

# China: Managing a Diverse and Multicultural Workforce in Multinationals in a Growth Economy Understanding the Expatriate Workforce

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## **EXECUTIVE SUMMARY**

*This case suggests a system of understanding the expatriate employees of a typical multinational company operating in China, based on attitudinal, behavioral, and psychological factors. The study particularly focuses on expatriate managers and staff in multinationals' career ambitions, consumer habits, and attitudes to their organizations and the challenge of working and living in China generally. Expatriate staff working in China, the author argues (based on more than ten years of observation and a detailed survey), can be categorized as in one of three main types: The Gilded Cage, The Half-Way House, and The Localised Westerner. They can be a mix of two or three of these types and their behaviors can evolve between types over time. Understanding these differences can help the non-Chinese manager without China experience and the student of HR issues in China to operate more effectively and gain more insights – as the author himself discovered in the process of researching this case.*

## **ORGANIZATION BACKGROUND**

The typical multinational organization operating in China can be in any type of business, and provide any kinds of products and services. The earliest multinational companies coming to China were eager to cash-in on the large domestic market – hence Coca-Cola and McDonald's enjoyed huge success in the early years and continue to enjoy popularity. Automakers such as Ford also have had a large presence for many years. Hotel chains such as InterContinental and Hilton have been well-established for a long time. European companies were quick to follow, especially in manufacturing. Luxury product makers from France and Italy now often enjoy larger sales in China than they do at home.

The management structure of these companies varies a good deal, but in most cases there are still several expatriates in senior positions. These are usually from the head office of the owning company. Chinese executives have often been promoted to the second tier, and may be working closely with overseas Chinese (from Hong Kong, Singapore and Taiwan) who may be second or even first tier executives. In the early days of operating in China, many foreign companies made the mistake of assuming that Overseas Chinese were more-or-less the same as PRC nationals. This was one of the reasons for the author to create the analysis of Chinese behavior discussed in this case.

The financial status, such as annual sales achieved by these multinationals, can vary between far more than the parent company could have possibly expected, or far less. Some multinationals enjoyed business success from day one; others have always struggled; some have been up and down. Containing costs has often been a major problem, especially when many Chinese employees have a state-owned enterprise mindset (by contrast with entrepreneurial Chinese, now emerging in significant numbers). Strategic planning by these multinationals was often of the "suck-it-and-see" variety, and would evolve year by year according to the state of the economy. Organizational cultures emerged, often influenced by the personality of the expatriate manager, and depending on the extent of training conducted. For example, companies like P&G would always invest extensively in training in China to build a culture. Other companies might develop cultures based on a mix of from where their staff members were headhunted. These cultures were also influenced by the extent of employee mobility, which has slowed in recent years but has always been much higher than in most Western countries (USA, Europe, etc.). The economic climate in China has always influenced Chinese employee behavior – with times of the most rapid growth accompanied by extensive mobility and demands for salary hikes and promotion. When the economy started slowing in recent years, many Chinese employees were reluctant to reduce their expectations, creating important management challenges for expatriates.

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