

Contents

Part I Introduction

1 The Management of International Business	3
Introduction	5
The Changing Profile of the Global Business Environment	5
Decreased Trade Barriers	6
Developing Countries' Attitude Change	8
Adoption of Export-Oriented Strategies by Developing Countries	9
Spread of Regional Trade Agreements	9
Technological Developments	10
Global Demand for Capital	10
Diminishing Effectiveness of National Borders	10
Investment Requirement in R&D	11
Increasing Interdependence Among Nations	12
The Effect of the Internet	15
International Terrorism	16
The Imperatives of Globalization of Business	17
Why Do Businesses Expand Their Operations Abroad?	18
Theories of International Trade	18
Foreign Direct Investment Theory	19
Revised International Product Life Cycle	20
Types of International Business Operations	22
Perspectives of International Business Activities	22
Direct Investment	23
New Trends in International Business	24
Major Elements of Managing International Business Operations	25
Management View of International Business	26
Ethnocentric Mentality	27
Polycentric Mentality	28
Centocentric Mentality	28
Geocentric Mentality	29

	MNCs and Host Government Relationships	30
	Host Country Business Environment	32
	Summary	32
	Discussion Questions	33
	References	34
2	Socio-Ethical Issues and International Management	37
	Introduction	39
	Social Responsibilities of MNCs	39
	The Stakeholder Perspective	41
	The World Corporate Citizen	42
	Problem Areas	46
	Ecological Concerns	46
	The Use of Global Commons	47
	Bribery and Corruption	50
	The Issue of Free Trade	57
	Concerns of Developing Countries	58
	Globalization Backlash	61
	Supranational Organizations	63
	The United Nations	63
	The World Bank and the International Monetary Fund	64
	The World Bank	65
	The International Monetary Fund	65
	Criticisms Against the IMF and the World Bank	66
	The World Trade Organization	67
	What Is Next?	69
	Summary	71
	Discussion Questions	72
	References	72

Part II Multinational Management Environments: Cultural, Institutional, and Behavioral

3	The Cultural Context of International Management	77
	Introduction	79
	What Is Culture?	80
	The Major Components of Culture	80
	Six Dimensions of Culture	82
	Other Potential Dimensions of Culture	85
	Work and Material Gain	85
	Informality	89
	Joking and Fun/Informality	90
	Attitude Toward Time	92
	Time Perspective	92
	Age and Gender	94

Corporate Culture	95
Cultural Typology of the Organization	97
The Family Culture	98
The Eiffel Tower	99
The Guided Missile	99
The Incubator Culture	100
Countries and Corporate Culture Types	101
Monolithic, Plural, and Multicultural Organizations	101
Monolithic Organization	102
Plural Organization	103
Multicultural Organization	103
The Benefits of Multiculturalism	104
Summary	105
Discussion Questions	106
References	107
4 The Institutional Context of International Management	109
Introduction	110
The Roles of Institutional Environments	111
What Is the Institutional Environment?	111
Political Institutions	112
Regulatory Institutions	113
Economic Institutions	115
How Do Institutional Environments Affect the Business Operations of Multinationals?	117
Overcoming Institutional Challenges	119
Factors Affecting the Bargaining Power of MNCs and the Host Government	121
Bargaining Power of MNCs	121
Bargaining Power of the Host Government	121
Managing Host Government Relations	122
Centralized-Fixed Approach	123
Centralized-Flexible Approach	124
Decentralized Approach	124
Decentralized–Centralized (Combined/Coordinated) Approach	124
Summary	124
Discussion Questions	125
References	126
5 International Communication and Negotiation	129
Introduction	131
Micro and Macro International Communication	131
The Classic Communication Model	134
Origination	134
Destination	135
Noise (Distortion)	135

Feedback	136
International Verbal Communication	137
Cultural Differences in Nonverbal Communication	139
Expressiveness	139
Emotions	142
Individualism	143
Gender Role Differentiation and Rigidity	144
Power Distance	144
Uncertainty	145
Contextual Variations	145
Communication Competence	147
Dos and Don'ts of Communication with Foreigners	149
International Negotiations	150
Negotiation Process	150
Principled Negotiation	151
The American Negotiation Style	153
Doing It Alone	154
Informality and Open Communication	154
Foreign Language Skills	155
Silence	155
Persistence and Competitiveness	155
Legalistic and Linear Approach	156
Intercultural Negotiations	156
Cultural Influences on Negotiation	156
Deal-Focused and Relationship-Focused People	158
Negotiation Points to Remember	159
Summary	162
Discussion Questions	163
References	164
6 Managerial Leadership and Motivation in an International Context	167
Introduction	170
The Shortcomings of Leadership Theories	171
The Cultural Relativity of Leadership	173
Acceptance of Power and Authority	173
Avoiding Uncertainty	176
Managerial Leadership in Europe	179
Britain	179
France	181
Germany	182
Managerial Leadership in Japan Versus the United States	184
Leadership Summary	186
Motivation	187
Motivation and Culture	188

Cultural Influences on Motivation	189
Cultural Definitions of Work	190
Cultural Definitions of Self	192
Applicability of Major Motivation Theories	196
Stereotyping and Ethnocentrism	196
The Shortcomings of Motivation Theories	197
Maslow's Hierarchy of Needs	197
Motivators and Hygiene Factors	200
McClelland's Three Motives	201
Expectancy Theory	202
Equity Theory	203
Motivation and Learning	203
Motivation and Japanese Employees	204
Global Trends and Motivation	205
Motivation Summary	206
Discussion Questions	207
References	208

Part III Strategic and Operational

7 International Management Strategy	215
Introduction	216
Strategic Planning Process for MNCs	217
Industry Characteristics and MNC Strategy	219
International Industries	220
Multidomestic Industries	221
Global Industries	222
Transnational Industries	223
Four MNC Strategies	223
International Strategy	224
Host Country Focus Strategy	224
Global Integration Strategy	225
Transnational Strategy	226
The Evolution of Strategy	227
Summary	228
Discussion Questions	229
References	230
8 International Strategic Alliance	231
Introduction	233
General Understanding of Strategic Alliance	234
What Is a Strategic Alliance?	234
What Are the Motivations for Strategic Alliances?	237
Succeeding in Strategic Alliances	238
Challenging Issues and Risks of Strategic Alliance	238

Factors Affecting the Success of Alliances	241
International Strategic Alliance and Alliance Governance	
Mode Choice	242
Cultural Environment	243
Economic Environment	244
Institutional Environment	244
Other Contingency Factors	245
Managing Alliance Portfolios to Enhance Performance	247
Alliance Portfolio Strategy	247
Definition and Challenges of Alliance Portfolios	247
Alliance Portfolio Configuration	249
Summary	250
Discussion Questions	251
References	252
9 Organization of Multinational Operations	255
Introduction	256
Definition and Functions of Organizing	257
The Organization of Multinationals	258
Factors Influencing the Structure of MNCs	259
External Forces	259
Company Factors	261
The Development of an International Corporate Structure	263
The International Division Structure	265
Advantages	269
Disadvantages	270
The Geographic Division Structure	270
Advantages	271
Disadvantages	272
The Product Division Structure	272
Advantages	273
Disadvantages	274
The Functional Structure	274
Advantages	275
Disadvantages	275
Global Matrix Structure	275
Advantages	277
Disadvantages	277
Mixed Structure	278
Newer Forms of Organization	278
Market-Based Design	278
Strategic Business Units	279
Networks	279
Summary	285
Discussion Questions	286
References	286

10 Control of International Operations	289
Introduction	291
Purpose and Functions of the Control Process	291
Control Mechanisms	292
Input and Output Controls	292
Locus of Decision-Making	293
Communication and Information Flow	294
Formal Reports	294
Informal Communication	295
Organizational Structure	296
Integrative Mechanisms	296
Resource Allocation	297
Budgeting System	298
Control Approaches	298
The Market Approach	299
Rules Approach	299
Cultural Approach	300
Cultural Aspects of MNC Control	302
Corporate Socialization	303
Evolution of Coordination and Control of MNCs	304
Additional Control Problems of MNCs	307
Language and Cultural Differences	308
Geographical Distance	309
Legal Differences	309
Security Issues	310
Intrafirm Business Transactions	311
Other Factors	315
Ownership and Host Government Involvement	315
Host Government Involvement	316
Financial and Investment Decisions	316
Business Decisions	317
Human Resource Management Decisions	317
Ownership and Control of Foreign Affiliates	318
Summary	320
Discussion Questions	320
References	321
11 International Information System Management	323
Introduction	325
Computer-Based Information Systems	326
Information Architecture	327
Electronic Data Interchange	328
Enterprise Resource Planning	329
Supply Chain Management	330
Ramifications of Internationalization on the IS Function	331

The IS Function Within the Multinational Corporation	332
International IS Issues	333
Intracorporate IS Issues	334
Intergovernmental IS Issues	335
Host Government IS Issues	335
Reactive International IS Issues	336
Global IS Management	336
Building a Global IS	337
Planning Globally	339
Communication Integration in the Global Organization	341
Data Integration in the Global Organization	345
The IS Application Portfolio in the Global Organization	347
Redefining the CIO as the Global Chief Information Officer	348
Summary	350
Discussion Questions	350
References	351

Part IV Human Resources

12 International Human Resource Management	355
Introduction	357
The Transition From a Domestic to an International Position	357
Recruitment and Selection	359
Recruitment Philosophy	359
Selection Criteria	360
Personnel Selection Options	364
Host Country or Third-Country Staffing Criteria	368
Product Life Cycle and International Human Resource Management	369
International Product Life Cycle	370
HRM Practices	372
International Management and Intercultural Training and Preparation	373
Pre-departure Preparations	375
International and Intercultural Training	376
The Intercultural Sensitizer	378
Training Host Country or Third-Country Nationals	379
Training Host Country Non-Managerial Employees	380
Repatriation Problems	381
Compensation	381
Compensation Methods	383
Host Country Employees	385
Summary	385
Discussion Questions	387
References	387

13 International Labor Relations	391
Introduction	393
Locus of Control in International Workplace Practices	394
Headquarters–Subsidiary Relationships	395
The Quandary of National Unions	395
Cross-Border Labor Tactics	396
Host Government Involvement	399
International Labor Organizations	399
International Affiliates of Labor Unions	402
Intergovernmental Organizations	403
Diversity in International Labor Relations	406
Industrial Relations in the United States	406
European Industrial Democracy	407
Differences Between Participative Management and Industrial Democracy	408
Industrial Democracy in Germany	408
Labor Unions in Germany	410
Background and Structure of Codetermination	411
Opposition to Codetermination	414
French Labor Unions	415
Labor Unions in Britain	417
Japanese Enterprise Unions	418
Historical Factors	418
Management Practices	419
Summary	420
Discussion Questions	421
References	422
Appendix A	425
Appendix B	435
Appendix C	441
Sample Cases and News Articles	443
References	447