discussion Questions</b>	<b>298</b>
<b>Internet Exercise: Finding Out What Makes Fujitsu Tick</b>	<b>299</b>
<b>In the International Spotlight: Poland</b>	<b>300</b>
<b>You Be the International Management Consultant: Go East, Young People, Go East</b>	<b>301</b>
<b>9 Entry Strategies and Organizational Structures</b>	<b>302</b>
<b>The World of International Management: From Matrix to Customer-Centric Management at ABB</b>	<b>302</b>
<b>Entry Strategies and Ownership Structures</b>	<b>305</b>
<i>Export/Import</i>	305
<i>Wholly Owned Subsidiary</i>	305
<i>Mergers/Acquisitions</i>	306
<i>Alliances and Joint Ventures</i>	310
<i>Licensing</i>	312
<i>Franchising</i>	313
<b>The Organization Challenge</b>	<b>315</b>
<b>Basic Organizational Structures</b>	<b>316</b>
<i>Initial Division Structure</i>	316
<i>International Division Structure</i>	317
<i>Global Structural Arrangements</i>	318
<i>Transnational Network Structures</i>	322
<b>Nontraditional Organizational Arrangements</b>	<b>324</b>
<i>Organizational Arrangements from Mergers, Acquisitions, Joint Ventures, and Alliances</i>	324
<i>The Emergence of the Electronic Network Form of Organization</i>	326
<i>Organizing for Product Integration</i>	327
<b>Organizational Characteristics of MNCs</b>	<b>328</b>
<i>Formalization</i>	328
<i>Specialization</i>	329
<i>Centralization</i>	330
<i>Putting Organizational Characteristics in Perspective</i>	331

	<b>The World of International Management—Revisited</b>	<b>332</b>
	<b>Summary of Key Points</b>	<b>332</b>
	<b>Key Terms</b>	<b>333</b>
	<b>Review and Discussion Questions</b>	<b>333</b>
	<b>Internet Exercise: Organizing for Effectiveness</b>	<b>333</b>
	<b>In the International Spotlight: Australia</b>	<b>334</b>
	<b>You Be the International Management Consultant: Getting In on the Ground Floor</b>	<b>335</b>
<b>10</b>	<b>Managing Political Risk, Government Relations, and Alliances</b>	<b>336</b>
	<b>The World of International Management: IKEA’s Russian Roulette</b>	<b>336</b>
	<b>The Nature and Analysis of Political Risk</b>	<b>338</b>
	<i>Macro and Micro Analysis of Political Risk</i>	339
	<i>Terrorism and Its Overseas Expansion</i>	343
	<i>Analyzing the Expropriation Risk</i>	344
	<b>Managing Political Risk and Government Relations</b>	<b>344</b>
	<i>Developing a Comprehensive Framework or Quantitative Analysis</i>	344
	<i>Techniques for Responding to Political Risk</i>	348
	<b>Managing Alliances</b>	<b>351</b>
	<i>The Alliance Challenge</i>	352
	<i>The Role of Host Governments in Alliances</i>	353
	<i>Examples of Challenges and Opportunities in Alliance Management</i>	354
	<b>The World of International Management—Revisited</b>	<b>355</b>
	<b>Summary of Key Points</b>	<b>356</b>
	<b>Key Terms</b>	<b>356</b>
	<b>Review and Discussion Questions</b>	<b>356</b>
	<b>Internet Exercise: Nokia in China</b>	<b>357</b>
	<b>In the International Spotlight: Brazil</b>	<b>358</b>
	<b>You Be the International Management Consultant: Rushing into Russia</b>	<b>359</b>
<b>11</b>	<b>Management Decision and Control</b>	<b>360</b>
	<b>The World of International Management: Global Online Retail: Amazon and Beyond</b>	<b>360</b>
	<b>Decision-Making Process and Challenges</b>	<b>363</b>
	<i>Factors Affecting Decision-Making Authority</i>	364
	<i>Cultural Differences and Comparative Examples of Decision Making</i>	366
	<i>Total Quality Management Decisions</i>	368
	<i>Decisions for Attacking the Competition</i>	370
	<b>Decision and Control Linkages</b>	<b>371</b>
	<b>The Controlling Process</b>	<b>372</b>
	<i>Types of Control</i>	374
	<i>Approaches to Control</i>	375



<b>Performance Evaluation as a Mechanism of Control</b>	<b>377</b>	
<i>Financial Performance</i>	377	
<i>Quality Performance</i>	378	
<i>Personnel Performance</i>	381	
<b>The World of International Management—Revisited</b>	<b>383</b>	
<b>Summary of Key Points</b>	<b>384</b>	
<b>Key Terms</b>	<b>384</b>	
<b>Review and Discussion Questions</b>	<b>384</b>	
<b>Internet Exercise: Looking at the Best</b>	<b>385</b>	
<b>In the International Spotlight: Denmark</b>	<b>386</b>	
<b>You Be the International Management Consultant: Expansion Plans</b>	<b>387</b>	
<b>Brief Integrative Case 3.1: Microsoft Opens the Gates: Patent, Piracy, and Political Challenges in China</b>	<b>388</b>	
<b>Brief Integrative Case 3.2: Can Sony Regain Its Innovative Edge? The OLED Project</b>	<b>393</b>	
<b>In-Depth Integrative Case 3.1: Tata “Nano”: The People’s Car</b>	<b>399</b>	
<b>In-Depth Integrative Case 3.2: The Ascendance of AirAsia: Building a Successful Budget Airline in Asia</b>	<b>408</b>	
<b>Organizational Behavior and Human Resource Management</b>	<b>419</b>	<b>Part Four</b>
<b>12 Motivation Across Cultures</b>	<b>420</b>	
<b>The World of International Management: Motivating Employees in a Multicultural Context: Insights from the Emerging Markets</b>	<b>420</b>	
<b>The Nature of Motivation</b>	<b>422</b>	
<i>The Universalist Assumption</i>	423	
<i>The Assumption of Content and Process</i>	424	
<b>The Hierarchy-of-Needs Theory</b>	<b>425</b>	
<i>The Maslow Theory</i>	425	
<i>International Findings on Maslow’s Theory</i>	425	
<b>The Two-Factor Theory of Motivation</b>	<b>429</b>	
<i>The Herzberg Theory</i>	429	
<i>International Findings on Herzberg’s Theory</i>	431	
<b>Achievement Motivation Theory</b>	<b>435</b>	
<i>The Background of Achievement Motivation Theory</i>	435	
<i>International Findings on Achievement Motivation Theory</i>	436	
<b>Select Process Theories</b>	<b>437</b>	
<i>Equity Theory</i>	437	
<i>Goal-Setting Theory</i>	439	
<i>Expectancy Theory</i>	439	
<b>Motivation Applied: Job Design, Work Centrality, and Rewards</b>	<b>440</b>	
<i>Job Design</i>	440	
<i>Sociotechnical Job Designs</i>	441	

<i>Work Centrality</i>	442
<i>Reward Systems</i>	446
<b>Incentives and Culture</b>	<b>447</b>
<b>The World of International Management—Revisited</b>	<b>448</b>
<b>Summary of Key Points</b>	<b>449</b>
<b>Key Terms</b>	<b>450</b>
<b>Review and Discussion Questions</b>	<b>450</b>
<b>Internet Exercise: Motivating Potential Employees</b>	<b>451</b>
<b>In the International Spotlight: Singapore</b>	<b>452</b>
<b>You Be the International Management Consultant: Motivation Is the Key</b>	<b>453</b>
<b>13 Leadership Across Cultures</b>	<b>454</b>
<b>The World of International Management: Global Leadership Development: An Emerging Need</b>	<b>454</b>
<b>Foundation for Leadership</b>	<b>456</b>
<i>The Manager-Leader Paradigm</i>	456
<i>Philosophical Background: Theories X, Y, and Z</i>	458
<i>Leadership Behaviors and Styles</i>	461
<i>The Managerial Grid Performance: A Japanese Perspective</i>	462
<b>Leadership in the International Context</b>	<b>465</b>
<i>Attitudes of European Managers toward Leadership Practices</i>	465
<i>Japanese Leadership Approaches</i>	467
<i>Differences between Japanese and U.S. Leadership Styles</i>	468
<i>Leadership in China</i>	470
<i>Leadership in the Middle East</i>	471
<i>Leadership Approaches in India</i>	471
<i>Leadership Approaches in Latin America</i>	472
<b>Recent Findings and Insights about Leadership</b>	<b>473</b>
<i>Transformational, Transactional, and Charismatic Leadership</i>	473
<i>Qualities for Successful Leaders</i>	475
<i>Culture Clusters and Leader Effectiveness</i>	477
<i>Leader Behavior, Leader Effectiveness, and Leading Teams</i>	478
<i>Cross-Cultural Leadership: Insights from the GLOBE Study</i>	478
<i>Positive Organizational Scholarship and Leadership</i>	481
<i>Authentic Leadership</i>	482
<i>Ethical, Responsible, and Servant Leadership</i>	483
<i>Entrepreneurial Leadership and Mindset</i>	486
<b>The World of International Management—Revisited</b>	<b>487</b>
<b>Summary of Key Points</b>	<b>487</b>
<b>Key Terms</b>	<b>488</b>
<b>Review and Discussion Questions</b>	<b>488</b>
<b>Internet Exercise: Taking a Closer Look</b>	<b>489</b>
<b>In the International Spotlight: Germany</b>	<b>490</b>
<b>You Be the International Management Consultant: An Offer from Down Under</b>	<b>491</b>

<b>14 Human Resource Selection and Development Across Cultures</b>	<b>492</b>
<b>The World of International Management: The Challenge of Talent Retention in India</b>	<b>492</b>
<b>The Importance of International Human Resources</b>	<b>495</b>
<i>Getting the Employee Perspective</i>	495
<i>Employees as Critical Resources</i>	496
<i>Investing in International Assignments</i>	496
<i>Economic Pressures</i>	496
<b>Sources of Human Resources</b>	<b>498</b>
<i>Home-Country Nationals</i>	498
<i>Host-Country Nationals</i>	498
<i>Third-Country Nationals</i>	499
<i>Subcontracting and Outsourcing</i>	500
<b>Selection Criteria for International Assignments</b>	<b>503</b>
<i>General Criteria</i>	503
<i>Adaptability to Cultural Change</i>	504
<i>Physical and Emotional Health</i>	505
<i>Age, Experience, and Education</i>	505
<i>Language Training</i>	506
<i>Motivation for a Foreign Assignment</i>	506
<i>Spouses and Dependents or Work-Family Issues</i>	506
<i>Leadership Ability</i>	507
<i>Other Considerations</i>	507
<b>Economic Pressures and Trends in Expat Assignments</b>	<b>509</b>
<b>International Human Resource Selection Procedures</b>	<b>510</b>
<i>Testing and Interviewing Procedures</i>	510
<i>The Adjustment Process</i>	510
<b>Compensation</b>	<b>512</b>
<i>Common Elements of Compensation Packages</i>	513
<i>Tailoring the Package</i>	515
<b>Individual and Host-Country Viewpoints</b>	<b>516</b>
<i>Candidate Motivations</i>	516
<i>Host-Country Desires</i>	517
<b>Repatriation of Expatriates</b>	<b>518</b>
<i>Reasons for Returning</i>	518
<i>Readjustment Problems</i>	518
<i>Transition Strategies</i>	519
<b>Training in International Management</b>	<b>520</b>
<i>The Impact of Overall Management Philosophy on Training</i>	522
<i>The Impact of Different Learning Styles on Training and Development</i>	523
<i>Reasons for Training</i>	524
<b>Types of Training Programs</b>	<b>526</b>
<i>Standardized vs. Tailor-Made</i>	526
<i>Cultural Assimilators</i>	529
<i>Positive Organizational Behavior</i>	530

<b>Future Trends</b>	<b>531</b>
The World of International Management—Revisited	531
Summary of Key Points	533
Key Terms	534
Review and Discussion Questions	534
Internet Exercise: Going International with Coke	535
In the International Spotlight: Russia	536
You Be the International Management Consultant: A Selection Decision	537
Brief Integrative Case 4.1: A Copy Shop Goes Global	538
Brief Integrative Case 4.2: The Road to Hell	541
In-Depth Integrative Case 4.1: HSBC in China	544
In-Depth Integrative Case 4.2: Chiquita’s Global Turnaround	560
Supplemental In-Depth Integrative Case: Nokia Targets the Base of the Pyramid (available on the Online Learning Center at <a href="http://www.mhhe.com/luthans8e">www.mhhe.com/luthans8e</a> )	
<b>Skill-Building and Experiential Exercises</b>	<b>569</b>
<b>Personal Skill-Building Exercises</b>	<b>569</b>
1. The Culture Quiz	570
2. Using Gung Ho to Understand Cultural Differences	575
3. “When in Bogotá . . .”	577
4. The International Cola Alliances	580
5. Whom to Hire?	584
<b>In-Class Simulations (available on the Online Learning Center at <a href="http://www.mhhe.com/luthans8e">www.mhhe.com/luthans8e</a>)</b>	
1. “Frankenfoods” or Rice Bowl for the World: The U.S.–EU Dispute over Trade in Genetically Modified Organisms	
2. Cross-Cultural Conflicts in the Corning–Vitro Joint Venture	
<b>References</b>	<b>587</b>
<b>Endnotes</b>	<b>593</b>
<b>Glossary</b>	<b>623</b>
<b>Name and Organization Index</b>	<b>629</b>
<b>Subject Index</b>	<b>638</b>

International Management Ninth Edition Luthans | Doh Political Environment “ Ideologies underlie the actions of governments “ Ideas reflecting beliefs and values influencing the behavior and culture of nations and political systems “ Political systems can be evaluated along two dimensions 1. Rights of citizens based on a system of government (range from democratic to totalitarian) 2. Focus of political system on individualism vs. collectivism. “ Democratic nations tend to emphasize individualism, and totalitarian nations tend to emphasize collectivism “ No pure form of government International ... International Management, coauthored with the late Richard Hodgetts and Jonathon Doh, also published by McGraw-Hill, is in its seventh edition. He also has two recent books, The High Impact Leader (with Bruce Avolio, McGraw-Hill, 2006) and Psychological Capital (with Carolyn Youssef and Bruce Avolio, Oxford, 2007). The co-editor-in-chief of the Journal of World Business, Professor Luthans is also the editor for Organizational Dynamics and Journal of Leadership and Organizational Studies.Â This international research and experience is reflected in his approach to the field of organizational behavior. In addition, he is an active consultant and trainer to both private- (such as Wal-Mart and Ameritas Life Insurance, Inc.) and public-sector organizations. D. International management. To qualify as a multinational corporation, a firm must meet all of the following criteria except: A. Operations in more than one country. B. International sales. C. A nationality mix of managers and owners. D. Sales of at least one million dollars per year. D. Sales of at least one million dollars per year.Â The global organization of countries that oversees rules and regulations for international trade and investment, including agriculture, intellectual property, services, competition and subsidies is the: A. WTO. B. NAFTA.