



## PART I

## Question 5

A) Present and discuss the rational decision making model.

Decision-making is a very essential part of managerial skills. It belongs to the basic skills of a manager and decisions are made on a daily, hourly or even more frequent basis in a manager's working life.

Also in the negotiation process, which belongs to a manager's main responsibilities, there are a lot of decisions to be made as negotiation is the result of many small decisions made in this process. In negotiating many decisions are made even before the actual negotiating starts, about things such as negotiation style, place and many more, and of course during the actual negotiating phase.

As in any part of international business culture has an effect on decision-making as well. There are rational and more intuition-based decision-making styles. Which country tends to choose what decision-making style can be well explained with the cultural dimension of "masculinity" in Hofstede's research. ~~More masculine countries rather make decisions rationally and feminine countries "universalism vs. particularism".~~

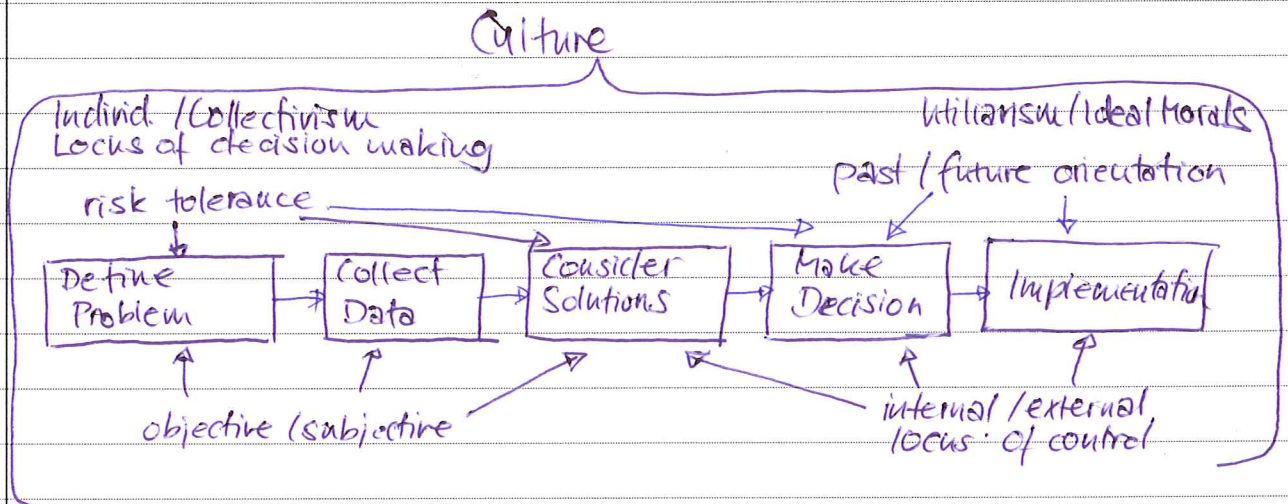
Countries such as USA are rather universalistic and try to look at things in a whole and rational way. They would therefore rather choose the rational decision approach. Other countries who are more concerned about the individual relationships are determined to make decisions based on intuition as they belong to particularistic countries.

The rational decision-making is a very western approach and it usually contains the following steps: Define the problem, determine the main relevant criteria, allocate weight among the criteria, ~~decide for a decision-making style~~, find solutions and alternatives, evaluate alternatives, determine decision-making style, choose solution which maximizes utility according to the weight of the criteria, implement your decision or solution.





This is a rather detailed listing of steps that have to be considered. There is a rather simple model as well, which also considers the influence of culture on decision making.



This model shows the <sup>rational</sup> decision-making process and what it can be influenced by. Basically culture has influence within the entire process. The effect culture has on the single steps will be discussed later. Now I will briefly explain the single steps.

First of all a manager needs to clearly define the goal, because one cannot solve a problem or make the right decision if he is not 100% aware of it.

During the next step all relevant data have to be collected. This can be statistics (economical) or other background information which can have an influence of the decision. The manager in charge of the decision then has to carefully review this data.

In the third step all solutions possible and alternatives will be developed in order to get a clear understanding on what can be possible outcomes. After having evaluated the solutions and alternatives a decision has to be made in the fourth step. For this a manager needs to be aware of positive and negative influence on the company and its stakeholders of all possible solutions.

Last the implementation of the decision has to take place.





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### Question 5

B) Discuss the ways that culture influences the stages in the rational decision making model.

In order to be able to discuss this I would like to refer to the model drawn in task 5A already. It visualizes the impact of cultural differences among countries on how decisions are made.

As mentioned already the cultural effect is evident in every single step of decision making. Especially the "individualism" degree of a country, the locus of decision making and the moral ideals in a country are evident throughout the entire process. But there are also variables in culture which affect only several parts or steps.

The first, defining of the problem step, is very much influenced by the risk tolerance of a culture. Risk averse cultures, countries that score high in uncertainty avoidance such as Germany or Britain, will probably define problems more narrowly in order to be able to assess the influence of the decision better. This stage is also dependant on whether a country is more objective in defining a problem or more subjective.

The collection of data is influenced by the fact of a culture being objective or subjective as well. Countries with objective data collection will more likely only rely on official data and statistics, possibly certified as correct whereas subjective cultures may also rely on people's opinion such as consultants or experts.

When solutions and alternatives are created and evaluated there are many variables influencing the process. The risk tolerance of course will have great impact on the solutions and their "riskiness" vs. safety. Risk averse cultures may tend to rather go with solutions they have used before and where they know the outcome whereas risk tolerant countries will be more likely to look for rather risky solutions with high return for the company. The subjective or objective variable is also of importance here as it influences the solutions basic direction and the internal external locus of



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control plays a role. It determines where solutions are agreed on and who is in the position to have power of this decision.

The next step, the actual decision making is also very much influenced by the just mentioned locus of control as this cultural variable gives the guideline for where in the hierarchy the decisions are made. According to Hofstede's Power Distance culture dimension in low hierarchical countries such as Sweden also decision can also be made on lower levels. Whereas in cultures scoring high in power distance such as the ~~the Arab~~ arab world decisions are left to the top level management.

Furthermore also risk tolerance influences this step, similar to the considering of solutions, by the degree of risk in this decision.

The past and future orientation influences the decision making here because countries which are long-term oriented would rather opt for long-term solutions as well whereas short-term oriented managers are more likely to look at the benefits from a solution in a short run.

The implementation then, of course is also influenced by this variable in the same manner. Long-term orientation will cause a company to take time and carefully plan the implementation to avoid mistakes later on.

Short-term oriented managers will quickly implement a decision without consideration of its impact.





## Question 5

c) Given that HP needs to make decisions with their Japanese subsidiary (and assuming that their ~~main~~ subsidiary management is Japanese), discuss the usefulness of the rat. dec. making model.

As HP follows a very western way of thinking in their entire process and organization they are also likely to follow the decision making approach used in the western world, the rational decision making.

The first reason for HP to use the rational decision making approach with Japanese managers in their subsidiary is the fact that Japanese managers might very like be used to make decisions on experiences, trust to long-term consultants and intuition. Therefore it is recommendable to also train Japanese managers in rational decision making in order to be able to meet HP expectations and goals in their western approach.

Furthermore there are many other variables in cultures influencing the decision process, as we found out in task 5 B, and it is easier to identify these differences in variables among the HP Headquarter management and their Japanese managers when following the rational model and evaluate and work on the steps individually. This way it is easier to find out where potential for misunderstanding or disagreement is and this gives HP HQ the ability to eliminate misunderstandings and solve disagreement among the parties.

For these reasons it is very useful for HP subsidiaries in Japan to use the rational decision making model.

Another factor is the transparency this model provides. When following each step, people will get a better understanding of the problem, as well as a clear image on the background, which is of vital importance in this complex situation of a global company as HP.





## Question 2

A) Discuss different approaches HP could use for selecting for managerial positions in the BRICS.

For an MNC such as HP it is of vital importance to have a well working International Human Resource Management which can cope with its increasingly complex tasks. It is increasingly important to find the right approach on staffing as strategies differ. Human Resources are a very valuable good of every company as they implement the company's strategy and are responsible for success or failure when implementing this strategy.

There is basically three different selection or staffing approaches an MNC could choose from, with one addition consisting on a mixture of these three approaches.

The first approach is the ethnocentric staffing approach where managers for a foreign subsidiary are chosen from the pool of managers in the MNC's home country. This means that Parent country nationals are used for managerial positions abroad. This strategy or approach is usually followed when an MNC puts a lot of emphasis on globalization and wants to be able to directly control the subsidiary by direct contact with the subsidiary's managers, PCNs.

The second approach is the polycentric approach where managers for the foreign subsidiary are chosen from a local human resource pool. Here host country nationals are hired in order to manage the subsidiary. This approach is typically used when the MNC follows the strategy of localization.

The third approach is called geocentric or global approach. In this approach the MNC chooses managers for their subsidiary from a global HR pool. They do not ~~so much~~ focus on the nationality of the managers and their cultural background but rather on the managers' skills. Therefore the MNC searches for the best HR in a global pool and chooses the





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most capable managers. Therefore it is likely to happen that the management of this subsidiary will be a mixture of host country nationals, This way the company does not only consider hiring managers from either host or home country but it also hires for third country nationals. The last mentioned approach is the regio-centric approach where MNC's hire a mixture of PCN's, HCN's and TCN's with no regard of their origin or background. Here they rather focus on the managers experiences either in a certain region or a certain industry.

B) What would influence their choice of approach?

The choice of approach is very much influenced on the strategy of the company. If it is looking for economies of scales and globalization as well as strong influence an MNC will choose the ethnocentric approach. On the otherhand, if an MNC is following a localization strategy then it will choose a polycentric approach because HCN's know the market best and can localize the MNC's strategy.

Furthermore this depends on the type of product a company has and whether it requires localization or special knowledge. In case the <sup>of</sup> latter a regio or geocentric approach is advisable as the MNC then can focus on the necessary experiences or skills a manager needs for the respective field and can hire from a wider choice or even a global management cadre.





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## Question 2

C) What are the advantages and disadvantages of each approach?

### Ethnocentric Approach

Advantages of the ethnocentric approach are the close connection to the Head Quarters of the MNC and the constant control that is given through intense communication. Having PCNs in a subsidiary eases communication between the HQ and the subsidiary a lot as there are no intercultural misunderstandings which might occur. Furthermore the level of control of the HQ is high because PCNs know the MNC's corporate culture as well as they are familiar with rules and regulations in the HQ and can easily apply them to the management of the subsidiary as well.

Disadvantages of this approach are the great lack of knowledge of the local market and networks. PCNs as subsidiary managers need to build an understanding of the market first and have to trust on external consultants. They are also mostly not familiar with the culture which can cause great misunderstandings and is a big fear of failure. PCNs are also much more likely not to be accepted by the staff and may face hostility from the staff, other nationals or even governmental institutions.

### Polydronic Approach

The advantages from the polydronic staffing are mostly their experiences in the local market and that they are familiar with not only the market but also the cultural background of the people. They are also better understood and accepted by the local staff. They know how to handle local regulations and the government. Furthermore they already have a network of locals which can help them achieve their goals.

The disadvantages of this approach are the lack of understanding of the home culture of the MNC as well as the corporate culture. They are also not familiar with internal regulations and rules and may face major difficulties to communicate with the HQ. Furthermore the HQ can not





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as easily control local actions and managers from the host country may lack loyalty to the company.

### Geocentric Approach

The great advantage of the geocentric approach is the ability of the MNC to choose the best managers from all over the globe that best suit the requirements of the job.

Disadvantages are also the lack of loyalty to the company as they are globally active and could easily change to another position in any other country as they are very popular managers and might often get new and better offers from other MNC's. These managers might not necessarily be familiar with either home or host country which can create great problems. In terms of cultural differences they might not only exist between manager and the or nationals but in this setting also among managers in the subsidiary as they might all have different cultural backgrounds.

### Regiocentric Approach

The regiocentric approach has similar advantages and disadvantages as the geocentric.

One significant advantage is that they are either experts in a certain geographic area or a certain industry, depending on the MNC's needs.





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### Question 8

A) Discuss the relationship between motivation and compensation for two different countries in which HP is active.

Motivation is an essential part of the tasks of any leader as this involves the ability to influence and inspire a person's behavior, thinking patterns and attitudes. These are basics for motivation and ~~to which~~ through which aspect a person is motivated very much depends on his cultural background as well as his state or position in life. Compensation is the reimbursement of an employee by the company for his work for the company.

In some countries there might be a strong relation between the compensation of an employee and his motivation. For an US-American, in stereotypes being described as rather materialistic, an increase in compensation or benefits might be a very good motivator in order to increase his productivity. In other countries, on the other hand, such as China a payment as a motivator might even be regarded as an insult.

I would like to explain the relationship between motivation and compensation in the US and China with the help of the X and Y Theory. The X and Y Theory by McGregor makes the assumption that there are two different kinds of approaches to motivate people according to their cultural background.

The X Theory states that people generally are lazy and try to avoid work whenever possible. Therefore companies need to use high level of control as well as force in order to control people and motivate them with clear instructions such as consequences in case of failure. In this setting also money can be a motivator as there is no other way to motivate but authority. US-Americans might fit in this theory.

The Y Theory states that people actually enjoy their work and are





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motivated by freedom and encouragement. By giving them responsibility employees feel motivated. This is where I would place China. We could also add that the X Theory is more applicable to what Hofstede describes as individualistic cultures and collective cultures are rather motivated by the Y Theory approaches.

~~When connecting the X and Y Theory with Hofstede Maslow's hierarchy of needs we can evidence this statement even more.~~  
~~The X~~

B) What are the factors to consider for compensation of expats who will be going to India.

Generally the compensations for expats should consist of a compensation package. This should include a salary, benefits, extra taxes and allowances.

This means that expats should not only receive a salary either based on the home or host country nationals but they should also be reimbursed for their efforts and their extra costs occurring from an international assignment should be covered.

Therefore they should get a salary which can ~~be~~ be calculated according to different standards. The second part of the package are benefits such as insurance and pension contribution also adapted to the foreign country. The MNC should also cover the ~~taxes~~ taxes which might occur in addition for the expat when working in another country. Last but not least the company should support the expat by paying for allowances such as ~~the~~ for keeping the house at home and school money for children.

Of course, when going abroad there is a discussion on whether the salary of the expat should be adapted to the home or the host culture. When going to India it is very likely that the cost





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of living will be significantly lower than in the home country. Therefore an MNC when fixing the salary must not only look at the standards in the home country but also in the host country. But the MNC must be aware that in international assignments compensation is a very big motivator as it is part of the valuation of the employee by the company. Therefore expats very often regard it as unfair if the salary is lowered according to lower standards of living in the country of destination.

c) Discuss ethical issues in compensation for the Indian subsidiary.

Issues are likely to occur when companies try to calculate the salary of PNCs and HCNs. The <sup>average</sup> salary in the parent country of HP is higher than the average salary in India and so is the cost of living. Therefore there might be a large gap between the amount a PNC manager receives and the salary of a HCN manager. Despite of the fact that they are doing the same job and have the same qualifications this is common to happen.

Therefore MNCs face the ethical issue of adapting salaries to the parent company standards or host country standards and thus making them equal or to maintain the differences.

When managers are reimbursed according to the standards in their home country it is very likely that the managers feel treated unfair as they receive less than other managers for the same job.

When adjusting the parent national manager's salary to local standards he/she is likely to withdraw from the job because of a lack of motivation being treated unfair in comparison to managers at home. When adjusting the local manager's salary this causes extra costs and means that they receive a salary way above the average. The MNC has to face and discuss these issues and in the end decide according to its situation and the circumstances around it.





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## PART II

### APPRAISALS 15.

A) To answer the question whether one single appraisal system can be used regardless cultures ~~was~~ used several cultural models as well as some experiences in appraisal among countries. The main cultural model in our research is Hofstede's dimensions and as they seemed to be most relevant, also in relation with other cultural models, we decided to focus on the power distance dimension and the individualism vs. collectivism dimension.

After research with the help of models and by evaluating our experiences we came to the conclusion that there is no universal appraisal system which can be used in all of the cultures. Even the typical division between western and eastern approaches could not be applied to our paper as there were also major differences, for example in the finding between the two western cultures Lithuania and Germany.

One simple evident for this is for example easy to show when applying the collectivism dimension of Hofstede. For example Germany etc, as a country scoring rather high in individualism, does in its appraisal criteria not put emphasis on in-group behavior or team building activities. In German appraisals the focus is rather on the individual's performance only. Opposed to this we found out that Indonesia, for example, puts a higher emphasis on group building contribution of the employee as well as general cooperation with coworkers. ~~This~~ A universal performance measurement system could not satisfy individualistic and collectivistic cultures at the same time. ~~And~~

Another contradiction could be found when analysing the power distance related aspects in appraisals. Large differences in power distance and therefore the acceptance of a large hierarchy could be found in the appraisals in Indonesia and Germany, for example. In Indonesia there





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is a larger focus on issues relating to respect towards superiors which is not as much in the focus of appraisals in German companies. This can be explained by the high degree of differences in hierarchical levels which are accepted in Indonesia which is not the case in Germany.

A second model we used is the one of Inglehart and Baker which looks at countries either being dominated by self-expression or survival values. When connecting this to Maslow's hierarchy of needs we can conclude that industrialized countries are more likely to be driven by self-esteem needs ~~and~~, which is in Inglehart and Baker's model self-expression. Survival values are of higher importance in developing countries which, according to Maslow, are more focussed and driven by basic needs such as physiological and safety needs. This is also reflected in appraisals as industrialized countries are more likely to assess their employees involvement in making the company superior whereas companies in cultures ~~where~~ are driven by survival values rather look at the employees contribution to productivity in general.





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## Question 15

B) When looking at the elements included in an appraisal system it is helpful to look at Kirkpatrick's model. It comprises four basic elements of appraisal.

These elements are: Learning, Reaction, Behaviour and Result.

The four elements help to describe the different areas an appraisal system should focus on.

The relevant questions in an appraisal system which help the appraiser to analyze the employee can also be categorized ~~by in these~~ according to the four elements.

Learning comprises questions such as the ability to adapt to new technologies as well as to communicate.

In Reaction there are questions concerning motivation and loyalty. Behavior focusses on on-job behaviour such as showing initiative as well as the work attendance.

Result looks at outcome of the employees work such as productivity and efficiency.

For an MNC it is important to establish a common appraisal system according to the parent countries standards so it is easy to compare results from different countries.

Furthermore an MNC should put an extra emphasis on loyalty because this is hard to achieve when being present in many different countries.





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### Question 5

c) Germany differs a lot in comparison to Pakistan, Indonesia, and Lithuania culturally. This becomes evident in appraisal systems as well.

Germany is ~~the~~ more individualistic than the other three countries and it is also scoring lower in power distance than the other 3 which means hierarchy is not as high in Germany.

Therefore it is extremely hard to combine these in one appraisal system. If German workers in these countries need to be appraised it depends very much on the situation whether to adjust or not. This depends on the nationality of the parent company. If it is a company located either in Pakistan, Lithuania or Indonesia then of course German workers have to adapt to the local way of appraisals and need to be trained and informed about this ~~early~~ in advance.

If it is a German