

11. Country differences in compensation practices raise a difficult question for an international business: Should the firm pay executives in different countries according to the standards in each country or equalize pay on a global basis?
12. The most common approach to expatriate pay is the balance sheet approach. This approach aims to equalize purchasing power so employees can enjoy the same living standard in their foreign posting that they had at home.
13. A key issue in international labor relations is the degree to which organized labor can limit the choices available to an international business. A firm's ability to pursue a transnational or global standardization strategy can be significantly constrained by the actions of labor unions.
14. A principal concern of organized labor is that the multinational can counter union bargaining power with threats to move production to another country.
15. Organized labor has tried to counter the bargaining power of multinationals by forming international labor organizations. In general, these efforts have not been effective.

Critical Thinking and Discussion Questions

1. What are the main advantages and disadvantages of the ethnocentric, polycentric, and geocentric approaches to staffing policy? When is each approach appropriate?
2. Research suggests that many expatriate employees encounter problems that limit both their effectiveness in a foreign posting and their contribution to the company when they return home. What are the main causes and consequences of these problems, and how might a firm reduce the occurrence of such problems?
3. What is the link between an international business's strategy and its human resource management policies, particularly with regard to the use of expatriate employees and their pay scale?
4. In what ways can organized labor constrain the strategic choices of an international business? How can an international business limit these constraints?
5. Reread the Management Focus on McDonald's global compensation practices. How does the McDonald's approach help the company take local differences into account when reviewing the performance of different country managers and awarding bonus pay?



Use the globalEDGE website (globaledge.msu.edu) to complete the following exercises:

1. The impact of strikes and lockouts on business activities can be substantial. Because your manufacturing company is planning to expand its operations in the Asian markets, you have to identify the countries where strikes and lockouts could introduce interruptions to your operations. Using *labor statistics* from the International Labour Organization (ILO) to develop your report, identify the three Asian countries with the highest number of strikes and lockouts, as well as the total number of lost worker days. What types of precautions can your company take to prevent interruptions from occurring in these markets?
2. You work in the human resource department at the headquarters of a multinational corporation. Your company is about to send a number of managers overseas as expatriates (or expats) to France and New Zealand. You need to create an executive summary evaluating, comparing, and contrasting the possible issues expats may encounter in these two countries. Your manager tells you that a tool called *Expatriate Explorer* created by HSBC can assist you in your task.



MMC China

closing case

It had been a very bad morning for John Ross, the general manager of MMC's Chinese joint venture. He had just gotten off the phone with his boss in St Louis, Phil Smith, who was demanding to know why the joint venture's return on investment was still in the low single digits four years

after Ross had taken over the top post in the operation. "We had expected much better performance by now," Smith said, "particularly given your record of achievement; you need to fix this John! Our patience is not infinite. You know the corporate goal is for a 20 percent return on investment for

operating units, and your unit is not even close to that." John Ross had a very bad feeling that Smith had just fired a warning shot across his bow. There was an implicit threat underlying Smith's demands for improved performance. For the first time in his 20-year career at MMC, Ross felt that his job was on the line.

MMC was a U.S.-based multinational electronics enterprise with sales of \$2 billion and operations in more than 10 countries. MMC China specialized in the mass production of printed circuit boards for companies in the cell phone and computer industries. MMC was a joint venture with Shanghai Electronic Corporation, a former state-owned enterprise that held 49 percent of the joint-venture equity (MMC held the rest). While MMC held a majority of the equity, the company had to consult with its partner before making major investments or changing employment levels.

John Ross had been running MMC China for the past four years. He had arrived at MMC China after a very successful career at MMC, which included extended postings in Mexico and Hungary. When he took the China position, Ross thought that if he succeeded, he would probably be in line for one of the top jobs at corporate headquarters within a few years. Ross had known that he was taking on a challenge with MMC China, but nothing prepared him for what he found there. The joint venture was a mess. Operations were horribly inefficient. Despite low wages, productivity was being killed by poor product quality, lax inventory controls, and high employee turnover. The venture probably employed too many people, but MMC's Chinese partner seemed to view the venture as a job-creation program and repeatedly objected to any plans for cutting the workforce. To make matters worse, MMC China had failed to keep up with the latest developments in manufacturing technology, and it was falling behind competitors. Ross was determined to change this, but it had not been easy.

To improve operations, Ross had put in a request to corporate HR for two specialists from the United States to work with the Chinese production employees. It had been a disaster. One had lasted three months before requesting a transfer home for personal reasons. Apparently, his spouse hated China. The other had stayed for a year, but he had interacted so poorly with the local Chinese employees that he had to be sent back to the United States. Ross wished that MMC's corporate HR department had done a better job of selecting and then training these employees for a difficult foreign posting, but in retrospect he had to admit that he wasn't surprised at the lack of training; he had never been given any.

After this failure, Ross had taken a different tack. He had picked four of his best Chinese production employees and sent them to MMC's U.S. operations, along with a translator, for a two-month training program focusing on the latest production techniques. This had worked out much better. The Chinese had visited efficient MMC factories in the United States, Mexico, and Brazil and had seen what was possible. They had returned home fired up to improve operations at MMC China. Within a year they had introduced a Six Sigma quality control program and improved the flow of inventory through MMC's factory. Ross could now walk through the factory without being appalled by the sight of large quantities of inventory stacked on the floor or bins full of discarded circuit boards that had failed postassembly quality tests. Productivity had improved as a result, and after three tough years, MMC China had finally turned a profit.

Apparently this was not good enough for corporate headquarters. Ross knew that improving performance further would be tough. The market in China was very competitive. MMC was vying with many other enterprises to produce printed circuit boards for large multinational customers that had assembly operations in China. The customers were constantly demanding lower prices, and it seemed to Ross that prices were falling almost as fast as MMC's costs. Also, Ross was limited in his ability to cut the workforce by the demands of his Chinese joint-venture partner. Ross had tried to explain all this to Phil Smith, but Smith didn't seem to get it. "The man is just a number cruncher," thought Ross. "He has no sense of the market in China. He has no idea how hard it is to do business here. I have worked damn hard to turn this operation around, and I am getting no credit for it, none at all."

Sources: This is a disguised case history based on interviews undertaken by the author.

CASE DISCUSSION QUESTIONS

1. Is it right for MMC to hold Ross to the same performance goals as managers of units in other countries? What other approach might it adopt?
2. Why had bringing in specialists from the United States not worked at MMC? Why did Ross's strategy of sending Chinese employees over to the United States for training produce better results? What are the lessons here?
3. What changes could the HR department at MMC make to improve its utilization of human capital and facilitate knowledge transfers within the company?

Endnotes

1. P. J. Dowling and R. S. Schuler, *International Dimensions of Human Resource Management* (Boston: PSW-Kent, 1990).
2. J. Millman, M. A. von Glinow, and M. Nathan, "Organizational Life Cycles and Strategic International Human Resource Management in Multinational Companies," *Academy of Management Review* 16 (1991), pp. 318-39; A. Bird and S. Beechler, "Links between Business Strategy and Human Resource Management," *Journal of International Business Studies* 26 (1995), pp. 23-47; B. A. Colbert, "The Complex Resource Based View: Implications for Theory and Practice of Strategic Human Resource Management," *Academy of Management*

Review 29 (2004), pp. 341-60; and C. J. Collins and K. D. Clark, "Strategic Human Resource Practices, Top Management Team Social Networks, and Firm Performance," *Academy of Management Journal* 46 (2003), pp. 740-60.

3. See Peter Bamberger and Ilan Meshoulam, *Human Resource Strategy: Formulation, Implementation, and Impact* (Thousand Oaks, CA: Sage, 2000); P. M. Wright and S. Snell, "Towards a Unifying Framework for Exploring Fit and Flexibility in Human Resource Management," *Academy of Management Review* 23 (October 1998), pp. 756-72; Colbert, "The Complex Resource-Based View"; and R. S. Schuler and S. E. Jackson,