

# International hr p essay



International HR Project: Procter & Gamble Co. Rachel Angelina Walker

Morrisville State College BSAD 415 International Human Resource

Management Dr. Linda F. Turner February 10, 2013 Organizational

Background P&G is a global manufacturer and marketer of branded consumer products. The company markets its products in over 180 countries spanning Americas, Europe, EMEA and Asian region. In the company profile (The Proctor and Gamble Company), P&G's organizational structure is explained as being comprised of global business units, global operations; global business services and corporate functions.

The company is organized into two global business units: beauty and grooming, and household care. The main focus of this business unit is new product upgrades, innovations and marketing plans. The company profile (The Proctor and Gamble Company) also states that P&G is one of the world's largest consumer goods companies. " Its products reach 4. 4 billion people worldwide. P has the strongest portfolio of brands in the industry, with 50 leadership brands that generate 90% of the company's sales and profits" (p. 123).

P has a leading market position and strong brand portfolio which provides them with a competitive advantage. The 2012 company profile (The Proctor and Gamble Company) recorded revenues of \$83, 680 million, an increase of 3. 2% over 2011. P listed North America as the company's largest geographic market, this accounts for 39% of their total revenues. " P&G generates revenues through five reportable segments: fabric care and home care (32. 1%\* of the total revenues in 2012), beauty (24%), baby care and family care (19. 4%), health care (14. 6%) and grooming (9. %)"(p. 103). The

current global operations that comprise P&G's Market Development Organization involve " go-to-market" plans at the local level with dedicated retail customer, trade channel and country-specific teams. It is organized into five geographic units: North America, Western Europe, Central and Eastern Europe/Middle East/Africa, Latin America and Asia which comprises Japan, Greater China and ASEAN/Australia/India/ Korea. For 2013, the company will be forming a joint venture in the Asian geographic unit.

### Intricacies of Global Organizations

As we prepare to expand our operations to China, we will begin by creating an international design and structure. There will be several stages that our company undergoes in an attempt to break into the Chinese market successfully. First, we plan to engage in portfolio investment in order to purchase stock from the local firms in China. Procter & Gamble Co. is a worldwide recognized company established in many markets across the globe. Therefore, although we will be emphasizing the exportation and sales of our products in the Chinese market, this stage will not be a very big operation due to our already existing global familiarity.

At this time, our company will take on light training to ensure that our employees have the capabilities to do business across borders. As stated previously, we already operate across several borders so the training will just ensure some skill sharpening among existing employees who will be affected by our expansion to China. The second stage in creating our international structure will be sales. In this stage we will be focusing on hiring managers, or training existing managers, who will specialize in purchasing and sales in China.

The next stage deals with our method of entering the Chinese market, we have chosen to gradually expand into China by beginning with licensing. By doing this we have located firms that already exist in China that are capable and experienced with manufacturing our products. By licensing, we are able to cut costs and be more integral in the local community allowing for a more seamless expansion into Chinese market. The only person that will be involved in these operations from Procter & Gamble Co. will be the Sales Negotiator that we have hired and trained.

Technology will be an important tool in the vital relationship between our negotiating manager and our licensing operations. Our final and most exciting stage will be the joint venture that Procter & Gamble Co. has set up in China. We will be partnering with a local company who we will do business with for the contracted time of three years which we decided was ample time to get started in the market. A joint venture is defined as the corporation of two or more businesses in which they share assets, profits, loss and even gave a control in the organization.

Both parties bear the risk of loss, as well as, a share in the assets in a joint venture. Advantages: 1. Sharing the economic risk. 2. Using larger funds 3. As a joint venture, companies will access larger funds for the production and products. Therefore, there will be greater chances of company's growth.

Disadvantages: 1. Shared profit: Both the parties have to share the profit and that may be the written agreement. 2. Importance of Joint Venture agreement. It is better for both the parties if everything gets clarified on the paper before signing in to the joint venture agreement. . Undesired outcome: As there will not be one party who will be liable to supervise the departments

so there can be disputes and lawsuits. Employees from each company will be assigned to the new China based entity. An equal share of managers and workers from each company will be hired and re-trained to align culture and company goals among employees. P will incorporate best policies and practices from both entities in order to create equality among the IJV for employees from each entity. As we expand our operations to China, Procter & Gamble Co. will utilize a 'transnational' business strategy. As a company we want to localize our company as much as possible to the Chinese community while remaining somewhat familiar to our domestic employees who will be moving with our operations to China. The transnational approach allows us to attempt to maximize both global and domestic responsiveness and integration. The goal is for us to appear as a local firm in the communities we are locating to. Other attempts to localize will include various charities and fundraising for culturally important issues in the community.

The company will maintain a functional structure in order to simplify communication across our many global expansions. (Dibadj, Powers & O'Connor, 2012, p. 12). Another issue that must be addressed is the role the Chinese government plays in our economic activities. There are obviously many differences between doing business in a democratic government and doing business in China which is a communist country. "As the most populous nation in the world, China offers awesome potential markets for multinationals.

Currently, multinationals dominate FDI in China, but they are faced with very different risks and characteristics from the local Chinese enterprises that have traditionally served as China's major investors" (Chitakornkijasil, 2011, <https://assignbuster.com/international-hr-p-essay/>

p. 1). Some of the downfalls the Chinese economy were illustrated in a study by Chitakornkijasil (2011) which concluded, "...the accumulating information gained from these investments shows very mixed results. Telephones cannot be connected to each other. Many Chinese are reluctant to talk to strangers. Others are bankrupt" (p. ). The government's activity will affect our global operations in China because the lack of technology, like lack of telephones, causes a communication problem for both marketing and internal communication. Also, the social differences like not communicating with strangers may make it hard for HR to integrate the domestic and Chinese cultures in the workplace. Another risk associated with entering China is as, "...for intellectual-property violations, many regard China as being in a league of its own. The nation is a major world center of counterfeiting.

Copyright violations are conducted by unscrupulous business people and abetted by the employees of the multinationals being ripped off. Some mainland-based Western pharmaceutical manufacturers put the counterfeit rate at 10 percent or more. Increasingly, as multinationals suffer losses, decisions about whether to make further investments in China may be dropped altogether or put on hold. The counterfeiting issue influences P&G's ability to raise the prices of products because counterfeiters can undercut on price.

In addition, when counterfeiters sell unsafe or inferior products, they undermine and harm its owner's reputation and undermine loyalty to the brand with customers" (Chitakornkijasil, 2011, p. 4). Despite the various detrimental characteristics of doing business in China, there are many encouraging qualities as well. One of the benefits was mentioned by

Chitakornkijasil (2011) is, “ The opportunity to have access to the most populous nation in the world, China offers awesome potential markets for multinationals” (p. 1).

Also, there are various ways to avoid the implications described previously like copyright fraud. “ Various foreign multinationals depend on joint ventures with local partners to decipher the local terrain. The local partners ideally would provide knowledge of local conditions and business environments...However, for now, China remains a high-risk but high-potential market. ” (Chitakornkijasil, 2011, p. 11). I feel confident in the joint venture we have contracted and the extensive research we’ve done about the Chinese economy.

As Chitakornkijasil (2011) stated, the joint venture will ideally provide knowledge of local conditions and ultimately prevention of local issues. Although there are risks that Procter & Gamble Co. will be taking by expanding to China, it is a high-potential market and as the Senior Executive for HR, I feel the potentials outweigh the risks. Cultural Implications and Differences The following table demonstrates some of the many cultural differences P employees will face when integrating with our Chinese counterpart. We will prepare our employees as well as the employees joining the IJV with proper cultural training.

This training will be mandatory for all positions affected by the joint venture; all employees will be compensated and rewarded for completed training. At the end of training, employees will be tested for competency as it relates to their individual position in the IJV. | | Chinese | Americans | | Conception Of

the Self | Collectivist: Higher value placed on group cooperation |

Individualist: Higher value placed on self-reliance.

Self-promotion| | | and individual modesty. | is more accepted. High value placed on “ freedom” from externally | | | imposed constraints. | | Social Relationships | Formal, hierarchical. People most comfortable in the | Informal, egalitarian. People most comfortable with their social | | | presence of a hierarchy in which they know their | equals; importance of social rankings minimized. | | position and the customs/rules for behavior in the | | | situation. | | | Friendship | Small number of close, lifelong friends who feel deeply | Large collection of “ friends” and acquaintances which changes over | | | obligated to give each other whatever help might seem | time and involves only limited mutual obligations. | | required. | | | Obligation | Relationships with other people involve reciprocal | People avoid interdependent relationships and situations that might | | | obligations. | entail long-term | | Task vs. Relationship Orientation | Relationship-oriented: Maintaining a harmonious | Task-oriented.

Relationships are less important than getting the | | | relationship has priority over accomplishing tasks. | work done. | | Harmony vs. | Avoid direct confrontation, open criticism, and | Willing to confront directly, criticize, discuss controversial | |” Truth” | controversial topics. Concern maintaining harmony and | topics, press personal opinions about what they consider “ the truth. | | | with “ face. | Little concern with “ face. ” | | Role of laws, rules, and regulations | More faith in personal relationships than in written | Written rules presumably apply to everyone and are assumed to produce| | | rules and procedures for structuring interactions. | fair, reasonable procedures and



decisions. | | Time Consciousness | Relatively more attention to the past and to the | Less interested in the past; eye on near-term future. | | longer-term future. | | | Ascribed vs. Achieved Status | Traditionally, a person's status in the society was | People's status is based mainly on their own achievements, including | | | based importantly on inherited characteristics such as | education obtained and level of success realized in their line of | | | age, gender, and family.

This is changing. | work. | (Selmer, 2008, p. 208). The cultural differences mentioned in the chart will be at the core of our training seminars. We will strive to provide employees with better understanding so that employees from both entities can integrate and feel equally understood by the company. Various Facets of the IHRM function As we globalize, Procter & Gamble will explore the locations within China that we find desirable for our company's expansion and identify the HR challenges that will arise as we relocate to these areas.

The nature of Chinese markets is different than the United States which means that our company has to think carefully about what the given geographical locations have to offer. After careful research and deliberation we have decided to focus on China's Tier 1 cities (Shanghai and Beijing). These areas are highly populated areas with a large, middle-class representation and income levels well above the national average. Tier 1 cities are China's most mature markets in terms of consumer behavior, and are typically the most suitable testing ground for foreign companies with limited experience in China.

As mentioned previously, we will be staffing our international joint ventures with employees from both our company and the firm we are joining in China. Although we will be using employees who are already with the companies, there will still be a selection and training process in place to ensure that the best fit employees are selected for this opportunity. Recruiting We will be utilizing an internal recruitment strategy within our firms here and also within our partner's firm abroad to recruit employees. We will use company resources such as; bulletin boards, company intranet, email, and referrals.

It may be difficult finding people who are willing to move overseas so recruiting sources should find candidates who have high receptivity to international careers which reflects their attitude toward working internationally. These include their personality, prior international experience, age, gender, marital status, and education. Each firm will hold a recruitment session on the first of the month to educate employees about the opportunity and encourage them to apply. There will be an application for this position where employees will be entered to bid for the job openings along with employees from our international partner's firm.

This will ensure that employees from both firms are equally considered for all positions. Selection After all applications are received, hiring managers from both firms will collaborate to consider the qualifications of each candidate for the positions applied for. The maturity of the candidate and their ability to integrate with new and foreign culture and policies will be strongly considered. It is also important that P&G screens candidates for most suitable personal characteristics, such as adaptability and desire to learn and experience new things and new people.

During this selection of individuals, our hiring managers will collaborate with the partner firm's hiring managers through a series of selection including; phone interviews, skill testing, and a final panel interview. Also, by collaborating with the managers from our joint venture we can ensure that employees from both firms are being represented equally and fairly.

Management Another key decision to be made is whether to employ expatriates in senior management positions or whether to localize these roles.

Employing expatriates tends to be seen to offer greater operational control, although is also more costly in terms of salary packages, relocation costs, insurance and other expenses. Also, most expatriate managers have a very limited local knowledge of Chinese cultural and business practices, and very seldom have the Chinese language skills necessary for dealing with Chinese companies on a day-to-day basis. “ A key benefit of hiring a Chinese manager is the local market knowledge and deeper understanding of Chinese business they bring to the role.

Not only are salary and insurance costs lower for local employees, but Chinese employees very often have existing contacts with suppliers, customers and local government authorities that can be fully utilized” (Shen & Edwards, 2008, p. 45). Unfortunately, in many industries the supply of highly skilled local managers with industry experience is extremely limited, and employers may still be forced to pay a premium to attract the right caliber of employees. Equally, staff turnover rates are extremely high in China and retaining quality managers over the long term is challenging.

Losing local managers will also risk losing access to their networks and local market knowledge. Due Diligence Due diligence is an important action when setting up in China for the first time. P&G's objective of due diligence as we globalize is ultimately to verify the trustworthiness of partners and employees, and to identify any red flags before proceeding with any sizeable investment. Although some basic due diligence can be carried out in-house, nowadays there are also numerous legal and risk assessment consultants with offices in China that provide business intelligence, individual background checks, and risk analysis consultancy.

Compensation There are a number of different options for establishing a worldwide compensation system. P&G has chosen what we feel is the most fair and uniform system of compensation which is referred to as the HQ scale. In this approach, worldwide salary levels are established at headquarters with differentials for each affiliate subsidiary according to their differing costs of living and local geography. This way every employee will be paid uniformly and there will be no ambiguity between the pay of expatriates and local employees.

Also, in efforts to support integration of cultures, there will be raises based on the completion of diversity training. P&G will also offer bonuses for those employees who achieve specific business goals as well. Benefits Companies in China provide their employees and workers with a variety of benefits. Benefits are an important component of a company's compensation package for attracting and retaining its employees. The benefits, in addition to base salary, serve as incentives to the employees and encourage them to enjoy working for P.

Benefits at P will include health coverage, income protection, reimbursement accounts and other programs such as Tuition Reimbursement, Employee Assistance Program, Commuter Benefit Program and Adoption Assistance. Eligibility for benefits will depend on partners paid hours which must be a minimum of 240 hours in each calendar quarter. This is uniform with the requirements of local employees which will ensure that compensation is fair across both local and global operations. Taxes Another common concern is tax liability.

As the employer, P is liable to pay income tax – in the form of Pay As You Earn (PAYE) – and every three months give the tax certificate to the employee. As far as employee income taxes, we will adhere to the current laws in China which are as follows: China Tax Rates 2012 • The tax on an individual's income is progressive. As at 2013, an individual's income is taxed progressively at 3% – 45%. • The 2013 corporate tax rate for domestic and foreign companies is 25%. • Small companies pay 20% corporate tax in certain cases.

Overseas Income • An individual and company who are Chinese residents are also taxed on their income outside China and receive a credit for overseas taxes. • Qualification for residence for an individual: Permanent residence in China while an individual who has no permanent residence in China but has lived in China for less than 5 years is taxed on his income in China, or overseas income that has its origins in China. • Individuals staying in China more than five tax years are taxed on their worldwide income too.

Table of Income Tax Rates in China for an Individual in 2013 | Tax % |

Monthly Income (CNY) | | 3% | 1 - 1, 500 | | 10% | 1, 501-4, 500 | | 20% | 4,

501-9, 000 | | 25% | 9, 001-35, 000 | | 30% | 35, 001-55, 000 | | 35% | 55,

001 - 80, 000 | | 45% | 80, 001 and above | (New income tax rates for China

employees, 2009, p. 4). Performance Management P has a systematic

process by which we involve both local and international employees, as

individuals and members of a group, in improving organizational

effectiveness in the accomplishment of agency mission and goals. Our

employee performance management includes: • planning work and setting

expectations, • continually monitoring performance, • developing the

capacity to perform, • periodically rating performance in a summary fashion

• rewarding good performance

Well-Being of the International Workforce The employee health, safety, and

well-being are very important topics for P and will require extra attention by

the firm in many ways. We will have to increase our attention to employee's

well-being around the world. Since we have more employees at risk because

of increased global trade we will establish a more detailed health and safety

policy on a global basis for all employees involved in the IJV to China. We will

also have to deal with specific health and safety concerns in China such as

the higher air pollution and the risk of kidnapping and/or terrorist attacks.

Legal and Regulatory Environment in China

Although China's entry to the WTO in 2001 helped to liberalize China's trade environment to some extent, many industries remain heavily regulated.

There are still a lot of industries that remain off-limits to foreign companies and many industries where severe limitations remain in place. " As China's

<https://assignbuster.com/international-hr-p-essay/>

economy develops, it is also accumulating a growing number of industry-specific regulations and standards, which both domestic and foreign companies should conform to. China has a host of different ministries and regulatory organizations that are responsible for industry regulations and laws. This makes it very difficult for foreign businesses to comply” (Shunfeng, Chengsi, & Jianghuai, 2012, p. 24).

In attempt to organize and comply with these regulations, P&G has done large amounts of research in attempt to unravel the web of complex laws and regulations, and try to understand which authorities have primary responsibility for implementing them. References Chitakornkijsil, P. (2011). Risks and Opportunities for Foreign Multinational Companies in China. *International Journal of Organizational Innovation*, 4(2), 15-24. Dibadj, A. , Powers, S. , & O’Connor, M. (2012). Procter & Gamble: Time for Action — Enabling Growth Through Lower Costs and Increased Investments. Bernstein Black Book – Procter & Gamble: Time For Action – Enabling Growth Through Lower Costs & Increased Investment, 1-213. New income tax rates for China employees. (2009).

China Business Review, 21(2), 4. Selmer, J. (2002). The Chinese connection? Adjustment of Western vs. overseas Chinese expatriate managers in China. *Journal Of Business Research*, 55(1), 41-50. Shen, J. , & Edwards, V. (2008). Recruitment and selection in Chinese MNEs. *International Journal Of Human Resource Management*, 15(4/5), 814-835. doi: DOI: 10.1080/0958519042000192960 Shunfeng, S. , Chengsi, W. , & Jianghuai, Z. (2012). INDUSTRIAL UPGRADE, EMPLOYMENT SHOCK, AND LAND CENTRALIZATION IN CHINA. *Contemporary Economic Policy*, 30(4), 523-532.

doi: 10. 1111/j. 1465-7287. 2011. 00266. x The Procter & Gamble Company.  
(n. d). Company Profile Retrieved from Marketline.