

CASE 4

STRATEGIC FORECASTS AND STAFFING FORMULATION: EXECUTIVE AND MANAGERIAL PLANNING FOR BOSCH-KAZAKHSTAN¹

By Marion Festing and Manfred Froehlecke²

Introduction

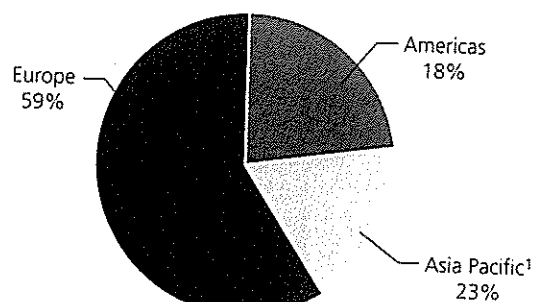
Personnel planning and staffing issues are critical success factors in foreign subsidiaries of multinational enterprises. They must be designed in the context of corporate goals and issues and the specific situation in the host country. From a firm-internal perspective, human capital/talent planning and staffing decisions are related to a company's corporate strategy and embedded in the corporate human resource strategy. Thus, planning and staffing decisions must be coordinated with other HR activities within the MNE, such as human resource development. This perspective must then be balanced with a careful consideration of the particularities in the host-country context and the availability of qualified individuals within the external labor market.

In this case study, we will first outline the company background and then describe the situation in the country of interest, which is Kazakhstan. Based on this information **it is your part to take the role of a Bosch corporate HR manager**. You are supposed to analyze both, the company and country-specific context, and outline a proposed model for personnel planning and staffing of the Bosch subsidiary in Kazakhstan. By drawing on the Ethnocentric, Polycentric, Regiocentric, Geocentric (EPRG) Model of Perlmutter (see Chapter 5), please decide which staffing strategy would be the best choice. Discuss on this basis how many expatriates and how many local employees you would plan in a short- or medium-term at the different hierarchical levels. If you should perceive any further information needs please explicitly define a realistic set of supporting assumptions. Please justify your decision. Which are the advantages and disadvantages of your decision?

Company Background: Robert Bosch Group³

The Bosch Group is a leading global manufacturer of automotive and industrial technology, consumer goods and building technology. It was founded in the year 1886 by Robert Bosch (1861–1942) and was called 'Workshop for Precision Mechanics and Electrical Engineering'. The Bosch Group today comprises a manufacturing, sales and after-sales service network of over 350 subsidiaries and regional companies and more than 15 000 Bosch service centers in roughly 150 countries.⁴ One statement by the founder Robert Bosch is important to understand the HR philosophy characterizing this MNE: 'It is my intention, apart from the alleviation of all kinds of suffering, to promote the moral, physical and intellectual development of the people'. In fiscal 2010, some 283 507 employees generated sales of 47.3 billion Euros.⁵

FIGURE 1 Bosch sales by region in 2010



¹Including other countries

Source: Robert Bosch GmbH (2011: 18)

TABLE 1 Bosch Employees by Region

Worldwide	283 507
Europe	186 602
Of these in Germany	113 557
Americas	33 689
Asia-Pacific (including other regions)	63 216

Source: Robert Bosch GmbH (2011: 19)

Even if 77 per cent⁶ of the business volume has been generated outside Germany (see Figure 1), about 40 per cent of the total numbers of employees are working in Germany (see Table 1).

Executive and Managerial Planning (EMP)

The international executive and managerial planning (EMP) activity at Bosch is part of the Strategic Planning Process of the company. Once a year, the global executive staffing needs for selected countries are derived from each division's long-term strategic planning activities. Starting from the current local structure, the required number of managerial positions is determined within the parameters of a rolling eight-year forecast. Various measures are taken to meet the managerial staffing needs. They can be short-term (e.g. hiring of managerial staff from the external labor market, assignment of expatriates) or rather medium/long-term (e.g. development of high-potential employees – see the employee development discussion below) or special programs like Junior Managers Programs (JUMP).

The EMP is carried out using a standardized tool from the divisional HR department in cooperation with the various regional HR departments. Aggregated results are analyzed from division-, regional- and Robert Bosch World (corporate) levels. Continuous comparisons of the planned versus actual labor staffing situations provide feedback on those assignments which have to be initiated or redefined.

The planning period of eight years consists of two parts: The input for the first four years stems from business plans and succession planning. Forecast for the last four years is based on more global-macro

assumptions, e.g. changes in the leadership projected at a figure of 5 per cent. Therefore, EMP is linked to instruments of employee development in the Bosch Group.

Employee Development in the Bosch Group

Bosch understands that employee development is a continuous process of maintaining and further developing those employees' qualifications needed to cope with present and future challenges. A major principle in this respect is the promotion of employees from within Bosch rather than the acquisition of new hires from outside.

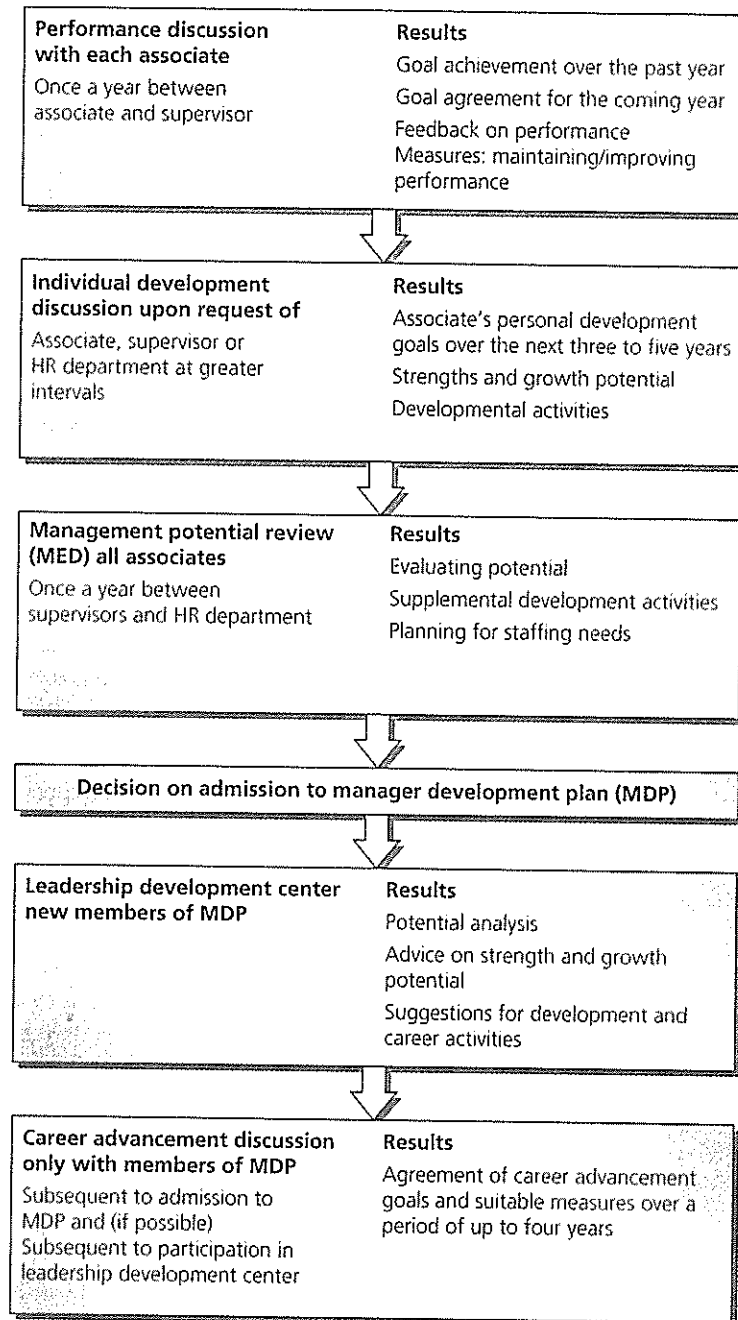
HR departments support employees and managers by providing tools and programs and giving guidance. The universally standardized systems and processes for employee development are depicted in Figure 2.

An important procedure for the development of employees is the Management Potential Review (MED, see Figure 2),⁷ which is conducted on a worldwide level. It pursues the following objectives:

- Full utilization of the company's reserves of high-potential employees without compromising performance standards.
- Staffing requirements and development planning (middle and upper management) for the upcoming four years (succession planning – see EMP above).
- Consistency in planning and a systematic tracking of employee development and career advancement measures.
- Use of overseas assignments, project tasks, and cross-functional moves as common development measures.

Employees who show an above-average development potential with regard to specialist and management positions will be systematically prepared for the next management level by way of the 'Manager Development Plan' (MDP). Besides outstanding performance, Bosch expects ideal employees to meet a task or role-relevant personality profile, show a preparedness to take on new tasks and greater responsibilities, general mobility potential as well as a willingness to take on

FIGURE 2 Instruments of Employee Development



international assignments. MDP is a prerequisite for promotion into managerial ranks.

The preparation of the MDP candidates is a mixture of on-the-job and off-the-job measures with the goal

of bringing the employees into the next management level in no more than four years. In many cases the achievement of the career advancement objective is connected with a transfer to a new assignment.

Talent Management

As stated before, Bosch mainly relies on hiring and developing talent from within the firm. Consequently, it is important to focus on the acquisition of qualified university graduates and professionals to meet a wider range of potential future managerial requirements. Besides direct entries and local programs, Bosch has a standardized Bosch-wide entry program for junior managers (JUMP).⁸ The goal of the program is to recruit junior managers (master's degree with up to three years of professional experience) with the potential to assume a middle management position in six-eight years.

The program lasts one and a half to two years and is comprised of three to four stages, including a six-month stay abroad as well as a cross-divisional assignment. This form of training emphasizes a common set of worldwide standards, experiences and activities, and is designed to permit more rigorous and systematic preparations for a range of management tasks.

Expatriates

Currently more than 2200 expatriates⁹ are working for Bosch worldwide. An expatriate, as defined by Bosch, is an employee working for more than 24 months outside his or her home country with special contractual conditions (contract in the host country for a limited period of time – normally three to five years – special allowances for hardship, cost of living, etc.). Over 1100 Germans are working in more than 40 countries, approximately 400 employees from Bosch subsidiaries are working in Germany (inpatriates) and roughly 400 Third Country Nationals (TCNs) are assigned to locations outside their home countries for limited periods of time. A majority of these employees were assigned due to technical and process expertise, yet some assignments were made for career development or training reasons. Two thirds of the expatriates are assigned in managerial ranks.

Bosch requires all top managers, beside their other experiences, to have at least two years' international working experience. This international experience is an explicit prerequisite for promotion.

Country-specific features of Kazakhstan¹⁰

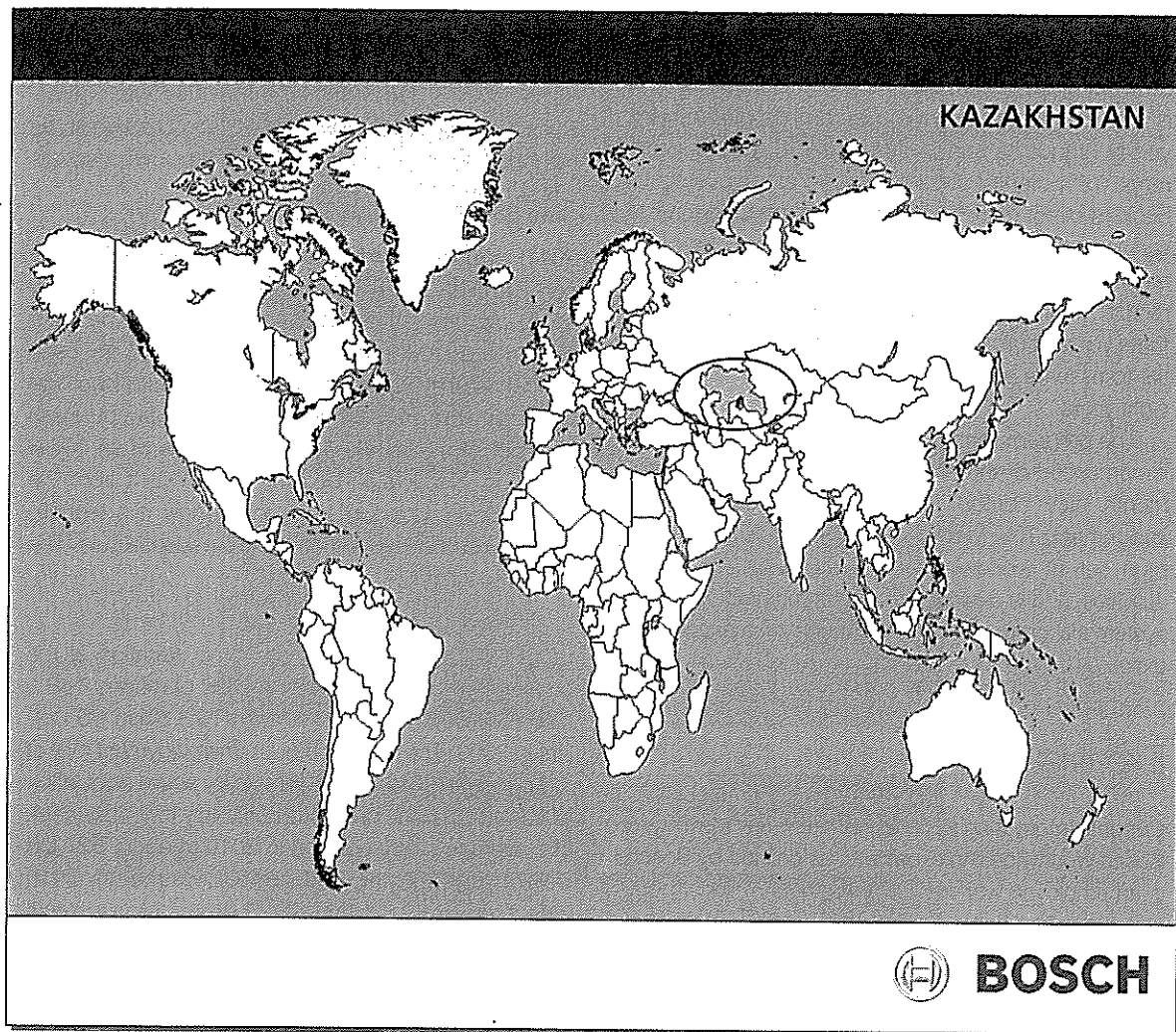
Kazakhstan is located in Central Asia with China, Russia, Kyrgyzstan, Turkmenistan, and Uzbekistan as neighbor states (as shown in Figure 3 below). It covers a total of 2 727 300 sq. km.

The population is 16.4m. inhabitants (January 1, 2011) including a wide ethnic diversity (with 64.03 per cent Kazakhs, 24.78 per cent Russians and Ukrainians, 11.19 per cent other ethnic minorities). 54.5 per cent live in cities.¹¹ Main religions are Islam (70.2 per cent) and Christianity (26.2 per cent).¹² The state language is Kazakh but Russian is used in everyday business by most of the people and has a status of an official language. Kazakhstan became independent from the former Soviet Union in 1991 and is now is a republic characterized by an authoritarian presidential rule. The capital is Astana.

Economic data: The economic situation of the country can be described by a GDP of roughly 148.1 billion US Dollars in 2010 versus 115.3 billion US Dollars in 2009. The country has an unemployment rate of 5.8 per cent (2010), an economically active population of 8.6 million persons and comparably low labor cost. The average salary equaled in 2010 to about 527 US Dollars per month. The export volume in 2010 amounted to 59.8 billion US Dollars.¹³ Main exports include oil, ferrous and nonferrous metals, machinery, chemicals, grain, wool, meat and coal.

Education system: The education system is one of the major concerns of the country. However, this was not reflected in the public expenses for education. Today, the education system consists to a high degree of private education institutions. Funding of research is low and these institutions are dependent on foreign investments. However, a reform of the education system is one part of the strategic planning of the Kazakh Republic. To date, the Universities have been restructured according to the guidelines of the Bologna Reform. Even if a relatively high number of persons hold a University degree, companies have problems finding adequately prepared personnel that have skills sets which correspond to the company's needs.

FIGURE 3 Kazakhstan's geographic location



Your Task: Executive and Managerial Planning (EMP) for a subsidiary in Kazakhstan¹⁴

The Board of Management of the Bosch Group has requested an EMP for Kazakhstan in line with the yearly Strategic Long-term-planning (eight years forecast – see the third section above). The plan should predict the demand for executive staffing at all levels and for all divisions. It should also specify how the demand will be met, including staffing sources such as the use of expatriates, local management development plans (MDPs), special programs, e.g. JUMP or external hires.

As seen from Bosch's corporate perspective, the situation in Kazakhstan is as follows:

- There are four production sites in different rural locations. Each one belongs to a different product division: Gasoline, Bosch-Rexroth, Security Systems and Diesel motors.
- Organizations are characterized by different market/product maturity stages: Gasoline, Bosch-Rexroth, Security Systems are consolidated. Only a small or no growth in headcount is planned over the next ten years. In contrast, Diesel is still growing fast (present headcount plus 30 per cent estimated in the next three years).

FIGURE 4 Form for situation analysis

Case Study: Executive and Managerial Planning Kazakhstan

1	Describe the corporate philosophy	
2	Scan environmental conditions	
3	Evaluate corporate strengths and constraints	
4	Develop objectives and goals	
5	Develop strategies	 BOSCH

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- The labor market for qualified managers and specialists is very small. External hires in Kazakhstan will take much longer to begin work than in equivalent hiring processes operating in Germany. Local candidates have very little mobility and largely lack broader national or international experiences.
- Bosch's major production sites are by and large not attractive locations to most qualified employees.

The high numbers of expatriates were the result of the rapid in-country growth especially for the Diesel site. Higher management positions are currently all filled by expatriates.

Taking the role of HR manager at Bosch you must address the following three questions:

- 1 Considering the facts about Kazakhstan, please discuss which staffing strategy – according to the EPRG Model by Perlmutter – would be the most suitable for Kazakhstan. Please justify your answer.

Comment on advantages and disadvantages of your decision.

- 2 Analyze the company and country-specific situation by using the steps outlined in Figure 4. Plan the number and nature of short/medium-term (2013–2016 as well as long-term (2017–2020) staffing requirements for Bosch Kazakhstan in analogy to the strategic company goals. The staffing plan should consider the sources of staffing (expatriates, employees of the local Management Development plan or special programs such as the JMP program or external local staff).
- 3 Fill in your figures in the planning chart below (see Figure 5).
- 4 Finally, prepare an action plan describing how you will meet managerial staffing targets. Look especially at information provided in the 'Employee development' and 'Talent management' sections of the case for activities and timetables. Write down your action plan.¹⁵

FIGURE 5 Planning chart

Staffing need	Current 2013–2016			Prognosis 2017–2020			
Sources	LM	MM	UM	LM	MM	UM	Total
Expatriates							
Local MDP attendants							
Development Program (JMP)							
External hires							
Total Staffing need	74	35	2	54	36	2	203

Source: List of Bosch-specific abbreviations and definitions:

MDP/DG: Management-Developing-Program/Development Group

JMP = Junior Managers Program

LM = Lower Management, MM = Middle Management, UM = Upper Management

NOTES AND REFERENCES

1. The case study is imaginary. Bosch has no such activities in Kazakhstan. However, the described HR measures reflect current practices within this MNE.
2. Marion Festing is Professor of Human Resource Management and Intercultural Leadership, ESCP Europe, Berlin/Germany; Manfred Froehlecke, Vice President, Corporate Department Human Resources Management – Executives, Robert Bosch GmbH, Stuttgart/Germany.
3. See also www.bosch.com and Robert Bosch GmbH. (2011). Annual Report 2010. Retrieved October 10, 2011, from http://www.bosch.com/worldsite_startpage/flashbook/GB2010_EN.pdf.
4. Robert Bosch GmbH (2011: 41, 80).
5. Robert Bosch GmbH (2011: 19, 82).
6. Robert Bosch GmbH (2011: 139)
7. MED is the German abbreviation for "Mitarbeiterentwicklungs-Durchsprache" or in English "Management Potential Review".
8. The standardized entry Program JUMP is still in the implementation phase. Other – comparable programs, e.g., Management Trainee Programs, have been in place for some time.
9. Robert Bosch GmbH (2011: 59)
10. This section is mainly based on Agency of Statistics of the Republic of Kazakhstan (2011a). Demographic Yearbook of Kazakhstan [in Russian]. Retrieved November 18, 2011, from <http://www.stat.kz/publishing/20111/Dem2010.rar> and Agency of Statistics of the Republic of Kazakhstan (2011b). Kazakhstan in 2010. Retrieved November 18, 2011, from <http://www.eng.stat.kz/publishing/DocLib/2011/Statyear2010.pdf>.
11. Agency of Statistics of the Republic of Kazakhstan (2011a: 8,25).
12. Agency of Statistics of the Republic of Kazakhstan (2010). 2009 Population Census Results [in Russian]. Retrieved November 18, 2011, from http://www.stat.kz/news/Pages/n2_12_11_10.aspx.
13. Agency of Statistics of the Republic of Kazakhstan (2011b: 9,10,167,400).
14. The case study is imaginary. Bosch has no such activities in Kazakhstan.
15. The Case Study is simplified. A detailed planning of functional areas is not the intent of this case exercise. The student should learn to ask the right questions about how to source manpower, what challenges the company faces in a difficult environment and what measures must be taken to meet the future demands.