Area China Headquarter

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Putting the Localization Strategy of the HR Management into Force

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Putting the Localization Strategy of the HR Management into Force

1. A brief introduction of the localization strategy and that of the HR management

   Broadly speaking, the localization should be considered as one process instead of the purpose, in other words, it is the suitable change of one object so as to fit in with the change of the present environment.

   From the point of the modern marketing concepts, its core is that all of the business activities of the company should be the consumer-oriented instead of treating the company’s hobby and habit as its principle, and the company’s standard must be changed with the change of the consumers which arises from the transition of the places.

   The essence of the localization strategy is described as the following: it is the whole process when the company makes all aspects of its business including the production, the marketing, and the management and so on becomes the necessary parts of the local economy, meanwhile the company should also undertake the corresponding responsibility as the local citizens and make its company culture dissolve deeply in the local culture model.

   From the discussion above, it is not hard for us to know that the localization strategy of the HR management is one organic part of the whole localization strategy, which means the company gives the local employees the right to handle the local company’s own affairs to the great extent by allowing and encouraging more and more of them work in the very important management positions while the host company is just responsible for the building of the developing strategy in the macroscopic level. How to make it become effective from the specific level will be solved in the next part.

2. The advantages of the localization strategy of the HR management

   First, this strategy will gain more trust of the multinational enterprise from the local country where its subsidiary lies in, which further improves remarkably the compromise of the multinational enterprise and the local market.

   When a great number of the local employees enter in to the management position in the subsidiary, they are certain to stop the multinational enterprise from doing anything that will destroy their own country’s benefits, due to their deep emotion for the nationality. Meanwhile, the management team being made up of the local people will help the subsidiary get more and more of the confidence from the local government and the people.
Let’s take the LG’s measure as one typical example. Since recent years, LG electronic has changed its subsidiary’s name in China from LG Electronic (China) Limited Company to China LG Electronic Limited Company, while the local employees have been appointed as the top managers.

Second, the implementation of the localization strategy of the HR management will reduce the business cost dramatically. Similar with the localization strategy of the production, it still helps the multinational enterprise earn more money obviously. In normal situation, for the managers sent abroad, the host company has to not only spend a lot of cost on the recruitment and training but also undertake their subsidy and allowance which is much higher than those working domestically and the travel expenses, while when the company employs directly the local employees, not only can the above expenses be avoided, but the company still attracts the talents of high quality by using the salary standard which is much lower than the host company but higher than the standard of the local country.

Third, the localization strategy of the HR management will guarantee the relative stability of the management staff to some extent and improve the working efficiency of them. When the employees of the host company work in the subsidiary abroad, their thinking conditions are usually unstable due to the cultural conflict and their family being unable to go along. If the chance of the promotion abroad appears, the responsibility of the expatriates’ management in the local country has to be stopped and the expatriates always do some management work in the short term because of the instability of the working places.

However, employing the management staff in the local country will reduce the negative effect to a large extent. As the local employees’ living environment is stable, their psychological condition is stable and they will do the management work in the long term which is more suitable to the development of the host company. At the same time, from the angle of the company, employing the local managers can reduce the time periods and the times of home leave, which realistically improves the usage efficiency of the human resource.

Fourth, the localization strategy of the HR management is beneficial to help the multinational enterprise to get familiar with the market situation of the local country so as to expand its market space. It is true that one certain country has its specific national situation and one certain market has its playing rule, so it is becoming necessary to employ a certain number of the local employees when the multinational enterprise does its investment abroad, and the reasons are the following: it is only the local people who have been quite familiar with the local customs and habits, the dynamic
condition of the local market and various kinds of the rules and policies of the local government, in addition, they are easy to obtain the common sense with the local consumers.

To sum up, the implementation of the localization strategy of the HR management will help the host company reduce its cost on HR management dramatically and make the construction of the HR much stable, meanwhile get the understanding and confidence of the local government and people which further promotes it become familiar with the local market so as to achieve the final goal of pursuing its profits as much as possible all over the world.

3. A series of effective measures taken to improve the localization level of the HR management

3.1 The employees on site in the workshop should be localized to the highest level as well as the management model for them.

It is wise for the host company to let the local employees work together in the workshop, with the purpose of not only decreasing the HR cost, but reducing the possibility of the appearance of the cultural conflicts of the employees from different cultural backgrounds while working together. Supposing that when a group of the local employees with the common sense on the local customs and communication style have worked together harmoniously for a long time, another group of employees with different culture enter into the existing group suddenly, what kind of situation will happen among them? Obviously, the sentiment of dispelling the new comers will arise automatically among the local employees, which will bring up the estrangement in their work and life.

In addition, the HR management mode should also fit with the local HR management mode, which is applicable to the local people. If the managers in the subsidiary, with the belief that the HR management mode from the mother country is excellent, still force the local employees to accept the host company’s mode, the predicted result will become true that most of the local employees will choose to leave, which has happened in TCL.

3.2. The system of double persons in charge from the host and the local is effective in the middle-level managers’ level

3.2.1 The comparison of three ways of solving the allocation of the middle-level managers

At present there are two different methods to deal with the allocation of the managers in the middle-level in the subsidiary. The first is that the important decisions should be made by the top-level managers from the host company, and the daily business management is left to the local managers to do. It is obvious that if the local business is totally in the charge of the managers from the local
country, the common employees’ adaptation period will be shortened greatly and they can enter into the working condition relative more quickly, but it is extremely hard to spread the management style and the company’ culture from the mother country, as the local managers nearly know nothing about it.

The second popular method is that the number of the managers in the subsidiary should be determined by the proportions of both in the jointed venture, which is seemed to be a trade-off.

However, the best way should treat the following as its starting point, which includes the company’s culture, the company’s development strategy and the stability of its employees. Under such kind of requirements, the system of double persons in charge from the host and the local is coming into effect, which takes enough consideration of the localization and brings the advantages of the host company to the subsidiary. Its main content is that the operating policy in the subsidiary is made jointly by the manager from the host company and the local manager and its advantages are displayed as follows:

First, the system can maintain the business characters of the host company and control the behaviors of the employees in the subsidiary abroad to ensure the policy from the host can be obtained by the local employees through the manager from the host company.

Second, the local manager is responsible for the local business, which reduces the appearance of the problems on communication, meanwhile the manager from the host company has a complete deep understanding of the background of the host company and the characters of the products, so he will improve the process of the subsidiary’s understanding of the headquarter.

3.2.2. The four measures taken to help the manager from the host company and the local manager work efficiently jointly for the company

The advantages of the system of double persons in charge from the host and the local are fully expressed, but how to make the two managers from different cultures work harmoniously in the same subsidiary? The following four measures are still needed to be used to make the system’s function effective.

First, the cross-culture training
It is essential to let the managers of both countries understand the cultures of each other so as to find the common points by the training.

Second, the education of the company’s culture
No matter what kinds of cultural backgrounds the managers are accompanied with, they finally need to work for the same company, so the trainings on the company’s
culture is quite necessary, which help them go through the three stages of the entire process of understanding the company's culture: the incomprehension of it, the understanding of it and the identification of it.

Third, the affording of different salary and benefits
One of the comparative important driving forces of the work is the salary and benefits, so the company needs to satisfy the prediction of the managers on this aspect. For example, the employees treats the holiday quite important with the eager hope that the work time should not occupy their personal space and the typical country with the above cultural tradition is France, however there are other employees whose view is the work is more important than any others. It is wise for the company to give different kinds of benefits regarding the specific requirements of the employees.

Fourth, frequent communications are needed.
It is due to the lack of understanding of each other that the cultural conflicts happen in the majority of the situations, so it is the company’s duty to provide the bridges of communication as many as possible, such as holding the activities during the special festivals with striking cultural characters including the spring festival, the middle autumn day in China, where they could get a realistic feeling and apprehension of each other.

3.3 The capability of the cross-culture HR management of the top-level managers sent abroad should be strengthened

As the managers in the top-level of the whole company, they have to obtain a series of strict requirements when they are sent to the subsidiary abroad, which are in the following:

First, the basic condition is that they should be loyal to the host company and have achieved the solid working ability.

Second, they should own the capability of adapting themselves to the new culture and dealing with the cultural shock from the different culture, and they shall learn the next knowledge and skills which consist of the special cultural knowledge, the general knowledge, the tendency of being proud of the own nationality, the experiences of many cultures, the ability of the tolerance, the cultural behaviors, the sense of the sensitiveness of the interpersonal connects and so on.

Third, such persons with the skills and qualities of the global managers are preferred. Usually, they love new environment and the challenge of working abroad; moreover, they have the outstanding ability of mixing his culture with the new culture.
As the requirements are so various and harsh, what kinds of help the host company can afford for the top-level managers abroad? First, the formation, backgrounds and history of different cultures should be given to the managers. Second, the differences of two or more cultures are necessary. Third, the local language should be learned to some extent. Fourth, the plan of the personal profession life should be made for the managers. Fifth, the relative training programs are still necessary to be given to the manager’s mouse, so as to help them suit the work overseas much better.

It may be much clear by building a table to describe the corresponding methods regarding the employees in different levels of the company to improve the localization level of the HR management, which is shown below:

<table>
<thead>
<tr>
<th>The levels of the employees in the company</th>
<th>The source place where the employees are from</th>
<th>The management method for them in the cross-cultural environment</th>
<th>The reason why such method is taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>The employees on site in the workshop</td>
<td>The local country as many as possible</td>
<td>The same as the local HR management method</td>
<td>It is easy for them as one group to work together by sharing the same customs, habits and communication style and so on.</td>
</tr>
<tr>
<td>The managers in the middle-level</td>
<td>One half are from the local country, and the other from the host country</td>
<td>The system of double persons in charge from the host and the local</td>
<td>1, the manager from the host country can help the local employees accept the company culture from the headquarter and control the local situation directly. 2, the local manager reduces the conflicts during communication and help the subsidiary be accepted by the local people more quickly and smoothly.</td>
</tr>
<tr>
<td>The managers in the top-level</td>
<td>The host country</td>
<td>Complete trainings and strict selection</td>
<td>The extremely high requirements of the important positions and its profound influence in the whole enterprise.</td>
</tr>
</tbody>
</table>

4. The careful choice of the suitable employees as the bridge to avoid the serious cultural conflict caused by the individual cultural difference.
It is common in the multinational enterprise that it is hard to form the company culture which can express the group’s value, as the each employee just focuses on his development, so it becomes essential to appoint the such persons with several cultural backgrounds and thinking modes as the managers in the subsidiary, who can apprehend the divergence of two cultures more easily and be viewed as the bridge of the communication of the management and the translator of the culture, and the flowing four kinds of people are suitable without too much specialized trainings before their work abroad:

First, the people from the host company, who have already joined the native nationality, are welcomed.

Second, the native people, who have joined the nationality of the host company, are accepted.

Third, the native people, who have done their further education and worked in the country of the host company for a certain time period, can still be adopted.

Fourth, the people from the host company, who have studied and worked in the local country since recent years, are worthy to attract our attention.

5. The important influences the localization strategy will bring about for the local country

The advantages of the localization strategy of the HR management for the host company have been fully displayed and are widely noticed by more and more enterprises in the world, meanwhile it still should not be ignored by us that the strategy will bring up the important influences for the local country from the follow two opposite aspects:

First, the positive influence for the local country
It is obvious that the subsidiary of the multinational enterprise helps the local country train a large set of talents with high quality, which could be interpreted in some extent that it reserves the talents on the operation and management for the coming development of the local country.

The reason to support the above view is that the subsidiary is sure to give the local managers more and more opportunities of being able to have direct contacts with the advanced science and technology and the management experience from the abroad and get familiar with the operating system of the relative mature market economy, and it is possible that these new management staff and technicians will change their jobs several years later, which must improve the transmission of the
advanced international management experiences and technology in the local country

Second, the negative influence for the local country
More attention is still worthy to be attracted to the following fact that the strategy has formed a big distance between the benefits of the local employees in the multinational enterprises and that in the national companies.

For example, it is reported that the number of the benefits of the local staff in the subsidiary could be ten times or even more of that for the leaders from the national companies, which brings the bad corresponding results as follows:

First, it causes the great brain drain of the national companies and more and more gifted students are employed in advance by the multinational enterprises, who have just graduated from the universities by costing a lot of valuable resources from the country.

Second, the attractive benefits in the subsidiary make the leaders in the same position of the national companies fell mentally wronged which further effects their motivation for the present job.

The main purpose of the discussion above is not to deny the advantages of the localization strategy totally, but to give the authors an objective understanding on the strategy, so as to help the relative leaders adopt the more efficient measures during the whole implementation of the localization strategy, which could make a complete consideration of all the relative aspects including the enterprises and the local country.