How can a multinational headquartered in France meet its cultural challenge when it is operating in the Chinese market? What if it copies its HR policies in the oriental cultures? These problems represent the common concerns of business organizations in the 21st century who are struggling for a delicate balance between globalization and localization when they operate globally. The most fundamental challenge in international expansion, as it is found by a number of multinational companies, is not the development of business, but the integration of HR systems. This lesson is important for China, as we see an increasing number of Chinese businesses, represented by TCL, Lenovo, Haier and Huawei, are aggressively expanding into the global markets. The Michelin China can serve as a good example for discussion.

The major challenges facing Michelin China include: the conflict between the local culture and the French culture, the discrepancy in organizational characters between Michelin and the acquired Chinese company, and the gap between the organizational needs of Michelin and the local employees’ mindset and behaviors. In addressing these differences, Michelin must decide: whether it should be localized, how to balance between globalization and localization, and how to choose the timing for globalization?

NEED FOR LOCALIZATION?
For most multinationals, the question is not the choice between globalization and localization, but the optimal balance between the two. On the one hand, any business is an organism; it needs to develop a global brand to ensure its organizational characters in global expansion. However, a global brand itself is never adequate for a multinational - it must see to it that employees in different locations convey to the public the same corporate image and have the ability to adapt to the corporate strategy, and that its resources and knowledge are shared and transferred effectively among its divisions. On the other hand, the regional diversity in cultural and institutional environments requires an organization to develop local responsiveness, and over-emphasis on global consistency and control can only hamper the local vitality and lead to the “headquarters syndrome”.

It is generally assumed that a localized HR management approach is preferred when (1) There is a remarkable cultural difference between the parent country and the host country, and (2) The internal isomorphic pulls are weaker than the external isomorphic pulls. Different cultures have different values which affect an individual’s way of thinking and behaviors. There is a huge gap between what Michelin advocates and the traditional culture of the Chinese employees. Internal isomorphic pulls refer to the demand on divisions to adopt the same organizational and management structures to achieve internal consistency and to facilitate the resource sharing and knowledge transfer. External isomorphic pulls come from the local environment (e.g. the host country’s economic system and regulatory requirements), requiring divisions to adopt a management approach that aligns with the local realities. China is a transitional economy; the government’s involvement in economic sectors is high. Additionally, the local partner of Michelin is a state-owned company controlled by the local
government. All these factors require Michelin to develop a high sensitivity to the local environment.

THINK GLOBALLY, ACT LOCALLY
Localization does not mean that everything should be localized; a more appropriate explanation is that it endows a company to be more flexible or more adaptive to the local environment in its HR management. A global company should focus on a combination of global integration and local adaptation, allowing its employees to “think globally, act locally” (Vladimir Pucik). This should also be made the long-term objective for Michelin China.

The degree of localization depends on an organization’s own charters. According to the propensities of multinationals in international HRM, it can be roughly divided into four categories: ethnocentric, polycentric, regiocentric and geocentric. Ethnocentric and polycentric are two extremes - the former gives a prominent place to global integration, emphasizing a global strategy for HRM and non-localization of management team; while the latter attaches importance to high empowerment and localization of management team.

Some multinationals adopt a dual strategy in international HR management - developing a global management system for senior management and delegating the management of staffs to regional divisions. This strategy, however, is only an expedient, as it will reduce an organization’s internal cohesion in the long run.

TIMING FOR GLOBALIZATION
Many employees of Michelin China are from acquired state-owned enterprises (SOEs). Given the nature of HR management in SOEs and the quality and mentality of these employees, Michelin will have to replace the old, inefficient management approach with the “global system”.

However, it is recognized that the China-specific cultural characters and complex institutional environment requires more localization in HR management. Additionally, there is a huge gap between the acquired businesses and Michelin in organizational characters, which means a low degree of readiness on the part of local employees to accept Michelin’s global HT management system. Open or implicit resistance will arise if Michelin forces to implant its global HR policies. A good example is the career management program which meets great challenges.

DIFFICULTIES FACING CHINESE BUSINESSES IN GLOBAL EXPANSION
Different from the overseas acquisitions of Japanese businesses in the 1980s, the pioneers of Chinese businesses in global expansion often do not possess competitive edges. Their fast growth can, to a large extent, be attributed to the high-growing domestic market and the cost advantage. The first motivation

As a family-controlled enterprise with a long history and the pride of France, Michelin is an ethnocentric business, emphasizing the importance of global

integration. The company has a competitive edge in innovation, and a key task for its operation in China is to implant the same gene in its Chinese division. To ensure global thinking, the first important thing for Michelin China is to encourage the local employees to accept the corporate culture and values. In fact, good values should be able to adapt to different cultures. For example, Michelin’s core values of “respect for customers, respect for people, respect for shareholders, respect for facts and respect for the environment” have been recognized and accepted by Chinese employees, and the key is how to turn this culture into guidelines for employees’ behaviors.