MNB3702 Discussion Class Theme 3: Management and implementation

Chapter 16 / Lesson 6

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Define tomorrow.

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Lesson 6 – People in the international business (Chapter 16)

- Organisational structure and strategy impacts on staffing policies and managerial mind-sets (central operational efficiency vs local responsiveness)
- Managerial mind-set affects the use of expatriates and how the MNE manages its employees
- HR policies and practices are varied across countries – NB to research and understand them
- People provide a source of sustainable completive advantage (RBV)
- MNEs have the unique consideration of diverse multicultural teams

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Strategy, structure and managerial mindset

Global, transnational, international and multinational organisations

GLOBAL
Centrally controlled operations
No need for home office integration since the home office makes all decisions
Views the world as its market
Low market responsiveness since it is centrally controlled
(*Global standards/standardisation strategy*)

TRANSNATIONAL
Foreign offices have control over production and markets
Integration with home office
High local responsiveness
(*Transnational strategy*)

INTERNATIONAL
Centrally controlled
No need for home office integration as the home office makes all decisions
Uses existing production to sell products overseas
Low market responsiveness
(*Home replication/export strategy*)

MULTINATIONAL
Foreign offices are viewed as subsidiaries
Home office still has much control
High local responsiveness
(*Multidomestic/localisation strategy*)

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Approaches to managing people

- **Ethnocentric**
  - Home-country mentality
  - Norms, practices, procedures and practices originate in the home country and spread across the global operations
  - Subsidiaries led by expatriates from the parent company

Greater control of organisation	Expatriate may not have cultural sensitivity
Managers gain experience in local markets	Language barriers
Cultural understanding	Cost of visa and hiring factors
Morale building for employees of host country	Adapting to a foreign environment may be difficult for manager and family, leading to less productivity
Possible greater understanding and implementation of business strategy	

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Approaches to managing people

- **Polycentric**
  - Host-country mentality
  - Adapts locally using local knowledge
  - Language and cultural barriers overcome

Language barrier is eliminated	Host-country manager may not understand business objectives without proper training
Better understanding of local rules and laws	May create a perception of "us" versus "them"
Hiring costs, such as visa costs, are eliminated	

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Approaches to managing people

- **Geocentric**
  - Supranational mentality
  - Think global act local
  - No dominant nationalities (positions filled based on ability)

Third-country national may be better equipped to bring an international perspective to the business	Must consider traditional national hostilities
Costs associated with hiring, such as visa costs, may be lower than with home-country nationals	Host government and/or local business may resent hiring a third-country national
	Can affect the motivation of local workers

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Examples of ethnocentric, polycentric and geocentric organisations

Ethnocentric
Sony Group
- 48% of personnel are based in Japan and 20% in the Asia-Pacific
- Sony holds regular meetings between the officer in charge of HR and business-specific HR managers worldwide
- Talent pools for the next two generations of leaders are sourced from Japan

Polycentric
Woolworths Holdings
- Regional people strategies with Group oversight
- Top board overseas global operations (aggregation) while prioritising local knowledge and career opportunities for local staff (adaptation)
- Attracts, develops and retains local talent through a Group Talen Forum

Geocentric
Unilever
- Applies Unilever's Board Diversity Policy from Board level throughout company
- Directors are selected on the basis of experience, backgrounds, skills, knowledge and insights
- Objective of board composition is to have a variation of age, gender, expertise, social background, ethnicity and nationality

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Question

Can you link the organisational structures and strategies outlined in Lesson 5 to the typology of managerial mentalities described here and in the prescribed book?

Which mentality will be common in a Global MNE?
Which mentality will be common in a Multinational MNE?
Which mentality will be common in a Transnational MNE?
Which mentality will be common in an International MNE?

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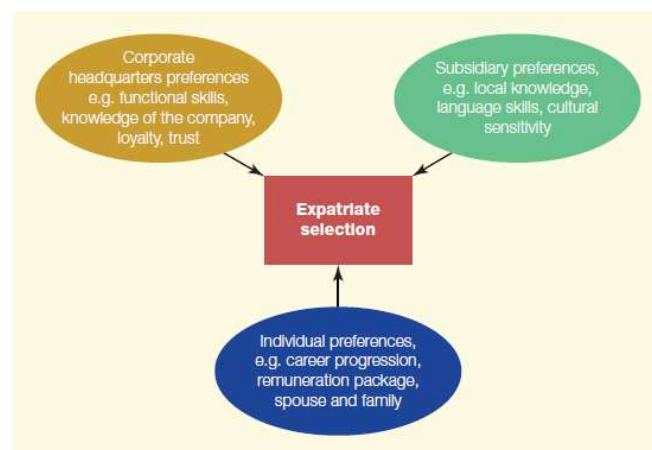
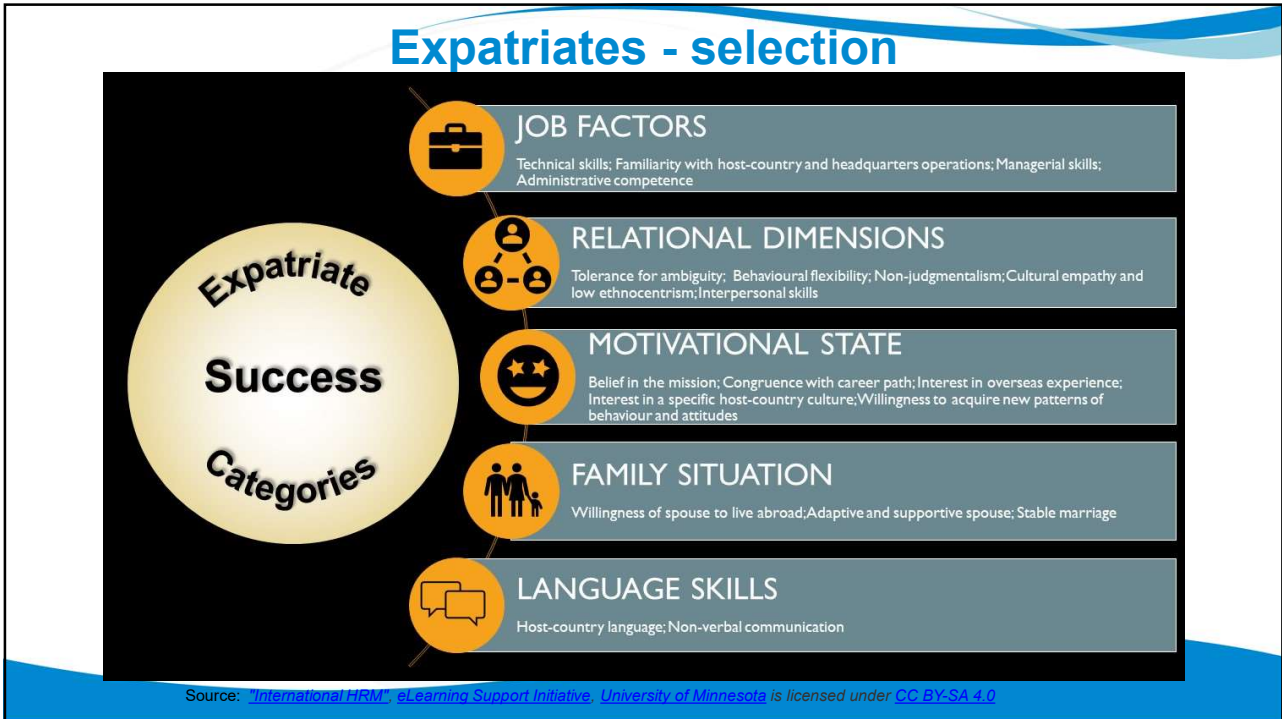**Watch this video, which explains key global staffing considerations when selecting expatriates.**

- *https://youtu.be/11irCzsdip4*

Expatriates - selection

Figure 16.2 Factors in expatriate selection

Source: Peng & Meyer (2019: 450)

Expatriates - selection

JOB FACTORS
Technical skills; Familiarity with host-country and headquarters operations; Managerial skills; Administrative competence

RELATIONAL DIMENSIONS
Tolerance for ambiguity; Behavioural flexibility; Non-judgmentalism; Cultural empathy and low ethnocentrism; Interpersonal skills

MOTIVATIONAL STATE
Belief in the mission; Congruence with career path; Interest in overseas experience; Interest in a specific host-country culture; Willingness to acquire new patterns of behaviour and attitudes

FAMILY SITUATION
Willingness of spouse to live abroad; Adaptive and supportive spouse; Stable marriage

LANGUAGE SKILLS
Host-country language; Non-verbal communication

Expatriate Success Categories

Source: *"International HRM"*, *eLearning Support Initiative*, *University of Minnesota* is licensed under *CC BY-SA 4.0*

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Training

ADVANCED
- Full immersion training
- Intensively exposing the trainee to the foreign culture and language
- Sponsors
- Spouse and family involvement
- Specialist relocation services

INTERMEDIATE
- Cultural assimilation training (e.g. role plays)
- Often led by experienced expats

BASIC
- Providing information on practicalities
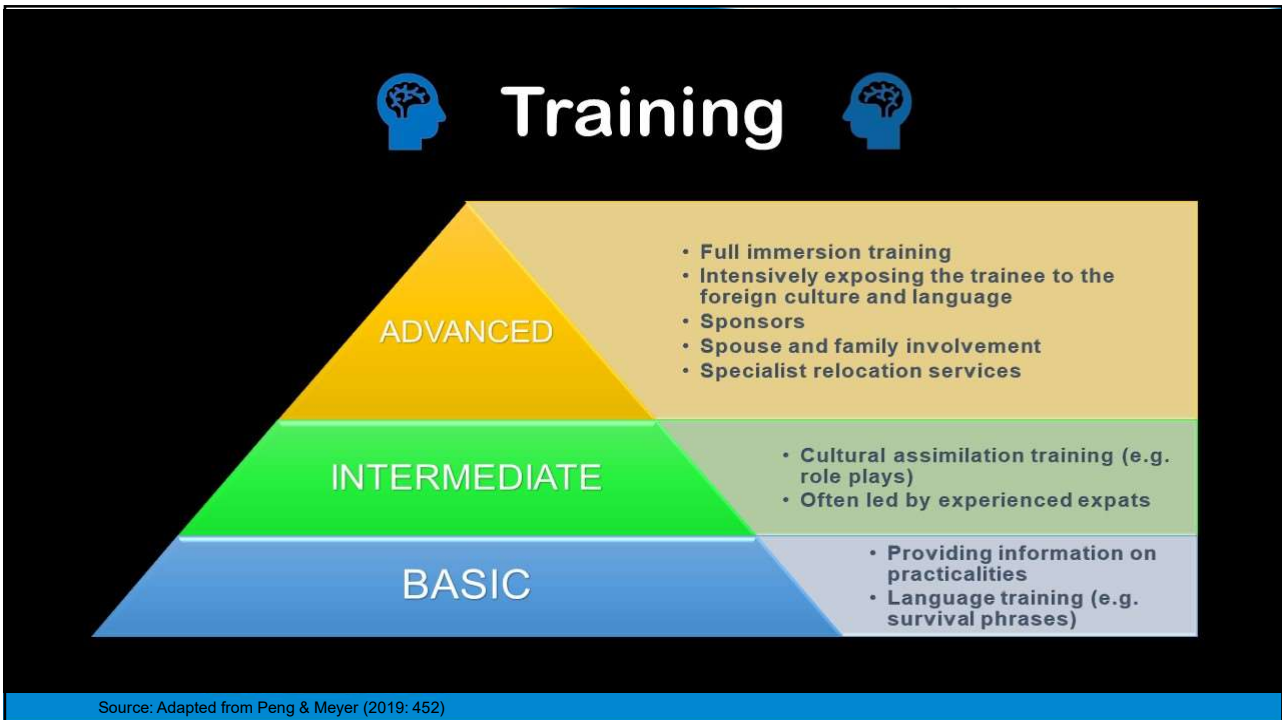- Language training (e.g. survival phrases)

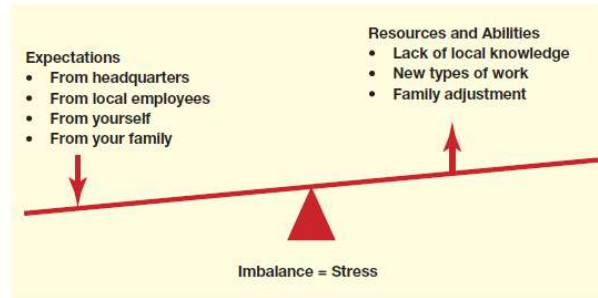Source: Adapted from Peng & Meyer (2019: 452)
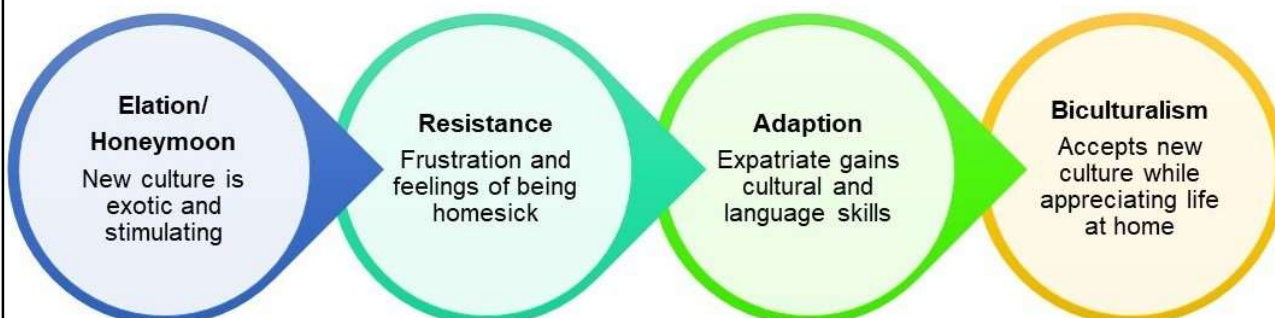
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Culture shock and stress

- **Arrival**
  - practicalities and getting settled
- **Time passes**
  - Culture shock (reaction to a new, unpredictable and uncertain environment)
  - Stress (expectations, resources and abilities)

Expectations
- From headquarters
- From local employees
- From yourself
- From your family

Resources and Abilities
- Lack of local knowledge
- New types of work
- Family adjustment

Imbalance = Stress

Source: Peng & Meyer (2019: 454)

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Progressing through culture shock

Elation/ Honeymoon
New culture is exotic and stimulating

Resistance
Frustration and feelings of being homesick

Adaption
Expatriate gains cultural and language skills

Biculturalism
Accepts new culture while appreciating life at home

Source: Peng & Meyer (2019: 455)

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Watch the videos by Ofentse Tsipa, a South African expat living in India, who describes what it's like living in a new country.
What phase is she going through in the first video?
What about the second video?

- https://youtu.be/-9s4PgeYVUU
- https://youtu.be/rhbDTFG4mUk

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Returning expats

- **Professional re-entry**
  - Career anxiety
  - Work adjustment – responsibilities high at subsidiary versus lower at HQ.
  - Status (authority loss, lower pay and perks)
- **Value of the experience**
  - Psychological or formal contract – is the international experience valued?
  - Accelerated performance improvements and promotion
- **Private life**
  - Reverse culture shock (getting used to the "old way" or maybe the company, country or even themselves have changed - a disconnect)
  - Disconnect with friends and family

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Managing people abroad

Operational level workforce	Managerial level workforce
Talent pool is much larger • Massive number of CVs to work through in finding the right candidates **Skill-set trade off** • Functional skills for the job • Cultural skills • Language skills **Knowledge of local labour markets** • Localised HRM functions • High need for local insight	**Scarcity of talent** • Managerial competence, adaptability, training/experience and commitment • Very few candidates for senior positions – requires headhunting **Managerial mentality of the MNE** • Host, home or third-country? • May limit the talent pool further

Recruitment

- Identify suitable local candidates, get them to apply, and select the best for the job

- Candidate must have functional skills and ALSO multicultural and language skills

- MNEs struggle with accessing local labour markets – motivating for a localized HRM function

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Managing people abroad

- **Compensation, appraisal and retention**
  - Low level workers versus specialists and managers who are headhunted and compensated accordingly
  - Performance appraisal is an area of cultural differences (sometimes done by expats)
  - MNEs need to create an attractive package to retain people – training, travel and career progress

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Institutions and human resources

- Worker safety laws and requirements
- Worker compensation laws
- Working age restrictions
- Maternity/paternity leaves
- Unionisation laws
- Vacation time requirements
- Average work week hours
- Privacy laws
- Disability laws
- Multiculturalism and diverse workplace, antidiscrimination law
- Taxation

Source: Peng & Meyer (2019: 349)

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People as resources

Does the employee have skills or capabilities that ….
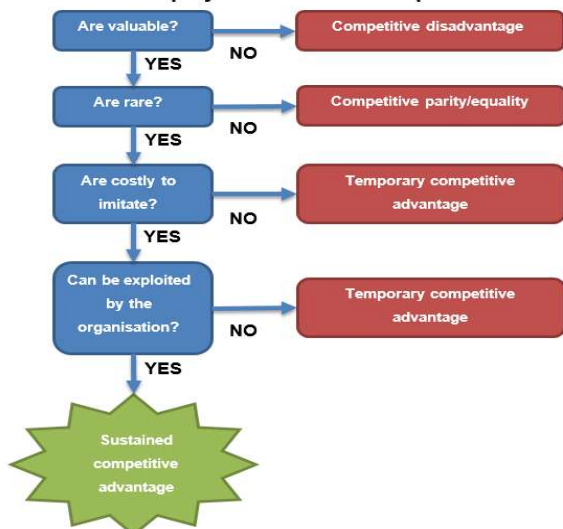
- **V:** Low skilled vs specialised. Training can add value

- **R:** Specialised knowledge workers and teams (tacit knowledge)

- **I:** Complex capabilities and tacit knowledge

- **O:** Are the HR skills leveragable only for the employee or for the organisation? Non-transferrable skills dependent on the team are key

Source: Adapted from Miethlich & Oldenburg (2019)

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Debates and extensions

Multi-cultural teams

- Success depends on members' awareness of cultural diversity, and willingness to be open-minded about teammates' work styles and values.

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https://youtu.be/r3E15mLO0i0

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Debates and extensions

Non-traditional assignments

- MNEs have moved to shorter assignments and non-traditional forms of expatriation, for example:

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1. Contract work
   (Short assignments – experts)
2. Commuter assignments
   (Employee resides in home country and travels often to and from the foreign country)
3. Virtual teams
   (Relies heavily on communication technologies to create teams made up of staff from global subsidiaries)
4. Inpatriates
   (A foreign employee is relocated to MNE headquarters – reverse expatriation)

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Summary Lesson 6

- Need to know formal and informal rules of the game governing HRM in all regions of operations.

- Develop organizational capabilities that drive business success.

- Challenge the leaders of your firm to take people and career issues seriously.

- HR managers need to nurture and develop people.

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Test yourself

GO READ THE SHORT CASE ON MYUNISA AND ANSWER THE FOLLOWING QUESTION:
Evaluate the management practice approach at WHL, including their approach to dealing with the challenges of attracting a committed workforce to their global subsidiaries.

ASSESSMENT CRITERIA

✓ Identify the management approach adopted by WHL. (1 mark)
✓ Motivate this approach by explaining an example from the case study. (2 marks)
✓ Analyse WHL's approach to recruitment challenges. (5 marks)

POST YOUR ANSWER ON THE DISCUSSION FORUM

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