

Human resource management study case

Business



CHAPTER 2 HUMAN RESOURCE MANAGEMENT

Equipment Company (OEC) director (a U. S. national) of the office Equipment Company (oEc) in Lima, Peru (see Map 2I .

l), announced suddenly that he would leave within one month. The company had to find a replacement. OEC manufactures a wide variety of small office 1997, the managing In equipment (such as copying machines, recording machines, mail scales, and paper shredders) in eight different countries and distributes and sells products worldwide. It has no manufacturing facilities in Peru but has been selling and servicing there since the early 1970s. Do you already know where case studies are sold at affordable prices? Have you seen where they write andsell the best case studiescheaply?

OEC first tried selling in Peru through independent importers but quickly became convinced that in order to make sufficient sales it needed to have its own staffthere.

Despite Peru's political turmoil, which at times has bordered on being a full-scale civil war, OEC'S operation there (with about 100 employees) has enjoyed good and improving sales and profitability. OEC is constructing its first factory in Peru that is scheduled to begin operations in early 1999. This factory will import components for personal computer printers and assemble them locally.

Peru offers an abundant supply of cheap labor, and the assembly oPeration will employ approximately 150 people. The government will allow up to 10 percent of the output to be sold locally. By assembling locally and then

exporting, OEC expects to be able to ward off trade restrictions on the other office equipment it imports for sale within Peru.

This plant's construction is being supervised by a U. S. technical team, and a U. S. expatriate will be assigned to direct the production.

This director will report directly to OEC's U. S. headquarters on all production and quality-control matters but will report to the managing director in Peru on all other matters, such as accounting, finance, and labor relations. OEC, by policy, will replace the exiting managing director with an internal candidate. The company employs a combination of home-, host-, and third-country nationals in top positions in foreign countries, and managers commonly rotate among foreign and U. S.

locations. In fact, it has been increasingly evident to OEC that international experience is an important factor in deciding who will be appointed to top corporate positions.

The sales and service facility in Peru reports to a Latin American regional office located in Coral Gables, Florida. A committee at this office, charged with selecting the new managing director, quickly narrowed its choice to five candidates. Tom A thirty-year OEC veteran, Zimmerman is well versed in all the technical and sales aspects required in the job. He has never worked abroad for OEC but has visited various of the company's foreign facilities as part of sales teams.

He is considered competent and will retire in about four and a half years. Have you seen Toyota? > Toyota Case Study?

Neither he nor his wife speaks Spanish. Their children are grown and living with their own children in the United States.

Zimmerman currently is in charge of an operation that is about the size of that in Peru after the new factory begins operating. However, Zimmerman's present position will become redundant because the operation he heads is being merged with another. Brett Harrison, 40, has spent fifteen years at OEC. Considered highly competent and capable of moving into upper-level management within the next few years, he

904 PART 7
FUNCTIONAL I'. ANAGEI'1 ENT, OPERATIONS.

AND CONCERNS PERU Population 22. 3 million Monetary unit New sol Major languages Spanish Quechua Aymara Largest city Lima Major industrial areas Arequipa Chimbote Cuzco Iquitos Lima Talara Map 21. I Peru never been based abroad but has worked for the last three years in the Latin American regional office and frequently travels to Latin America. Both he and his wife speak Spanish adequately, and their two children, ages 14 and 15, are just beginning to study. His wife holds a responsible marketing position with a pharmaceuticals company.

Carolyn language.

Moyer Moyer joined OEC twelve years ago after getting her MBA from a prestigious university. At 37, she has already moved between staff and line positions of growing responsibility. For two years, she was second in command of a product group that was about the size of the newly expanded one in Peru. Her performance in that post was considered excellent. Currently, she works on a planning staff team.

When she joined OEC, she indicated her interest in eventual international responsibilities because of her undergraduate major in international affairs.

She has recently expressed interest in international duties because of a belief it will help her advancement. She speaks Spanish well and is unmarried. Francisco Cabrera Cabrera, 35, currently is an assistant managing director in the larger Mexican operation, which produces and sells for the Mexican market. A Mexican citizen for OEC in Mexico for all his twelve years with the company. He holds an MBA from a Mexican university and is considered to be a likely candidate to head the Mexican operation when the present managing director retires in seven years.

He is married with four children (ages 2 to 7) and speaks English adequately.

His wife does not work. He has worked outside the home or speak English. CHAPTER 21 HUMAN RESOURCE MANAGEMENT 905 Juan Moreno At 27, Moreno is assistant to the present managing director in Peru. He has held that position since joining OEC upon his U. S. college graduation four years ago.

Unmarried, he is considered competent, especially in employee relations, but lacking in experience. He had been successful in increasing OEC's sales, in part because he is well connected with local families who can afford to buy new office equipment for their businesses. Questions 1.

Which candidate should the committee choose for the assignment, and why? 2. What problems might each candidate encounter in the position? 3.

4. How might OEC go about minimizing the problems that each candidate would have in managing the Peruvian operations? Calculate an estimated compensation package for each candidate based on the following additional information: Present annual salaries: Zimmerman, US\$70,000; Harrison, US\$75,000; Moyer, US\$65,000; Cabrera, M\$124,000; Moreno, 557,000 a

Exchange rates: \$1: M\$3.1 (Mexican pesos); \$1: S1.9 (Peruvian new soles) o

f income for a family of one, 40 percent for a family of two, 45 percent for a family of four, and 50 percent for a family of five or more: Washington, D. C. : 100; Lima : 86; Mexico City : 77 U. S. Department, of State foreign-service premiums for Peru: hardship : 15 percent; danger: 15 percent U. S. Department of State cost-of-living index based on items covering 35 percent a a o Schooling allowance: age 6-12 : US\$5000; age 3-18 : US\$9000 Average tax rates: Mexico : 20 percent; United States : 25 percent; Peru : 1 Housing allowance (nontaxable): single : US\$ 12,100; family : US\$ 15,000 0 percent

Chapter Notes I.

The data for the case were taken from Edwin McDowell, "Making It in America: The Foreign-Born Executive," *New York Times*, June 1, 1980, Section 3, p. 1+; Don Whitehead, *The Dow Story* (New York McGraw-Hill, 1968); "Lundeen Urges More Aid for Universities," *Chemical Marketing Reporter*, Vol. 224, No. 19, November 7, 1983, p. 3+; Paul L.

Blocklyn, "Developing the International Executive," *Personnel*, Vol. 66, March 1989, pp. 5-6; "Popoffon Challenges for Dow and for the Industry," *Chemical Week* (May 18, 1994), pp. 26-28; and Susan J.

Sinsworth, “ Issues Management Is Central to Frank Popoff’s Globalization Strategy,” *Chemical Engineering News*, Vol.

72, No. 21, May 23, 1994, pp. 25-29. 2. Gary R.

Oddou and Mark E. Mendenhall, “ Succession Planning for the 21st Century,” *European Management Journal*, Vol. 14, No. 4, August 1996, pp. 365-373.

4. “ Globesmanship,” *Across the Board*, Vol. 27, Nos. 1, 2, January-February 1990, p. 26, quoting Michael Angus.

5. Daniel Ondrack, “ International Transfers of Managers in North American and European MNEs,” *Journal of International Business Studies*, Vol. 16, No. 3, Fall 1985, pp. 1-19; and John M.

Hannon, Ing-Chung Huang, and Bih-Shiaw Jaw, “ International Human Resource Strategy and Its Determinants: The Case of Subsidiaries in Taiwan,” *Journal of International Business Studies*, Vol.

26, No. 3, Third Quarter 1995, pp. 531-554. 4447; “ Globesmanship,” *Across the Board* Vol. 27, Nos. 1, 2, January-February 1990, pp.

24-34; William Storck, “ Dow Chemical Changes Executive Lineup,” *Chemical and Engineering News*, *Survey: How Well Are We Grooming Our Future Business Leaders!* *Business Horizons*, January-February 1991, pp. 26-34. 3. Gordon Petrash, “ Dow’s Journey to a Knowledge Value Management Culture,”