Application Case 4–1

A One-Year Assignment to China: Go Solo or Bring the Family?

Assume that Nick Connors, a fictitious HR manager, was just added to a 10-person international team of McDonald's employees who have been tasked with opening up several new restaurants throughout China during the next 12 months. Nick was chosen because he's an exceptionally effective HR professional who has worked for the company for 10 years and has experience with starting up McDonald's restaurants in the United States. McDonald's, with worldwide sales revenue of about $24 billion in 2010, wants to take advantage of the fast-growing Chinese fast-food market. Unfortunately, Nick and his team are quick to discover that there is stiff competition from other large American fast-food chains that already have a large presence in China. For example, Kentucky Fried Chicken and Pizza Hut (both owned by Yum Brands) have enjoyed years of growth and profitability in this market of 1.3 billion people. As of 2011, Kentucky Fried Chicken was the largest restaurant chain in China with 3,200 outlets located in 700 cities, while Pizza Hut had 500 outlets in 130 cities. How does McDonald's compare? As of 2011, McDonald's had approximately 1,300 stores located in 150 cities throughout China and reported plans to open 700 more by 2013. By that same year, the company plans to remodel 80 percent of its existing stores in the country. Nick and his team are very excited about the opportunity to help McDonald's expand its world-famous brand throughout this high-potential Chinese market.

Before leaving on his one-year international assignment that will be based out of Beijing, Nick and his family had several discussions about whether they should accompany him. While Nick and his family had taken some international vacations to Cancun, Montreal, London, and some other European cities, none of them had ever stepped foot in China or any other Asian country for that matter. Lack of experience in China was not the only issue. Nick's spouse, Ella, had just finished her law degree and was about to begin her legal career (and begin paying off her student loans) by working for a local law firm for which she clerked the previous summer. Nick and Ella have two children, Jenny who is 15 and starting her sophomore year in high school, and Luke who is 10 and will be entering the 5th grade.

Nick explained to Ella and the kids that the company would pay for them to accompany Nick on the one-year assignment, but he pointed out that there were some other issues to consider. Nick was told that he and his start-up team would have to travel to multiple cities while in China and that he would be required to spend up to five days or more a week on-site making sure that all of the HRM activities such as recruitment, selection, initial training, and payroll would get done on time according to the company's standards and guidelines. This would mean that Ella, Jenny, and Luke would be on their own in Beijing for most of time the family was living in China. Jenny said she would go if the assignment meant a lot to her father's career; but in a quiet moment Jenny told Ella that she would be upset if she missed getting on the JV soccer team this year (a goal for which she had been training hard). Also, her inner circle of friends didn't want her to go because she was a very popular member of the group and her friends were supportive but not really excited about her "taking off for a year." As for Luke, he was a little nervous about the idea of going to the other side of the world where everything and everyone would be different, but he had an adventurous attitude and usually adjusted to new places and people reasonably well (the family had moved a few times across three states over the years). These reservations aside, both Nick and Ella felt that this opportunity could be really good for Nick's career and that the kids would adjust reasonably well after getting settled and making some friends in Beijing. As for Ella's plan to start her career at the law firm, she had to give that some thought.

As for assistance, assume that McDonald's offers Nick a generous expatriate relocation package that includes predeparture language and cross-cultural training for him as well as Ella and kids, a foreign service premium worth about 30 percent of his base salary, a completion bonus after he successfully finished his one-year assignment, an apartment hunting trip for Ella and him, assistance with tax preparation, subsidized housing while overseas, full medical care, and subsidized tuition for his children at the international school in Beijing. Also assume that McDonald's offers to help find Nick an HRM position that takes advantage of his newly acquired international experience after his assignment is complete and he returns to the United States. If Nick should go by himself, the company will pay for him to fly back to the United States on two different occasions for one week at a time.

In a quiet moment, Nick and Ella sit down over coffee to decide whether Nick should go alone or whether the whole family should go to China.

Discussion Questions

1. How challenging do you think this assignment would be? To what degree will Nick's start-up experience in the United States help him be effective starting McDonald's restaurants in China?
2. How can language and cross-cultural training help Nick and his family adjust to Chinese culture?
3. If Ella goes to China for a year, how might that decision impact her career? What are her chances of working for the local law firm when she returns from China?
4. What would you do if you were Nick? Go alone to China, or ask Ella, Jenny, and Luke to accompany you?

Sources: This is a fictitious case, which includes actual fast-food market data from the following sources: http://www.mcdonalds.com, accessed June 27, 2011; Michael Wei (January 27, 2011), "Hamburger University Shanghai Is Sizzling," *Bloomberg Businessweek* Online (accessed June 27, 2011); Patti Waldmeir (April 2, 2011), "Street Smarts Needed to Thrive in China," *Financial Times*, p. 10; Julie Jargon and Laurie Burkitt (February 13, 2011), "KFC's Recipe for Love in China: The Egg Tart," *The Wall Street Journal* Online (accessed June 27, 2011); Laurie Burkitt (December 16, 2010), "McDonald's Joins the Line Looking to Expand in China," *The Wall Street Journal*, p. B8.

Application Case 4–2

Reverse Offshoring: A New Source of Jobs for College Graduates?

A recent survey reported that 42 percent of U.S. companies prefer India as the country to establish their offshoring operations. Offshoring can take a variety of forms but typically occurs when a U.S. company moves one or more business functions to a country that can perform those activities at a significantly lower cost than in the U.S. One survey estimates that U.S. companies will move 3.4 million jobs and $136 billion in wages to international locations like India by 2017. Activities that are commonly moved to India include back-office data processing, IT programming, and customer service call centers. Because of the impact of offshoring business operations to India, some Americans feel that this has hurt their job prospects in the United States.

But now, there is a small but growing trend known as "onshoring" (a.k.a., reverse offshoring). Driven by the demand for more foreign employees who can help fuel global expansion, several large Indian companies like Infosys, Tata Consultancy Services, and Wipro Technologies are willing to pay up to $55,000 a year in salary for new American