

# *Expatriates Management of Mengniu*

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**Abstract:** With the development of the globalization of the world market, the study of cross-cultural communication is becoming more and more important. This report is discussing about the expatriate Management of a China's company Mengniu. Mengniu is one of the largest Milk companies in China, At present, Mengniu has established factories in several countries, and also acquired a number of foreign companies, and has operations in several countries. The report is mainly based on Mengniu's analysis in Australia. This report has two parts. In the first part, the Hofstede Model is used to evaluate Mengniu's overseas employee management in Australia, including overseas employee failure (about culture shock and ethics), performance and reward Management, talent management and other aspects. The second part discusses the selection of Mengniu's global staffing, including Mengniu's business strategy, the selection of EPRG, international staffing methods and the formulation of effective international staffing plans. Finally, it is suggested that Mengniu should improve and adjust its overseas staff training, rewards, talent management and international personnel allocation.

**Keywords:** Expatriate, international staffing, management, culture

## 1. Introduction

The market is rapidly globalizing, and competition among enterprises has led to a surge in demand for effective international human resource management (IHRM) practices. Therefore, the success of international enterprises largely depends on their ability to manage international human resources flexibly.

Founded in 1999 in the Inner Mongolia Autonomous Region and headquartered in Hohhot, Mengniu is one of the top seven dairy companies in the world. It is a large multinational company with overseas production bases in New Zealand, Indonesia and Australia, and a total of 68 factories worldwide [1].

The purpose of this report is to critically evaluate the expatriate management and international personnel practices at Mengniu [2]. This report is divided into two parts. The first part mainly uses Hofstede theory introducing Expatriate Management, expatriate personnel and the challenges they may encounter in management. The second part will discuss the choice of Mengniu in EPRG, and how they will and should choose the recruitment of personnel from different countries. In the end, the article will give suggestions to Mengniu.

## 2. Expatriate Management

In the first part, the emphasis is to critically evaluate Mengniu's Expatriate management in Australia, considering such aspects as Expatriate Failure, Performance and Reward, Talent Management.

### 2.1. Expatriate Failure

An expatriate is an employee who is sent abroad to work for a long time. Most of the shares of Mengniu are held by Chinese state-owned enterprises, and as such, the company has a strong characteristic of ethnocentrism [3][4]. As a result, the headquarters of Mengniu often send expatriates who are mostly PCNs to other countries because they often believe that expatriates appear to have a better understanding of the company's strategy, objectives and operations [5]. However, expatriates may encounter many difficulties and challenges in areas with different cultures.

According to Hofstede Insights, there are 6 cultural differences between Australia and China [6], shown in Figure 1.

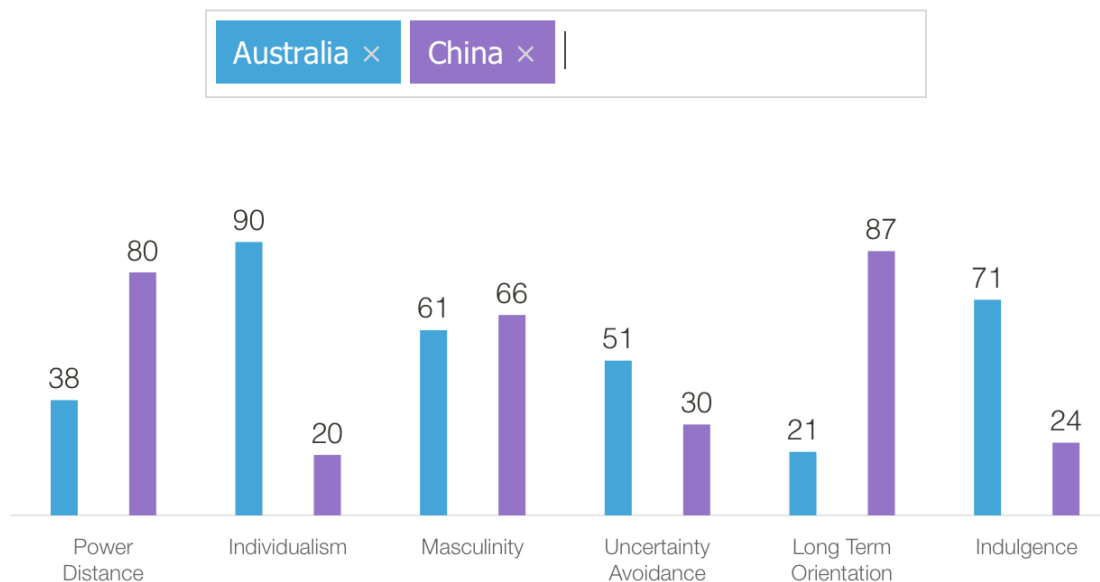


Figure 1: Culture differences

There are great differences between the two cultures, among which many factors may lead to many difficulties and challenges for Mengniu expatriates in Australia [7].

#### 2.1.1. Culture Shock

Culture shock refers to when people are transferred from one cultural background to another, their quality of life and work efficiency may be affected due to the inadaptation and unfamiliarity with different cultures.

China has a high-power Distance, which indicates that the management has higher power in China. When they assign tasks, the employees will easily comply with them, while Australians expect equal communication rather than being ordered. Meanwhile, because Australia scores much higher than China in terms of Individualism, which indicates that Australia puts more emphasis on individual interests and independence, they are encouraged to participate in the decision-making process and put forward their views and suggestions. In contrast, Chinese employees seldom participate in

decision-making [8]. This may be because of the differences in Assertiveness. Chinese people are more modest and diplomatic than the Australians [9].

For these reasons, when PCNs of Mengniu work as managers in Australia, they may not know how to communicate with employees. For example, when they give orders to employees in Australia or require employees to work overtime for special reasons, they may be rejected, which is unlikely to happen in China. They will feel different views of authority between different cultures, as well as the Australian emphasis on personal freedom, which may lead to anxiety and discomfort for expatriates [7].

### **2.1.2. Ethics**

High power distance is more likely to lead to moral problems, such as corruption and abuse of power. For example, in Chinese culture, gift-giving has long been recognized as a customary practice that facilitates relationship building. According to Transparency International, China's Corruption Perceptions Index (CPI) ranks 65th out of 180 countries, while Australia ranks 13th. At Mengniu [10], which is controlled by Chinese state-owned enterprises, the problem may be even worse. This is likely to lead to ethical challenges for Chinese employees abroad.

First, Chinese employees may not be familiar with Australian laws and regulations. In China, gift-giving on a small scale may be ordinary or even necessary, but in Australia, it may be regarded as bribery or illegal. Secondly, Chinese people may be good at building interpersonal relationships to promote the development of business, but it may be considered as immoral behavior in Australia.

To deal with these problems, Mengniu's expatriates must consider the cultural differences between Australia and the company's headquarters and implement tailored employee training programs accordingly. For instance, incorporating expatriate induction programs that focus on enhancing communication skills, providing ethics training, and offering legal education can better equip expatriates to adapt to the Australian working environment.

## **2.2. Expatriate Performance and Reward Management**

Performance management is setting goals, evaluating performance, providing feedback, and making plans. Reasonable performance management can improve the work efficiency of employees. Expatriates are sent to regions with different cultures so that they may need different performance management methods [2].

Mengniu's performance management in China is mainly based on performance indicators. For example, in 2004, the target of liquid milk sales revenue was 6.885 billion yuan. Every 30 million yuan more, the annual salary of the person in charge can be increased by 1%, and vice versa by 2% [11]. This type of management could run into problems in Australia.

Due to the high-power distance in China, employees may be less likely to give opinions on how performance management is conducted. Also, China is good at maintaining interpersonal relations, such as gift giving, which may lead to unfair performance management.

On the contrary, in Australia, this management method may be considered unreasonable and unfair. Australian employees attach more importance to individual development and are more inclined to make decisions, which differs from Chinese culture [8]. If this type of management is used in Australia, it may lead to increased dissatisfaction and turnover rates. At the same time, Australians are more inclined to non-monetary rewards, such as flexible working hours, training and development opportunities, rather than simply increasing or reducing wages [12].

These are the challenges that IHRM may encounter due to the cultural differences between the two countries.

### 2.3. Talent Management

Talent is a unique strategic resource, and the rational use of talented employees can achieve sustainable competition [13]. As Mengniu's operations expand in Australia, the choice of expatriates will become increasingly important.

There are two Philosophies of talent management, which are the inclusive approach and the exclusive approach. An Inclusive approach means providing relatively equal opportunities for learning and growth regardless of their current level of performance and future potential. And the Exclusive approach refers to focusing on developing employees with more talent and potential [14]. Mengniu uses an Exclusive approach in China, where they hire and select people who have talent in breeding, veterinary medicine, milk source management, etc., rather than treating everyone equally [15].

The segmentation approach and the Global HRM approach are two approaches to Global Talent management. The segmentation approach is similar to the Exclusive approach, which focuses on developing high-potential employees or people in influential positions. Global Talent Management takes a more holistic view and considers an organization's talent needs on a global scale [16]. The talent strategy of Mengniu seems to be more inclined to the Segmentation approach. Mengniu focuses on developing individuals critical to an organization's sustainable development strategy. This may be related to China's large population base and Mengniu's ethnocentrism [4][15].

## 3. International Staffing

In MNCs, global staffing refers to the process of filling key positions in the head office joint venture [17].

### 3.1. Business Strategy of Mengniu

According to Yip, there are three kinds of strategies for transnational corporations: Global strategy, international strategy, and multi-domestic strategy [18]. The main goal of global strategy is to establish a consistent brand image and to use the same products even if they are different. Multi domestic strategy refers to the selection of products and strategies based on the needs and preferences of the local market. Transnational strategy is a mixed one.

Mengniu uses transnational strategies because it has different products and strategies in different countries but retains a part of its culture. For example, in China, because most Chinese people are lactose intolerant, Chinese milk is unique, while Australians prefer fresh milk. They have different favorites. Every country has both similarities and differences. Different cultures should be balanced, and a shared corporate culture should be developed [19].

In this case, for the company to adapt to the local culture, the company must be able to recognize the importance of local talents in the market and consider balancing the number of expatriates and HCNs. However, since Mengniu is a company controlled by the Central Committee of the Communist Party of China, it may encounter some obstacles in its transnational strategy [3].

### 3.2. International Staffing Approach of Mengniu

EPRG represents Ethnocentrism, Polycentrism, Regiocentrism, and Geocentrism. In ethnocentrism, the head office of a multinational company is the dominant force, and staffing is centered around employees in the home country, but this may restrict the global company from adapting to local market conditions. Polycentrism focuses on the local responsiveness of a country. Regiocentrism is region-centered and chooses to employ staff in the region to manage subsidiaries, such as Hong Kong

and Macao, which are part of China but have different cultures. Geocentrism is an earth-centric approach that hires the best person for the job, regardless of the manager's nationality [4].

Mengniu has an intense ethnocentrism, so most of its acquired subsidiaries would have Chinese CEOs. For example, Andrew Cohen was the CEO of Bellamy's, and after it was acquired by Mengniu in 2019, the CEO is now Zhendong Gu [20].

In line with the local culture, Mengniu has often adopted Polycentrism. For instance, there are 157 employees in Mengniu's Indonesian factory, among which 115 are Indonesian nationals, and local employees account for 73%. All of them are management and technical workers [4][21]. However, The decision to employ a majority of local employees could also be attributed to the relatively low labor costs in Indonesia. Also, these employees are unlikely to have much power.

### 3.3. Effective International Staffing Plan for Mengniu

Expatriates include Parents country national (PCN) and Third country national (TCN). Host country national (HCN) is a local employee who holds a local position in an overseas branch of a multinational company [4].

Mengniu mainly employs PCNs and HCNs, and due to the limitations of milk enterprises, it is difficult for Mengniu to entirely rely on PCNs. For example, in breeding pastures in other countries, it is better to employ more HCNs familiar with local technologies.

As mentioned before, Mengniu is a company that prefers ethnocentrism, so most of the senior executives of its subsidiaries are Chinese. However, when implementing transnational strategies, Mengniu needs to consider the adaptability of PCNs in other countries.

In this case, Mengniu can choose a hybrid approach, that is, let PCNs and HCNs form a close team to manage the company jointly. At this time, PCNs can carry out the strategy or project that the parent company wants its subsidiaries to do. At the same time, HCNs can judge the possibility of this project and how to adjust it by taking advantage of its better understanding of the domestic market and culture. For example, the main product of Mengniu is packaged milk with a long shelf life. If this product is to enter the Australian market, Australians may reject it. In this case, suggestions from HCNs are needed [22].

Meanwhile, TCNs is also a critical choice. Mengniu used TCNs less, but hiring American or Japanese experts may bring higher returns in some specific areas, such as international marketing and brand management [23].

## 4. Conclusion and Recommendations

To sum up, Mengniu is a successful multinational company, but due to cultural differences and strong ethnic center culture, Mengniu meets many difficulties and challenges in expatriate personnel management and international staffing [4]. Expatriates may encounter cultural difficulties, such as differences in communication style and ethics. In addition, China's performance management system may not be applicable to other countries.

Mengniu mainly adopts ethnocentrism, but also polycentrism when necessary. Personnel management may need to be adjusted. The method combining HCNs and PCNs may be more suitable for foreign markets. In some special aspects, employing TCNs is also effective [23].

It is suggested that Mengniu should provide training programs for Expatriates to adapt to local culture. Create appropriate performance and reward management systems in Australia, such as offering more non-monetary rewards, balancing work and balance for employees, and more training and development opportunities would be better for Australia [12]. Meanwhile, as Mengniu expands its presence in Australia, it may need to adopt a more inclusive approach to talent management, to achieve CSR.

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