4-11-2022


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Friendly & Fresh Foods Heads Off to China

The Challenge of Developing Human Resources and Talent Management Policies that are Culturally Responsive and Aligned with Different International Business Strategies

An Experiential Exercise

April 11, 2022

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Abstract

In Friendly & Fresh Foods Heads Off to China participants explore how management policies—especially human resource/talent management policies—should be designed to complement the selected business strategy (differentiation or cost leadership) and to reflect the national culture in the territory targeted for business expansion. In the exercise, a U.S. niche grocery chain plans expansion into China. Teams recommend policies that would increase the likelihood of success under two dramatically different business models, identify cultural factors that should be considered, and present a final recommendation of what business strategy to adopt and which cultural adaptations would be key.

Keywords: human resource management; talent management; Porter’s generic business strategies; cultural due diligence; cross-cultural management; international business expansion
Introduction

The challenge of identifying and executing a successful international growth strategy has stymied the “best and the brightest” of multinational enterprises (MNEs). The complexity of strategy-setting and strategy execution simply intensify once new sources of revenues, cost savings, profits, or new competencies are sought from an attractive, but distant new territory. Learning the idiosyncrasies of the new market, making the proper cultural adaptations, and determining which business strategy will yield the greatest competitive advantage are time-consuming and critically-important activities that must be earnestly undertaken to increase the likelihood of success and to avoid costly mistakes. Scholars and practitioners alike have offered up theories, evidence, and advice of how to successfully launch and secure an international foothold. Our purpose here is modest; we do not address the full gamut of things a company should consider and decide upon prior to taking a successful domestic operation to another country. Instead, in an experiential exercise, *Friendly & Fresh Foods Heads Off to China*, we seek to vividly demonstrate that managing in a new country can be substantially enhanced, thereby aiding in the capture and retention of competitive advantage when:

- the generic business strategy adopted is consistent with the stipulated business goals for the international adventure;

- organizational requirements [management and human resource management (HRM) policies and procedures] support and are closely aligned with the business strategy chosen; and

- “cultural due diligence” has been undertaken to the extent that management and human resource policies and procedures have been adapted, as deemed appropriate by norms and practices in the target country.
The *Friendly & Fresh Foods Heads Off to China* exercise squarely targets China—the largest and fastest growing world economy—with all the attendant promise and perils that implies. The exercise focuses on how human resource management—specifically the talent management life cycle—and cultural sensitivity must be carefully interwoven in support of the business strategy adopted: differentiation or cost leadership.

The exercise’s overriding purpose is to reveal the interconnectedness of three areas: strategy, cross-cultural management, and human resource management in the pursuit of successful international business expansion. Specifically, four points are emphasized:

1. **Porter’s starkly different generic business strategies, differentiation and cost leadership, and how each seeks competitive advantage in a different fashion.**

   Certainly Porter and others (i.e., Miles & Snow, Mintzberg, Ghemawat) go further in describing generic and international strategy choices open to management, but the extremes of differentiation and cost leadership are sufficient, we think, to demonstrate how organizational structure needs to vary by the business strategy chosen, in that differentiation and cost leadership are such polar opposites.

   [The authors acknowledge that international strategy choices are commonly referred to as multidomestic, global, and transnational. (Ghemawat uses similar concepts which he calls adaptation, aggregation, and arbitrage.) But in this exercise, we do not use these terms, as the point is not to decide upon the international strategy to use across many countries. Instead it is to identify the best business model for the first territorial expansion beyond the home market. For instance, should *Friendly & Fresh Foods* be trying to generate revenues in China with an adaptation to the differentiation model used in the U. S.? Or, should they be trying to seize a foothold in China by following a cost leadership strategy that would allow them to pass along cost savings to the average customer in the form of attractive pricing?]
2. **The specific human resources organizational requirements that need to be aligned in support of the chosen business strategy.** In the exercise, we recommend that at least the following management and HR/talent management areas should be closely examined as the company considers how to expand successfully in China: organizational structure and hierarchy; communication; decision-making; workforce planning; employee recruitment strategies; employee selection methods used in hiring; onboarding and training; engagement and retention strategies and policies (motivation); compensation policies; performance appraisal/performance management; and succession planning. The goal is to present how the categories listed above might be expected to change to successfully execute a differentiation or cost leadership strategy in either the home market (the United States) or China.

3. **The value of doing one’s cultural due diligence in crafting the specific management, human resource (talent management) strategies and policies mentioned above.** The cultural dimension cannot be overlooked or given scant attention when thinking about how best to expand internationally. While experts in the field of cultural research would certainly feel this way, strategy experts and practitioners also remind us of its importance. Culture is the first of the four distance measures used in Pankaj Ghemawat’s CAGE Distance Framework. The framework tries to quantify the challenge of entering a targeted country by measuring the *relative* cultural, administrative, geographic, and economic distance between the home and targeted country. (Ghemawat, 2001). Ghemawat emphasizes that cultural and administrative challenges of international expansion are the two “distances” of his framework that are most often
overlooked. As he points out, “Some cultural attributes, like language, are easily perceived and understood. Others are much more subtle. Take, for instance, the long-standing tolerance of the Chinese for copyright infringement. As William Alford points out in his book *To Steal a Book Is an Elegant Offense* (Stanford University Press, 1995), many people ascribe this social norm to China’s recent communist past. More likely, Alford argues, it follows from a precept of Confucius that encourages replication of the results of past intellectual endeavors.” (Ghemawat, 2001, p. 142).

In a wholly different way, Clotaire Rapaille, a cultural anthropologist and branding expert, reminds us of the deeply-entrenched and largely unconscious “codes” we pick up early in life, and how different cultures often see products/services in extraordinarily different ways. According to him, culture “codes” are what make us distinctly American, French, German and shape how we behave or perceive things in our daily and personal lives, often when we are completely unaware of why we think or perceive things as we do. Learning to “crack the code” is especially important to marketers in understanding product appeal in different cultures. For instance, the PT Cruiser—which was ridiculed by Germans as not conforming to their “code” about automobiles and transportation—appealed to a surprisingly large segment of Americans who view automobiles and transportation much differently than do Germans. This understanding led to a very successful American car launch by Chrysler because Chrysler figured out how to “crack the code.” (Rapaille, 2006).
4. **The challenge, risks, and opportunities presented by the emerging economies, especially China.** As Gupta, Govindarajan, and Wang warn in *The Quest For Global Dominance*, “Presence in the strategically important markets gives you the right to play the game. However, it says nothing about whether and how you will actually win the game—doing so requires identifying and exploiting the opportunities for value creation that global presence offers.” (Gupta, Govindarajan, & Wang, 2008, p. 3). Clearly as growth prospects in the developed world diminish, companies have no choice but to embrace the opportunities presented by cultural and geographic diversity of the emerging economies. But in doing so, MNEs must do their utmost to avoid costly blunders that can arise by doing inadequate cultural due diligence or by selecting the wrong generic business strategy.

While Western thinking about management may be compatible with some of the Chinese philosophies (Zheng & Lamond, 2009) and Chinese firms are increasingly under pressure to conform to Western standards of business practices in the post-World Trade Organization (WTO) world, researchers and practitioners have consistently found that MNEs in the West need to carefully adapt their management practices to the nuances of the Chinese culture in order to be successful in China.

**The Importance of Strategically-Aligned Human Resource (Talent) Management**

The new reality of business is that companies need people, talented people, to acquire and maintain competitive advantage (Michaels, Handfield-Jones & Axelrod, 2001). All things being equal, hiring better (the right type of people) should improve the chances of a company being
competitive. But talent often is scarce. And people are becoming more mobile. Commitment to company and job is shortening. Talented people are demanding more and more from companies that want to keep them, but most companies are fairly poor at attracting and keeping talented people. Hence the shift in some companies from an administratively-focused Human Resources function to a talent management-focused Human Resources function.

Talent management has been defined in a number of different ways, but a common thread in these definitions is the notion that talent management is a holistic approach to human resource management and business planning that leads to increased organizational effectiveness (Ashton & Morton, 2005). Talent management is an integration of various Human Resources (HR) and planning initiatives; integrated into a coherent framework that guides HR activities within the company (Ashton & Morton, 2005). This framework involves a mindset that embraces talent, an employee-centric value proposition, a talent-focused recruitment strategy, a comprehensive employee development plan, and a focus on people (Michaels et al, 2001).

Various talent management models have been proposed. But most include common features of sourcing, assimilation, development, deployment, performance management, reward, engagement, and retention (Douglas & Conger, 2007) as well as workforce planning, high-potential programs, and succession planning (Cappelli, 2013). Conceptually the talent management framework can be thought of as applying supply chain management concepts to acquiring and managing talent (Cappelli, 2008).
Additionally, talent management, in order to lead to organizational effectiveness, must be integrated with the corporate strategy or competitive advantage. The talent management framework must be integrated into a larger corporate strategy framework involving the development of a business strategy, integration of a talent strategy, management of talent, measurement of progress in managing talent, and ultimately assessment of business success (Silzer & Dowell, 2009). The integration of corporate strategy and talent management involves:

- Identification – workforce planning, staffing and recruitment, selection, and succession planning;
- Assessment – performance appraisal and management, leadership assessment;
- Development – development planning, career planning, succession planning, and talent movement; and
- Retention – engagement, compensation, and benefits.

Talent management practices provide “a source of sustainable competitive advantage only if they align closely with all elements of the HR system, link to the business strategy, and are embedded in the leadership philosophy and value system of the firm” (Stahl, Bjorkman, Farndale, Morris, Paauwe, Philip, Trevor & Wright, 2012, p. 28). Holtom, Mitchell, and Lee reinforce the subtleties of aligning HR/talent management policies to fit the business strategy, industry, and the company’s idiosyncratic culture and people, offering up company examples as support:

Not all firms will use the same methods to attract and retain top talent—even firms in the same industry. What firms can do to keep their people will depend in part on business strategy, organizational culture and systems, and the people themselves. . . Firms that follow an operational excellence strategy (e.g., Federal Express Corp., Nucor Corp., Wal-Mart Stores, McDonald's Corp.) need a workforce that identifies with business processes, is trainable, can learn rapidly, willingly follows the battle plan, is short-term focused, seeks to minimize waste and is driven by incremental improvement. In contrast, firms that concentrate on product (or service) leadership—such as Merck & Co., 3M Company,
Intel Corp., Apple Computer Inc., Nike Inc.—create competitive advantage through innovation. Consequently, their workforces must value discovery and excel at the creative process. The best employees will challenge the status quo, have a longer term focus, love learning and possess a willingness to take risks. Still different, firms that compete successfully through valuing customer intimacy (e.g., Four Seasons Hotels, Inc., The Home Depot Inc., and Dell Computer Corp.) offer unique solutions customized for their clients. This workforce identifies readily with customers, shares ideas easily, is adaptable and flexible, and seeks out customer intelligence. (Holtom, Mitchell, & Lee, 2006, p. 317).

Thus talent management can be thought of as a series of questions that HR must answer, with those answers in alignment with the corporate strategy or competitive advantage. For example:

1. What are our talent needs?
2. How should we meet our talent needs?
3. How can we do a better job of hiring?
4. How can we develop internal talent?
5. How can we manage employees’ career paths? (Cappelli, 2013)

At its essence, talent management is about sourcing great talent, developing talent aggressively, providing good and substantial feedback, and making sure you keep your best talent (Chambers, Foulon, Handfield-Jones, Hankin & Michaels, 1996). And while the term talent management is relatively new lexicon in the HR field, the term helps to evoke the strategic role that Human Resources increasingly needs to play in today’s organizations. But close to thirty years ago, Schuler and Jackson likewise recognized HR’s role in supporting business strategy and the attainment of competitive advantage even though the term talent management was not in vogue then. Schuler and Jackson’s prescient words apply today:

All firms are not seeking to gain competitive strategy. Not doing so, however, is becoming more of a luxury. For those attempting to do so, the experiences of other firms suggest that effectiveness can be increased by systematically melding human resource practices with the selected competitive strategy. Certainly, the success or failure of a
Differentiation and Cost Leadership Achieve Competitive Advantage Differently

It is axiomatic that companies behave differently, hire different types of people, and prioritize different things depending on their mission, the business (competitive) strategy being employed, and the competitive climate. Companies must adapt to the external environment and manage their internal resources/processes/capabilities, of course, in order “to win,” to survive, and to hopefully achieve a sustainable competitive advantage.

To restrict the discussion to Michael Porter, which we do in this exercise, the goal of the cost leader is to have the lowest costs in the industry, while the differentiator seeks uniqueness that consumers value to the extent that the product/service can command a premium price. A recap of cost leadership and differentiation and how they go about seeking competitive advantage is succinctly described below by Frank Rothaermel in the Strategic Management, 2nd edition. Rothaermel suggests just how distinct the organizational requirements and human resource requirements would have to be for each strategy.

The goal of a cost-leadership strategy is to create a competitive advantage by reducing the firm’s cost below that of competitors while offering acceptable value. The cost leader sells a no-frills, standardized product or service to the mainstream customer. To effectively implement a cost-leadership strategy, therefore, managers must create a functional structure that contains the organizational elements of a mechanistic structure—one that is centralized, with well-defined lines of authority up and down the hierarchy. Using a functional structure allows the cost leader to nurture and constantly upgrade necessary core competencies in manufacturing and logistics. Moreover, the cost leader needs to create incentives to foster process innovation in order to drive down cost. Finally, because the firm’s services the average customer, and thus targets the largest market segment possible, it should focus on leveraging economies of scale to further drive down costs.
The goal of a *differentiation strategy* is to create a competitive advantage by offering products or services at a higher perceived value, while controlling costs. The differentiator, therefore, sells a non-standardized product or service to specific market segments in which customers are willing to pay a higher price. To effectively implement a differentiation strategy, managers rely on a functional structure that resembles an *organic organization*. In particular, decision making tends to be decentralized to foster and incentivize continuous innovation and creativity as well as flexibility and mutual adjustment across areas. Using a functional structure with an organic organization allows the differentiator to nurture and constantly upgrade necessary core competencies in R&D, innovation, and marketing. (Rothaermel, 2015, pp. 352-353).

Note Rothaermel’s use of the terms *mechanistic* and *organic*. Coined by Burns and Stalker in the 1960’s, these terms were considered for decades to be helpful in distinguishing the type of organizational structure that was needed to foster innovation. (Sine, Mitsuhashi & Kirsch, 2006).

As Rothaermel suggests, a *mechanistic* organization would tend to be more aligned with a cost leadership strategy given the fact that it implies the need for greater hierarchy and structure; whereas an *organic* organization would be more aligned with a differentiation strategy in the sense that a company pursuing a differentiation strategy needs to foster innovation and creativity in its work force, so that its products/services are seen as unique by the consumer. Motivating that type of work force is seen to require a less rigid organizational culture—less hierarchy, greater communication up and down the organization, with incentives that reward collaboration across teams, namely R&D and marketing. [Nonetheless, the notion that innovation requires an *organic* organization is being challenged in some circles. (Sine et al, 2006).]

*The Importance of Doing One’s “Cultural Due Diligence”*

Although there is a dichotomy in how culture is conceptualized—i.e., as norms, practices and behavior or as shared beliefs, values and basic assumptions underlying those behaviors (Davis,
1984; Schein, 1985) or Hofstede’s memorable “software of the mind” (2010), culture influences how people think and how they believe it appropriate to communicate and behave. The increasing attention paid to “cultural due diligence” by companies seeking to expand internationally reflects the growing recognition that national culture differences may have significant impact on managerial practices. Gupta et al., 2008 and Bartlett & Ghoshal, 2002 stress that “cultural due diligence” and developing what they call a global mindset are crucial before embarking on international expansion. Failure to appreciate and effectively execute important cultural adaptation requirements can easily lead to lower organizational performance—a costly competitive setback from which it may be difficult to recover.

There are now numerous explorations of potential cultural differences and how those might affect values, behavior, interaction, and communication (e.g., Hall & Hall, 1995; Hofstede, Hofstede & Minkov, 2010; House, Hanges, Javidan & Dorfman, 2004; Trompenaars & Hampden-Turner, 2012) as well as explanations of managerial implications of cultural differences (Javidan, Dorfman, de Luque & House, 2006). Friendly & Fresh Foods Heads Off to China expands the discussion of managerial implications by exploring the importance of alignment among business strategy, organizational requirements (such as hierarchy, decision-making, communication), human resource and talent management practices, and culture.

**Overview of the Exercise Process**

In the Friendly & Fresh Foods Heads Off to China exercise participants review the business model and product/service approaches that have performed exceptionally well in the home market of a U.S. based specialty grocer called Friendly & Fresh Foods. Participants act as
employees who have been inducted into the company’s *Rising Stars* program. They are charged (see Appendix A) with helping senior management decide upon which business strategy and which cultural adaptations are essential for success in China. Because the company has never ventured outside its domestic borders, it is very conscious of the challenge ahead.

The general flow of the exercise is as follows.

- Each *Rising Stars* team reviews the business model at the end of Appendix A, which briefly describes the business and management elements of the differentiation strategy *Friendly & Fresh Foods* currently uses in the United States. Using this general format as a starting point and to help demonstrate the profound differences between two strategy choices, team members develop a cost leadership business model for the U.S.
- Next, the teams are asked to develop cost leadership and differentiation strategies for the Chinese market, fully incorporating the organizational requirements that would support those two different ways of positioning *Friendly & Fresh Foods* in China. By this point, the teams should have an acute awareness of how functional strategies need to support and be compatible with the particular business model selected.
- Finally, given admittedly less-than-complete information available to them, the *Rising Stars* teams are asked to briefly compare/contrast the cost leadership and differentiation strategies and give senior management the team’s recommendations–i.e., which strategy seems best for entering the Chinese market and what cultural adaptations they think will be critically important to succeeding in China.
The *Friendly & Fresh Foods Heads Off to China* exercise is scheduled so that basic introductions to Porter’s generic strategies, talent management, and cross-cultural concepts precede using the exercise. Then in the first class session allotted for the exercise, the facilitator will introduce the exercise and teams will have some time to plan how the research tasks will be handled. The team’s research will be conducted outside of class, enabling team members to gain sufficient insight so that they can eventually make their recommendations to senior management.

The two consecutive sessions scheduling approach described herein certainly can be modified to fit the learning objectives of the course or the time flexibility/constraints of the facilitator. For example, in a strategy course in our HR Master’s program, one of the authors has used the exercise across an entire term—by breaking it into distinct learning segments on strategy, talent management, and culture. The faster-track approach might be preferable as a set-up to a major term project that emphasizes how critical it is that strategy, HR/talent management, and culture be considered altogether in order to develop a successful international business expansion.

**Learning Goals**

The overall goal of this exercise is to involve participants in an engaging experiential activity that dramatically reveals to them the importance and challenge of crafting management policies—specifically human resources/talent management policies—that best align with the chosen business strategy as a company decides to expand internationally, in this case China. Participants are expected to: a) demonstrate how business practices/policies would vary based on different business strategies (i.e., differentiation vs. cost leadership), b) recognize the national cultural component that must be understood in order to be successful internationally, and
c) support their opinion about which business strategy choice is likely to increase the chances of a successful international launch.

The activity and its subsequent debriefing discussions should enable participants to:

- become increasingly aware that international expansion requires decision-making on strategic and operational levels; in other words, functional strategy ideally supports and is aligned with the business strategy adopted;

- appreciate the cultural differences (and subtleties) that are critical to the management function, especially how sensitivity to those issues can contribute to successful international business expansion and, if ignored, can sabotage the effort;

- understand how different business strategies demand different functional strategies, especially the recruitment and retention of employees in all the functional areas;

- be cognizant of selected areas of human resources (talent management) that deserve attention, including: organizational structure and hierarchy, motivation of employees, employee training, employee recruitment and retention, compensation, performance reviews, and succession planning;

- learn more about China, the fastest-growing economy in the world. International territorial expansion into China obviously holds huge promise, but also poses unique challenges for those unfamiliar with its cultural heritage and ways of doing business; and

- synthesize information from various sources and present it in a confident, engaging, and managerially-useful way to “senior management.”
**Target Audience**

This exercise was designed for an interdisciplinary MBA course during which teams design a product or service that a real company might consider in expanding operations to a specific targeted country. Recently, the exercise was used in a master’s level course in Global HR Management. It also could be used with upper-level undergraduates taking an international business, strategy, or HR course—or indeed any course that focuses on global management.

**Time Required**

Time *ranges* for various stages of the exercise are provided below. The maximum period of time required *in-class* for the exercise, including debriefing, could range from 160 minutes to 265 minutes *before* allocating 20 minutes to 30 minutes of presentation time per team. This range could be significantly reduced if Stages 4, 5, and 6 were done outside of class. The range excludes the participant preparatory time required outside the classroom, estimated at between two and four hours, but subject to the facilitator’s discretion and readings assigned. The estimates also exclude time for lecture. Depending on class time available, the in-class portions of the exercise might span two or more sessions.

**Number of Participants**

The exercise can work with as few as six participants but can also accommodate a large group as participants are divided into employee teams. The recommendation is to have at least three and no more than five participants/students assigned to each team.
Materials Needed and Room Set-up

For each team presentation, the ideal room configuration contains a sufficient number of tables for each team. Each team should have access to at least one computer for in-class research. Some instructors may ask the Rising Stars teams to prepare a professional PowerPoint presentation. In that case, a computer projector and screen are needed.

Preparations Needed Before Class by Participants

No preparation in advance of the first of two class sessions during which the exercise will be run is necessary. Between the two class sessions, however, participants need time (at least several hours) to read recommended articles; access several websites; and research strategy, human resource (talent) management, and cultural information about China. The facilitator may choose to assign some readings prior to the first class session, perhaps that relating to strategy and human resource (talent) management. Participants could then read assigned articles about culture and research cultural differences between China and the U.S. in-between the two class sessions.

Preparation Needed by the Facilitator

The facilitator should reproduce the materials needed, ensure that participants either have copies of the recommended articles or can access them electronically, arrange for the room configuration, and prepare appropriate comments to highlight the concepts he/she wants to emphasize during the exercise debriefing discussions.
Structure of the Experiential Exercise

The Friendly & Fresh Foods Heads Off to China exercise works best if it can be spread over two or more class sessions, thus allowing participants to conduct the research necessary to complete their tasks, read suggested articles, visit suggested websites, and work together between classes. The stages described in the next section have been used in two consecutive three-hour long MBA sessions with five days in-between the two sessions. A facilitator could choose to spread the exercise out over even more time, depending on the particular course, participant familiarity with necessary concepts, expectations about depth of the Rising Stars team presentations to senior management, et cetera. What the authors want to underscore is that the various parts of the exercise can be tailored in ways that are appropriate for different courses, different facilitator goals, different time schedules, and different student expectations. Moreover, while the sequenced steps we outline in the exercise are meant to help demonstrate how inextricably linked business strategy choice, HR/talent management decisions, and doing one’s cultural due diligence are when trying to execute an international business expansion, an instructor/facilitator certainly could select to emphasize only one or two of the three pillars (strategy-HR/talent management-national culture) depending on their own needs.

No matter how the exercise is scheduled, teams will want information on:

1) Michael Porter’s differentiation and cost leadership generic strategies;

2) organizational requirements and attributes that often are associated with differentiation and cost leadership business models, including:
   - the various aspects of organizational structure and hierarchy, including mechanistic and organic structures;
• communication methods;
• decision-making;
• the components of the talent management cycle—workforce planning, recruitment, selection, onboarding and training, engagement and retention, compensation, performance appraisal/performance management, and succession planning; and

3) cultural differences, especially those that are important when comparing and contrasting U. S. and Chinese business practices.

Facilitators may also choose to have teams develop their presentation and recommendations for senior management outside of class. Having teams work outside class sessions significantly reduces the time required in class, whereas preparing recommendations in class offers teams the advantage of being able to ask questions regarding competitive advantage strategies, talent management and cultural differences as they are pulling all their ideas together. If the concepts have not previously been introduced in class or assigned readings, the instructor will want to give broad overviews of each before the exercise begins.

**Stage 1 – Introduction to exercise** (suggested time: 15 – 25 minutes in class)

The facilitator:

- Briefly summarizes the goals of the exercise, linking it to overall course goals and indicating that the exercise:
  - offers an opportunity to practice applying some selected course concepts
explains that, in reality, expanding company operations into another country would require consideration of numerous other issues (naming some of those covered in the particular course) but that this exercise will focus on the impact of:

- strategy chosen to achieve competitive advantage;
- alignment of organizational and talent management practices with chosen strategy; and
- adaptation of practices based on consideration of significant cultural differences between a targeted expansion country (in this exercise, China) and the United States.

- Gives a brief overview of the exercise sequence, explaining the Rising Stars scenario.
- Suggests how participants can gain maximum value from the experience by:
  - identifying resources that will provide additional depth into the issues; (Note: It is possible for participants to gain insight from the exercise with only introductory lectures and materials provided, but instructors may want to require additional readings and research.)
  - paying careful attention to readings and assignments—to be chosen by the facilitator to best highlight desired issues; and
  - enjoying the camaraderie of the team while undertaking the challenges of exploring the issues and developing recommendations seriously.

- Instructs Rising Stars teams to offer their advice in terms that the senior management will most readily understand. For example, although most senior managers may be familiar with competitive strategies and have good working knowledge about certain talent
management activities, they may not be as familiar with cross-cultural frameworks as the students will be after preparing for and completing this assignment.

- Gives participants their instructions (Appendix A) and then answers any questions after the participants have read those.

- Emphasizes the value of taking a step-by-step approach to developing their explanations and recommendations to senior management. That is, team members need to first understand the two strategies being contemplated: differentiation and cost leadership. They are given a table in their instructions that describes the business model for the differentiation strategy currently used by Friendly & Fresh Foods in the U.S. Teams must then develop a description for Friendly & Fresh Foods in the U.S., assuming the company used a cost leadership strategy there instead. Next, to consider expanding in China, the teams need to appreciate major cultural differences between China and the U.S. Once they appreciate/understand potential cultural differences, the teams then explore how the practices reflected in the U.S. business model—under both a differentiation strategy and a cost leadership strategy—might need to be adapted in China. Only then can the teams compare and contrast the two potential approaches for senior management to consider for expansion into China and decide on their own recommendations.

Stage 2 – Team Planning (suggested time: 15 – 20 minutes in class)

Each team reviews the assignment and plans how their Rising Stars team tasks will be accomplished. For example, they may choose to assign research on different topics to different team members or pairs of team members. The overall learning experience for everyone is
enhanced, however, if all team members read about the concepts and issues that will eventually play into their explanations and recommendations. The team’s research certainly could begin in class if time permits, giving participants the advantage of being able to ask questions of the facilitator about what they are looking for or finding.

**Stage 3 – Team Members Read and Research** (suggested two to four hours outside of class, depending on the reading the facilitator assigns)

Individuals read articles and visit websites suggested by the facilitator. Appendices B, C, and D provide recommendations, but facilitators can substitute or supplement these readings with their own preferred materials and applicable course textbook chapters.

*Note: Stages 4, 5 & 6 described below could take place in class or outside of class. The advantage to having teams develop their ideas in class is that the facilitator can provide more guidance, if needed, and answer questions. The obvious advantage of having teams complete Stages 4, 5 & 6 outside of class is that considerable class time is saved. The authors’ experience has been that graduate students can develop these ideas on their own with perhaps some brief time to ask the facilitator questions before they finalize their recommendations for senior management.*

**Stage 4 – Teams Develop a U.S. Cost Leadership Business Model** (suggested time: 20 – 40 minutes in class)

Using the *Friendly & Fresh Foods* business model categories in the instructions as a guide, teams explore and document how the model in the U.S. would change under a cost leadership
strategy instead of the focused differentiation strategy currently employed. Note: The authors suggest that this stage take place in class, because team members are working together for the first time to synthesize information from their reading and research. The facilitator could, however, choose to have teams develop this U.S. Cost Leadership model outside of class. Either way, the facilitator will want to make sure teams are on the right track.

Stage 5 – Teams Develop Descriptions of What the Business Model (Including Organizational Requirements) Would Be Like IN CHINA Under Both a Differentiation Strategy and a Cost Leadership Strategy (suggested time: 50 – 70 minutes; could be done in class or outside of class)

Using the business models, including organizational requirements, they now have summarized for both a differentiation strategy and a cost leadership strategy in the U.S., teams apply their understanding of cultural differences between the U.S. and China to determine what needs to be adapted if Friendly & Fresh Foods uses ones of these strategies. Thus teams develop a description of potential practices using a differentiation strategy in China as well as a description of potential practices using a cost leadership strategy in China.

Stage 6 – Teams Determine Feasibility of Both Strategies for Expansion in China and Determine Their Recommendations (suggested time: 40 – 60 minutes; could be done in class or outside of class)

Considering the descriptions they have developed thus far, teams:

- consider the feasibility of both a differentiation strategy and a cost leadership strategy for Friendly & Fresh Foods expansion to China;
• explore what further potential adjustments they think might need to be made for each strategy;
• decide what recommendations they will offer to the senior management of *Friendly & Fresh Foods*; and
• plan their presentation to senior management.

**Stage 7 – Teams Present Recommendations to Senior Management** (suggested time: 20 – 30 minutes per team)

Teams explain the underlying issues and choices they explored and offer a comparison between *Friendly & Fresh Foods* entering China using a differentiation strategy or a cost leadership strategy. During the presentation the team should alert management about important cultural differences that should be taken into consideration and identify high priority adaptations that must be made in HR practices. They offer senior management an opportunity to request clarification on the comparison and answer any questions. The team then provides their recommendation regarding a strategy to increase the likelihood of success in the Chinese market.

Depending on the size of the class and the number of teams needed, the facilitator should decide whether to have each team present their recommendations sequentially to the remainder of the class or whether each team should present to another team role playing senior management simultaneously. The latter option offers the advantage of saving time and minimizing what may become too much repetition whereas the former option offers the advantage of comparing all recommendations and perhaps adding more interesting points to share during the debriefing.
**Stage 8 – Debriefing** (suggested time:  20 – 50 minutes in class)

The debriefing session often becomes the most important stage, as it is here that the facilitator tries to explore in-depth what came out (and what may not have sufficiently come out) of the presentations to senior management. As such, a separate section for the Debriefing follows.

**Exercise Debriefing**

Exercise debriefing will obviously depend on how the exercise progresses and the outcomes achieved during a particular class. Generally, however, debriefing works best if discussions can highlight issues or goals relevant to the particular course as well as the participant experiences during the exercise. If team experiences or team recommendations vary significantly discussions regarding such differences can offer opportunities for additional student learning.

**Suggested Debriefing Questions/Issues**

Facilitators may want to first ask about the exercise experience.

*Potential questions about the experience*

- How would you describe the experience of taking information learned during your team’s research and reading and then deciding what information you wanted to present and what recommendations you wanted to make? How did your team develop your recommendations?

- Understanding the separate concepts necessary to develop and present your recommendations in this exercise was probably easy enough. *Combining* the concepts and translating those into specific practices is much more challenging.
o How difficult did you find determining how the model in the U.S. would change under a cost leadership strategy instead of the focused differentiation strategy?

o How difficult did you find deciding what organizational requirements would be appropriate in China under both a differentiation and a cost leadership strategy?

o How confident did you feel about your recommendations?

• What did you learn about being effective advisors to senior management?

  o Did you feel you presented adequate information for them to understand the issues and your recommendations? Did you feel you might have presented too much information and lost your main focus?

  o With the advantage of hindsight, what would you have done differently to prove that your team members are indeed Rising Stars?

Questions/discussions regarding the two strategies—cost leadership and differentiation

The reference materials in Appendices B and C should have helped the teams contemplate the profound differences in business objectives and organizational requirements of a cost leadership and a differentiation strategy.

To reinforce the broader point of whether the business strategy can be appropriately classified as being differentiation or cost leadership, the facilitator might ask these types of questions:

• Which functional areas are primary in the company? And what business goals are being pursued? Production and Distribution are pivotal in cost leaders like Walmart; Marketing and R&D are pivotal in differentiators like Nike.
How do employees get ahead at the company? From which areas of the organization do the top leaders typically rise? At the company with a cost leader orientation, rewards/promotions/recognition would be tied to achievement of specific cost targets. At the company with a differentiator orientation, rewards/promotions/recognition would be more qualitative and subjective, with employee innovation and creativity being something that is very highly valued, especially in the important areas of marketing and R&D where the customer would likely perceive customer value in terms of product uniqueness, product value, or brand equity.

Looking more specifically at the eight talent management areas described in Appendix C, the facilitator might develop questions/discussion along these lines:

- **Workplace Planning:** What differences did you identify about the type of workers needed under each business strategy? The cost leader usually is choosing from a more homogeneous applicant pool and a large set of semi-skilled and skilled professionals, whereas the differentiator is choosing from a more diverse applicant pool and a smaller set of highly-skilled, creative, and innovative professionals.

- **Recruitment:** What differences did you identify about the recruitment strategies used under each business strategy? The cost leader typically uses traditional recruitment techniques (e.g., job postings and outside recruiters); whereas the differentiator would be more open to using recruitment tools such as social media and outreach to professional organizations.

- **Selection:** What differences exist in how employees are selected under each business strategy? The cost leader would more often than not use conventional interviewing
techniques—very structured and individual interviews, job simulation, and reference checks, whereas the differentiator would also use job simulation, but would be more inclined to use more creative interviewing techniques such as unstructured and group interviews or selection based on a positive internship experience with the individual.

- **Onboarding and Training**: What differences did you identify in how employees are introduced to the company’s rules/regulations/policies/organizational culture? What’s the philosophy at the company with respect to training its new hires and regular employees? At the cost leader, extensive onboarding would focus on standard policies and procedures. The nature of the training would be extensive and largely done in house, with use of job aids. The focus would be professional development. At the differentiator, there would be extensive onboarding focused on acculturation. The nature of the training would be extensive, done again largely in house, but with access to specialized external training as warranted. The training would be aimed at developing not only professional, but also personal development.

- **Engagement and Retention**: What differences stand out in how employees are motivated under a cost leadership and a differentiation business strategy? The differentiator would be more likely to motivate its employees through intrinsic rewards, job rotations, challenging work assignments, and stretch goals. An engagement and retention plan would be present, including the use of an engagement survey. By contrast, the cost leader would have a reward system that used a combination of external and intrinsic rewards. Monetary rewards would be tied to cost controls. The celebration of team efforts to achieve cost control targets would be evident.
• **Compensation**: What differences in compensation would be apparent between the two business strategies? The differentiator would offer not only a comprehensive benefits package, but also there would be creative compensation schemes to attract and retain talent. Compensation would likely be tied to product or service development. And there would be a tendency to pay above market for talent. On the other hand, the cost leader would be inclined to pay at or below market for talent. A competitive and traditional benefits package would be available, not necessarily a comprehensive one. Compensation incentives would be tied to the achievement of cost control targets. Profit sharing and gainsharing incentives tied to cost control goals also would be likely.

• **Performance Appraisal and Performance Management**: What differences would be evident between how performance appraisals or performance management would be conducted under a differentiation and a cost leadership strategy? The differentiator would offer its employees frequent and ongoing feedback and the focus would be more performance management than performance appraisal. Management by Objectives (MBO) would be in place, and the employee’s performance review likely would be tied to the contribution the employee made to the company’s development of its products or services. On the other hand, the cost leader’s feedback to employees would focus more on the achievement of cost control targets, with the feedback done on an ongoing basis. The employee’s review would be more performance appraisal than performance management, with the review tied to the company’s cost and income goals.

• **Succession Planning**: What levels of management are they most concerned with retaining for future upward mobility? Succession planning for the cost leader is centered on building a talent pipeline of senior leaders. Much less succession planning is done below
the senior level of managers; whereas the differentiator is concerned with building a
talent pipeline at the senior level and lower levels of the organization.

*Discussions about how Friendly & Fresh Foods may need to adapt practices in China*

Teams will have developed their explanations of how *Friendly & Fresh Foods* needs to adapt in
China based on their understanding of how organizational requirements and human resources
practices might vary between a differentiation strategy and a cost leadership strategy as well as
their understanding of potential cultural differences between China and the U.S. Thus the
majority of the debriefing could be structured around discussion of what the teams actually came
up with. If the team does not clearly explain their reasoning, facilitators can probe and ask why
team members decided as they did. In addition to the preceding debriefing information provided
on strategy and human resources (talent) management, the next section offers information on
cultural differences between China and the U.S.

*Cross-cultural information that can highlight differences between China and the U.S.*

A wealth of information is available to explore potential differences. To follow are several of
the major frameworks, cultural constructs and selected findings from cross-cultural research that
highlight differences between China and the U.S. The facilitator, in introductory comments on
culture or in debriefing discussions should stress, however, that generalizations need to be
approached with care as they are based on averages. Thus generalizations about the Chinese or
U.S. Americans do not apply to all people in either country. The usefulness of cross-cultural
‘scores’ is that they can alert us to *potential* differences.
**Hofstede cultural dimensions** – The Hofstede Centre website ([http://geert-hofstede.com/geert-hofstede.html](http://geert-hofstede.com/geert-hofstede.html)) allows for easy comparison between cultures on the now six dimensions of national culture framework, provides an explanation of each dimension as well as what scores suggest for a given country. Comparisons between China and the U.S. reflect the following significant differences.

- Individualism/collectivism: China is collectivist and the U.S. individualist.
- Power Distance: China has a significantly higher orientation than does the U.S.
- Long Term Pragmatic vs. Short Term Normative Orientation: China’s orientation is long term pragmatic and the USA’s orientation is short term normative.
- Indulgence vs. Restraint: China is a restrained society while the U.S. is indulgent.

- **The GLOBE study** – House et al (2004) describe in detail the results of the GLOBE study of 62 societies. More accessible, however, is an article by Javidan et al (2006). These authors share results suggesting that China and the U.S. are quite similar in terms of performance orientation, humane orientation, and power distance whereas China is less future oriented, less assertive, more collectivist (both small group and society), and more rules oriented. In addition to explanations of the GLOBE dimensions and country clusters, the article provides information on management implications for U.S. managers working in China (as well as Brazil, Egypt, and France).

- **Seven dimensions of culture** – The Fons Trompenaars and Charles Hampden-Turner (2012) model includes two dimensions offering additional interesting insight: *universalism vs. particularism* and *achievement vs. ascription*. The Chinese *particularist* orientation may lead to more openness to the “grey” areas of a given situation where one’s non-compliance to rules and norms may be perceived differently depending on
relationships involved. The achievement vs. ascription dimension suggests that the
Chinese may pay more attention to ascribed status, including status granted by birth,
gender, age, education, and relationships (Guanxi) than to what one has achieved.

- **High/low context communication** – or direct/indirect communication. People in high
context cultures depend to a far greater extent on the context or situation in which
communication is embedded (Halls, 1995; Beamer and Varner, 2008). China is a high
context culture in which people prefer more subtle, nuanced, and indirect communication
than is often the norm in the U.S. The direct approach of many Americans may be seen
as too aggressive and likely to lead to loss of face. Moreover the Chinese rarely show
emotions. (Martinsons & Westwood, 2005; Chien, 2006; Javidan et al, 2006).

- **Importance of relationships, Guanxi and “face”**
  
  o In China personal and organizational relationships (Guanxi) are critical. Thus
  relationships must be built before business is conducted. Intermediaries or agents are
  often used to begin business relationships (Javidan et al, 2006).

  o Due to the influence of Guanxi on a firm’s relationships with its business partners and
  local governments, a foreign firm needs managers and employees with the “right”
  connections and therefore has to make conscious efforts to recruit and select people
  with the needed connections (Ahlstrom, Foley, Young, & Chan, 2005). A foreign
  firm may also need to hire more people to build and maintain good relationships with
  the local government officials and key local businesses (Ahlstrom et al, 2005).

  o Because China is a collectivist society, group harmony is essential and not to be
  disturbed. Thus the Chinese place high emphasis on “face” – never losing one’s own
  face or causing others to lose face (Javidan et al, 2006).
Information About Specific Organizational Requirements and HR/Talent Management

Practices

The insights below, taken from cross-cultural management literature, may be useful in understanding how organizational requirements and practices may differ.

- **Workforce planning and selection** – Having Guanxi and/or the ability to build Guanxi should be considered in the selection of high level managers. If expatriates are needed, candidates with connections in China should be favored. Older expatriates are likely to be preferred due to the Chinese’s respect for the elderly and older expatriates’ better ability to build and maintain good relationships with people inside and outside a firm (Selmer, Lauring & Feng, 2009).

- **Hierarchy** – Confucianism’s ‘Three Bonds’ underlie importance of hierarchy in China.
  - Relationships are ordered by status. Leaders tend to be authoritative and expect obedience (Javidan et al, 2006).
  - It is considered disrespectful to stare into the eyes of a person senior in rank because of status or age (Solomon & Schell, 2009).
  - Status-based hierarchies in China tend to restrict information flow to be unidirectional – i.e., top-down (Martinsons & Westwood, 2005).

- **Leadership preferences** – In China leaders are expected to be polite, considerate, and dignified. The leader is seen as a paternal figure who is benevolent and supportive of employees and their families. Leaders must have ability to build and strengthen *Guanxi* through personal ties and relationships with individuals and groups. Leaders strive for performance improvement. They prefer an indirect communication approach using
metaphors and stories to communicate their points. Leaders must demonstrate confidence but in a non-aggressive way (Javidan et al, 2006).

- **Decision-making** – The Chinese are comfortable with ambiguity and paradox and thus are pragmatic ([http://geert-hofstede.com/national-culture.html](http://geert-hofstede.com/national-culture.html))
  
  o Leaders often make autonomous decisions (Javidan et al, 2006).
  
  o Living in a high power distance society, Chinese employees are less comfortable with participative management and do not expect their superiors to cede decision making power. Chien (2006) even argues that employee empowerment is antithetical to Chinese cultural acceptance of inequality in authoritarian structure.
  
  o Chinese managers tend to make decisions in an implicit manner, relying on analogical and correlative thinking, rather than on rational and analytic thinking (Nisbett, 2003). Such a decision making style may restrict the identification of available business and technological options and tends to favor incremental rather than groundbreaking innovation (Martinsons & Westwood, 2005).

- **Policies/procedures/rules** – In China adherence to laws and rules may be flexible to suit particular situations. The Chinese are adaptable and entrepreneurial ([http://geert-hofstede.com/national-culture.html](http://geert-hofstede.com/national-culture.html)).

- **Motivation**
  
  o In China an exciting vision can be effective because Chinese have a high performance orientation (Javidan et al, 2006).
  
  o Chinese are success oriented and driven. Leisure time is not as important to them ([http://geert-hofstede.com/national-culture.html](http://geert-hofstede.com/national-culture.html)).
• **Compensation and retention**
  
  o In China, employees should be rewarded for cultivating and maintaining external connections that benefit the company (Ahlstrom et al, 2005).
  
  o As a collectivist society, China has an egalitarian culture that minimizes competition and fosters harmony in the workplace. High differentiation of pay is thus deemed less desirable (Jackson & Bak, 1998; Braun & Warner, 2002).
  
  o Individual performance incentives should not be over-emphasized in that they often ignore long-term and group-focused performance. Collective performance, loyalty and seniority (reflecting respect for old age) should be among the key elements in the reward system (Jackson & Bak, 1998; Braun & Warner, 2002).

• **Performance appraisal**
  
  o Utilizing one’s external connections to benefit the company should be considered in the evaluation of an employee’s contributions (Ahlstrom et al, 2005).
  
  o Behavioral indicators in appraisal systems need to be adjusted to local cultural norms (Braun & Warner, 2002).

• **Recruitment and promotion**
  
  o In-groups and family considerations affect hiring and promotion (Javidan et al, 2006).
  
  o Personal relations may need to be employed to recruit managerial staff in view of the growing “job hopping” culture in China (Braun & Warner, 2002)
  
  o Psychometric testing may have questionable cross-cultural validity (e.g., translation problems) because of its origin from the West (Braun & Warner, 2002).
• **Training**

  - In China training is success and performance oriented, although employees are more used to didactic learning approaches (Francis, 2001).
  
  - Since face saving is part of the Chinese culture, Chinese employees tend to be risk averse and fear making mistakes. Training programs should provide detailed performance parameters and encourage thinking beyond one’s job, covering what to do and how to do it, but also what is wrong and how to fix it (Ahlstrom et al., 2005).
  
  - Western trainers and contents must be used with caution as Chinese employees may doubt their applicability to China’s environment (Braun & Warner, 2002).
  
  - Because of great respect of authority Chinese employees do not often ask questions or challenge instructors in training sessions (Chien, 2006).

**Participant Outcomes and Experiences**

In the past year, we have employed the full exercise to students in two unique courses: an interdisciplinary MBA course that emphasizes the challenges, risks, and decision-making inherent in launching a product or service into another country, and a Master’s level course in HR that stresses the strategic role of human resources in a business organization. Given the complexity of the assignment, what we initially were concerned was whether students would put in the required time and research to extract the level of learning that the exercise is structured to provide. On that score, we have been pleasantly surprised. Yet student feedback—to be mentioned in detail below—does stress the importance of having sufficient time and guidance to get the most out of the exercise. Clearly, the exercise has the side benefit of getting students to
speak and give advice to others and to work effectively in teams—crucial skills for business professionals trying to advance in their careers.

To measure assurance of learning, two assessments were developed: one for the participants (students) and another for evaluators who observed the presentations of the Rising Stars teams. Based on those evaluations and comments made in the debriefings, we are very confident that students in the aforementioned courses found the exercise to be of substantial value, especially if it was preceded by a lecture or discussion wherein which the facilitator was able to find an effective way to emphasize the importance of blending strategy decisions with management and HRM policies and procedures. That linkage is paramount, underscoring why the exercise was developed in the first place.

**Student Feedback**

To gauge student insight about the exercise, its value, and areas for improvement, students who participated in the exercise were asked to complete a survey (Appendix E). With a student sample of n = 52, the authors were pleased with the students’ ratings and open-ended comments, especially the seriousness they took to complete the assignment in a professional manner. According to the students, the exercise seemed to be quite useful, especially its instructional value in terms of reminding them of things they needed to consider in researching and developing their subsequent international business plan assignment for the MBA interdisciplinary course. Appendix F graphically displays the aggregated results to the first five questions of the survey across four classes. Overall, the participants (students) ranked all the constructs relatively high, with the construct “interconnectedness” (Question #2) receiving the
highest amount of combined very helpful and extremely helpful tallies (83%). “HR alignment” (Question #5) was second with 75%; “cultural challenges” (Question #1) was third with 73%; “culture and management” (Question #3) was fourth with 71%; and “general alignment” (Question #4) was fifth with 67.

Appendix F further shows how the combined “Very Helpful” and “Extremely Helpful” bands performed over time. Comparing the first time the exercise was piloted (April 2015) to the most recent time it was used (February 2016), there has been improvement in all the constructs, except for the “HR alignment” construct which already was high and held steady. A partial explanation for why the November 2015 results are relatively weaker in the “cultural challenges” and the “general alignment” constructs likely is related to the course in which it was used—an HR Master’s course. The exercise was not specifically designed with that HR course in mind, whereas the MBA interdisciplinary course—for which it was designed—includes a major international expansion project that stresses cultural adaptation and strategic alignment of functional and business strategy.

Qualitative student feedback was obtained from open-ended Questions #6 and #7 of the Student Survey, which directly asked about how to make the exercise a more valuable learning experience and what changes would have made it easier to do. The general themes mentioned more than five times included: more time (especially for the September 2015 course that had only four days to complete its team presentation), more detailed direction/guidance, a clearer sense of expectations, guidance on working with teams (from the HR course only), allow own choice of culture/country researched (especially mentioned in the HR course). Of interest to the
authors were a few suggestions that didn’t make the participants’/students’ Top 5, including the alternatives of: working in pairs instead of larger teams; the elimination of Task #1 (changing the U. S. business model to cost leadership); developing the exercise into a case, not an exercise; making it a class activity, not a team activity; and making it clearer that a formal presentation to senior management was expected (by insisting that a professional PowerPoint presentation or handout be prepared).

Question #8 asked participants (students) to recommend whether the Friendly & Fresh Foods’ should be done again in the course. The responses were reassuring. Only 3 out of 52 students voted against the exercise being done again in the course they were taking, and 2 of those “No’s” were from the Master’s HR course where there may have been some consternation regarding working effectively in teams and having sufficient background to do the exercise justice. One of the “No” votes from the HR Master’s class was particularly insightful, “I felt that this particular project required more business knowledge/experience than some of us may have had. An HR specific approach with more assistance on the business elements would have been helpful.” As mentioned earlier, the authors strongly suggest that facilitators feel free to tailor the exercise to the needs of the course being taught and the background of their students.

Question #10 asked participant/students to list the three adjectives that would best describe the Friendly & Fresh Foods’ exercise. The most common adjectives used in describing the exercise were: analytical, challenging, educational/informative, fun/interesting, insightful, unique/different, and helpful/useful.
Evaluator Feedback

Using senior business practitioners and subject area experts, we tried to measure the degree to which learning objectives were being met as summarized in the evaluation form given to the observers (Appendix G). Appendix H graphically displays the results to the first five questions of the evaluator survey across two classes. Overall, evaluator ratings improved dramatically from September 2015 to February 2016. The authors believe that a great deal of the improvement was attributable to the additional time (one full week vs. 4 days over a weekend) given to the February 2016 participants to complete their research and make managerially-useful recommendations. A myriad of other reasons might account for the lift in evaluator ratings, but the authors firmly believe the time allocated to preparation must be realistic. Given the complexity of the assignment, the team orientation of the exercise, the rigor of the assurance of learning rubric or grading rubric used, and whether you are dealing with working adults or not, the time allocated should be adjusted to each facilitator’s expectations and their participants’ ability to meet those expectations. To illustrate, whereas in the September 2015 session, evaluators gave needs improvement ratings in each of the five constructs: “generic strategies” (Question #1) needs improvement = 25%, “management/HR alignment to strategy” (Question #2) needs improvement = 29%, “cultural due diligence” (Question #3) needs improvement = 17%, “cultural adaptation” (Question #4) needs improvement = 42%, and “managerially-useful insights” (Question #5) needs improvement = 29%), in the February 2016 session, except for the “management/HR alignment to strategy” construct which had a 17% needs improvement rating, all of the other four constructs either met or exceeded evaluator expectations.
References


Appendix A: Instructions for Employee Teams Giving Advice to Senior Management

Recently you were selected to join Friendly & Fresh Foods’ Rising Stars program for up-and-coming employees. This recognition is richly deserved. As you recall, the program calls upon its “rising stars” to provide senior management with fresh and compelling ideas regarding particularly challenging projects facing senior management. As you are well aware, you work for a very successful U.S. business that does specialty grocery retailing. However, our rivals are becoming increasingly aggressive and innovative, especially niche grocery chains like Trader Joe’s, Whole Foods, Stew Leonard’s, and Fairway Markets.

Over the past decade, Friendly & Fresh Foods has successfully expanded its operations to different regions of the country, but we have not as yet established operations outside of the United States. Senior management is convinced that Friendly & Fresh Foods’ business model is exportable. In fact, a prestigious consulting firm recently has strongly recommended that the emerging economy of China is the business expansion opportunity to take on. But management does not want to fail in its business entry into China by naively assuming that success in the Chinese market should mirror the business strategy and policies of the U. S. market.

Therefore, we are soliciting advice from employees of our Rising Stars program to complement the advice from the consultants. We concur with the consultants that China has tremendous appeal, not only due to its huge population, but also because of the increasing prosperity of Chinese households and their openness to products/services offered in the West.
You are being placed in one of several employee teams to present your ideas to senior management. You should view this as a serious competition among your peers in the *Rising Stars* program.

**Your job is to provide advice in several areas:**

In their final report, the consultants stressed the importance of being open to different business models from the hugely successful one we employ here in the States. Further, the consultants were adamant that different business models often demand different organizational requirements. In addition, the consultants mentioned how the *talent management life cycle* can be used to support the organizational requirements and approaches for different business models. In the States, our company uses what Michael Porter refers to as focused differentiation strategy to maximize competitive advantage, but in China that particular strategy may need to be slightly adapted, or revamped substantially. Cost leadership, for instance, may be another way to gain competitive advantage and thereby to secure a solid foothold in the Chinese market relative to the competition. There are three major tasks ahead. While your presentation can take many forms, it would be advisable to do your research in a specific sequence so as to maximize your (and our) learning about business strategy and doing business in China.

**Task #1.** Each team shows how the *Friendly & Fresh Foods* U. S. business model would change under a cost leadership strategy instead of the focused differentiation strategy we currently employ. For your reference, our Strategic Planning department has developed a description of the U. S. business model, which can be found at the end of these instructions. You are expected to research Michael Porter’s generic strategies to fulfill this part of the assignment.
[You are largely on your own for this part of the assignment, as it is our expectation that you should have no difficulty researching how Michael Porter thinks about differentiation and cost leadership. In Appendix B, however, there is a chart that suggests organizational differences that are commonly observed in support of these two generic strategies. Moreover, in Appendix C, you will find an overview of the talent management life cycle as well as tips for researching the importance of human resource (talent) management practices being aligned with business strategy.]

**Task #2.** The team has an even more challenging job at this stage of the assignment—demonstrating to senior management what *Friendly & Fresh Foods’* business model in China would look like under two different scenarios: 1) differentiation similar to the U. S. model and 2) cost leadership, which your team would have just developed on its own in Task #1. [At this stage, it is entirely possible that you may feel that certain other aspects of either business model would require adaptation (e.g., product line, target market, ambience of the stores) and you are free to point those adaptations out.] But the more time-consuming and significant part of Task #2 is to recommend how the organizational requirements in support of the different business strategies would likely change when doing business in China. Your team needs to probe in-depth how the cultural environment would suggest adaptations in HR practices and procedures, chain of command (hierarchy) and communication, rules and regulations, and employee requirements and expectations under each business model. Because organizational requirements is such a vague phrase, you are reminded that it encompasses a great many areas, including but not limited to: organizational structure and hierarchy, motivating employees, employee training, employee recruitment, employee retention, communication, decision-making, compensation,
performance reviews, and succession planning. Also, use the talent management framework to jog your thinking about how those particular talent management practices and priorities would increase the effectiveness of each business strategy option. Appendix D also provides tips for researching and learning about major cultural differences that exist between the U. S. and Chinese cultures. You are expected to enumerate and comment on those cultural adaptations in organizational requirements that would seem appropriate and specifically describe how the policies would be tailored for the two business strategy options.

**Task #3.** Provide management with your recommendation regarding which business strategy would increase the likelihood of success in the Chinese market. Include cultural considerations that management should be alert to. Identify which ones it should prioritize in recruiting and retaining human resources to staff the recommended business model—differentiation or cost leadership. We realize that your recommendations, especially about business strategy, would require research beyond Tasks #1 and #2, yet we are anxious to know how the team is leaning and what other information would be necessary to make definitive recommendations.

Make your presentation and research findings engaging and compelling, especially regarding Chinese culture, Chinese consumers, and the Chinese worker. We look forward to your innovative ideas as to how *Friendly & Fresh Foods* should go about gaining a competitive foothold in China. The schematic below shows a simple model of the strategic and cultural influences that undoubtedly come into play as you develop your recommendations.
• **GOAL:** Business expansion into China
  • What may have to change?

Friendly & Fresh Foods--U. S.

Adaptations?
• Differentiation or cost leadership
• Alignment of Strategy and Organizational Requirements/HR (Talent) Management

Friendly & Fresh Foods--China

• **GOAL ATTAINED:** Competitive Foothold
  • Best Business Strategy
  • Cultural Due Diligence Done

Competitive Foothold
The Business Model for *Friendly & Fresh Foods* in the U. S. Market

| Corporate Mission                                      | To be the world’s best niche grocery chain, with the utmost respect for our stockholders, employees, customers, and communities.  
|                                                      | The company is environmentally-conscious in terms of not using plastic bags and encouraging use of reusable shopping bags. |
| Business Strategy                                     | Focused differentiation |
| Competitive Advantage                                 | High brand equity; unique and private-branded product line; novelty and seasonal items; superior customer service |
| Target Market                                         | Upper middle class adults with interest in unique, healthy, and easy-to-prepare foods |
| Product Line                                          | There’s an emphasis on organic and healthy grocery items.  
|                                                      | Frozen meals/fruits/vegetables are prominently featured.  
|                                                      | Products typically carry *F&FF* labels, not manufacturer brand names. |
| Ambience of Retail Outlets                           | Employees are super friendly, knowledgeable, and helpful to customers.  
|                                                      | There are no self check-out registers.  
|                                                      | There’s a cozy, relaxed atmosphere—even a nostalgic feel to the stores.  
|                                                      | Employees feel at ease kidding fellow workers, even about mistakes. |
| HR Practices (hiring, training, reward incentives, etc.)* | *F&FF* training is extensive with much give and take expected of participants. The focus is encouraging employees to be innovative, open to recommending change, and willing to take risks in moving the organization forward.  
|                                                      | Only prior work references from non-family members are allowed.  
|                                                      | Customers are encouraged to use a drop-box to vote for ‘employee of the month.’  
|                                                      | High school degree is a prerequisite for employment.  
|                                                      | Referrals of family members strongly discouraged. |
| Employee Requirements and Expectations*              | All employees must dress alike in Caribbean-style shirts, including the general manager and the stocking crew.  
|                                                      | Employees must be well-groomed.  
|                                                      | Employees are promoted based on how innovative and assertive they are with respect to new product ideas, enhancements to customer service, and challenging the status quo.  
|                                                      | Employees are expected to give constructive criticism to their fellow employees and report major violations of policy to management. |
| Rules and Regulations*                                | There are few rules and regulations besides the ones related to the dress code and making the customers happy. |
| Decision-making*                                     | Every full-time employee expresses his/her ideas for the top 3 products to feature each week at a weekly meeting.  
|                                                      | Decisions are made expeditiously and revisited as needed. |
| Chain of Command and Communication*                  | A very flat organization exists at the store level.  
|                                                      | Communication is informal, including the playful tone of the store flyers. |

*For the purpose of this assignment, the asterisked categories can be considered examples of organizational requirements that may change in support of different business strategies and doing business in different territories. These management and HR policies and procedures are where Friendly & Fresh Foods’ management is looking for the greatest guidance from the Rising Stars’ teams.*
**Appendix B: Commonly-Referenced Differences in Organizational Requirements Between Cost Leadership and Differentiation Strategies**

<table>
<thead>
<tr>
<th>Generic Strategy</th>
<th>Commonly Required Skills and Resources</th>
<th>Organizational Attributes</th>
</tr>
</thead>
</table>
| **Cost Leadership** | • Sustained capital investment directed at cost control  
• Process engineering skills  
• Intense supervision of labor  
• Products designed for ease of manufacture  
• Low-cost distribution system | • Tight cost control  
• Frequent, detailed control reports  
• Incentives based on meeting strict quantitative targets  
• A “mechanistic” organizational structure—characterized by a highly structured organization and set responsibilities, with limited flexibility  
• Production and operations are primary focus of cost-efficiency initiatives—but efficiency is stressed everywhere |
| **Differentiation** | • Strong marketing abilities  
• Product engineering  
• Creative flair  
• Strong capability in basic research  
• Corporate reputation for quality or technological leadership  
• Long tradition in the industry or unique combination of skills drawn from other businesses  
• Strong relationship with channel participants | • Strong coordination among functions in R&D, product development, and marketing  
• Subjective measurement and incentives instead of quantitative measures  
• Amenities to attract highly skilled labor, scientists, or creative people  
• An “organic” organizational structure—characterized by a less formal organization, one that supports and encourages collaboration and creativity  
• Excel in customer service  
• Strong in understanding of consumers’ wants and needs  
• Marketing and R&D departments are key |

**Sources:** Adapted from a variety of sources, primarily strategy textbooks describing Michael Porter’s generic strategies, namely:  

<table>
<thead>
<tr>
<th>Workforce Planning</th>
<th>Recruitment</th>
<th>Selection</th>
<th>Onboarding &amp; Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>How many people do you need?</td>
<td>Where will you find the people you need?</td>
<td>How will you choose to hire from the people you find?</td>
<td>How will you orient your new employees to the company?</td>
</tr>
<tr>
<td>What kinds of people do you need?</td>
<td></td>
<td></td>
<td>How will you ensure that all employees have the skills they need to do their job?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Engagement &amp; Retention</th>
<th>Compensation</th>
<th>Performance Appraisal/Mgmt.</th>
<th>Succession</th>
</tr>
</thead>
<tbody>
<tr>
<td>How will you keep your employees engaged?</td>
<td>How will you compensate your employees?</td>
<td>How will you assess your employees’ performance?</td>
<td>How do you plan for the future?</td>
</tr>
<tr>
<td>How will you retain your employees?</td>
<td>How do you connect compensation to performance?</td>
<td>How will you motivate your employees?</td>
<td>How do you develop internal talent?</td>
</tr>
<tr>
<td></td>
<td>What benefits will you offer your employees?</td>
<td>How will you manage your employees’ performance?</td>
<td></td>
</tr>
</tbody>
</table>

Research sources to investigate Talent Management and HR Practices


- HR Executive Online at [www.hreonline.com](http://www.hreonline.com).

- Textbooks:
Appendix D: Sources to Explore Cultural Differences

There is a wealth of information available to explore potential cultural differences. To follow are several of the major frameworks and suggestions on some articles and websites that will help you explore important cultural concepts relevant to your Rising Stars team tasks.

**Hofstede cultural dimensions** – The Hofstede Centre website ([http://geert-hofstede.com/geert-hofstede.html](http://geert-hofstede.com/geert-hofstede.html)) allows for easy comparison between cultures on the now six dimensions of national culture framework, provides an explanation of each dimension, and comments on what scores suggest for a given country. Make sure you find the place on the website where you can directly compare China and the U.S.

**GLOBE Study** – The Global Leadership and Organizational Behavior Effectiveness (GLOBE) research was a project involving 62 nations and 170 researchers across the world. The research explored nine cultural dimensions, some of which are the same as the Hofstede dimensions while others are slightly different. Access information about the study via:

- An excellent article which explains the GLOBE dimensions, how countries clustered together on various dimensions, and then offers implications for management for four countries, including China.  

**Trompenaars and Hampden-Turner’s Seven Dimensions of Culture**

- [http://changingminds.org/explanations/culture/trompenaars_culture.htm](http://changingminds.org/explanations/culture/trompenaars_culture.htm)

Using your favorite search engine, search the following terms:

- Guanxi
- high vs. low context communication
- concept of “face” in China

Search cultural information and etiquette via sites such as:

- [www.cyborlink.com](http://www.cyborlink.com)
- [www.executiveplanet.com](http://www.executiveplanet.com)
- [www.kwintessential.co.uk/resources/country-profiles.html](http://www.kwintessential.co.uk/resources/country-profiles.html)
- [http://guide.culturecrossing.net/](http://guide.culturecrossing.net/)
Appendix E: Student Survey

Please Give Us Your Feedback on the *Friendly & Fresh Foods’* Exercise

1. *(Cultural Challenges)* To what degree did participating in the *Friendly & Fresh Foods* experiential team exercise offer up relevant insights on the cultural challenges and related adaptation requirements for successful business expansion of *Friendly & Fresh Foods* into the country your team was assigned?

<table>
<thead>
<tr>
<th>Not at All Helpful</th>
<th>Somewhat Helpful</th>
<th>Helpful</th>
<th>Very Helpful</th>
<th>Extremely Helpful</th>
</tr>
</thead>
</table>

2. *(Interconnectedness)* To what degree did participating in the *Friendly & Fresh Foods* experiential team exercise help demonstrate the important connections between business strategy, functional strategy, and cultural fit?

<table>
<thead>
<tr>
<th>Not at All Helpful</th>
<th>Somewhat Helpful</th>
<th>Helpful</th>
<th>Very Helpful</th>
<th>Extremely Helpful</th>
</tr>
</thead>
</table>

3. *(Culture & Mgmt.)* To what degree did participating in the *Friendly & Fresh Foods* team exercise help you to appreciate the cultural differences (and subtleties) that are critical to the management function?

<table>
<thead>
<tr>
<th>Not at All Helpful</th>
<th>Somewhat Helpful</th>
<th>Helpful</th>
<th>Very Helpful</th>
<th>Extremely Helpful</th>
</tr>
</thead>
</table>

4. *(General Alignment)* To what degree did participating in the *Friendly & Fresh Foods* team exercise help you better understand how different business strategies demand different functional strategy approaches, especially the recruitment and retention of employees in all the functional areas?

<table>
<thead>
<tr>
<th>Not at All Helpful</th>
<th>Somewhat Helpful</th>
<th>Helpful</th>
<th>Very Helpful</th>
<th>Extremely Helpful</th>
</tr>
</thead>
</table>

5. *(HR Alignment)* To what degree did participating in the *Friendly & Fresh Foods* team exercise make you more cognizant of certain areas of human resources that deserve attention when setting strategy, including: organizational structure and hierarchy, motivation of employees, employee training, employee recruitment and retention, compensation, and performance reviews, and succession planning?

<table>
<thead>
<tr>
<th>Not at All Helpful</th>
<th>Somewhat Helpful</th>
<th>Helpful</th>
<th>Very Helpful</th>
<th>Extremely Helpful</th>
</tr>
</thead>
</table>

6. What would you suggest be changed to make the exercise a more valuable learning experience?

**Comments**

7. What would you suggest be changed to make the exercise easier to do?

**Comments**

8. Would you recommend the *Friendly & Fresh Foods’* exercise be done in this course again?

If YES, why?

If NO, why?

9. What three adjectives would best describe the *Friendly & Fresh Foods’* exercise?

**Adjectives**
Appendix F: Survey Results of Students—see Appendix E for exact question wording

Questions 6 and 7: Student feedback on suggestions for improvement are included in the text.

Question 8: “Would you recommend the Friendly & Fresh Foods’ exercise be done in this course again?” 48/52 = Yes; 3/52 = No; 1/52 = No Answer

Question 9: Adjectives often used to describe the exercise:

analytical  challenging  educational/informative  fun/interesting  insightful  unique/different  helpful/useful

53
Appendix G: Assurance of Learning Rubric Used to Assess *Rising Stars* Consulting Teams

<table>
<thead>
<tr>
<th></th>
<th>Needs Improvement</th>
<th>Meets Expectations</th>
<th>Exceeds Expectations</th>
<th>Things Done Well</th>
<th>Things Done Inadequately or Not Addressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>(Generic Strategies)</strong></td>
<td>To what degree did the consulting team demonstrate a solid knowledge of Porter’s generic business strategies—specifically, differentiation vs. cost leadership—in terms of how each strategy choice goes about trying to attain competitive advantage?</td>
<td></td>
<td></td>
<td>Comments</td>
<td>Comments</td>
</tr>
<tr>
<td></td>
<td>Needs Improvement</td>
<td>Meets Expectations</td>
<td>Exceeds Expectations</td>
<td>Things Done Well</td>
<td>Things Done Inadequately or Not Addressed</td>
</tr>
<tr>
<td></td>
<td>Comments</td>
<td></td>
<td></td>
<td>Comments</td>
<td>Comments</td>
</tr>
<tr>
<td>2. <strong>(Mgmt./HR Alignment to Strategy)</strong></td>
<td>How well did the consulting team point out specific functional alignment requirements of differentiation vs. cost leadership, especially in the area of management practice and HR/talent management?</td>
<td></td>
<td></td>
<td>Comments</td>
<td>Comments</td>
</tr>
<tr>
<td></td>
<td>Needs Improvement</td>
<td>Meets Expectations</td>
<td>Exceeds Expectations</td>
<td>Things Done Well</td>
<td>Things Done Inadequately or Not Addressed</td>
</tr>
<tr>
<td></td>
<td>Comments</td>
<td></td>
<td></td>
<td>Comments</td>
<td>Comments</td>
</tr>
<tr>
<td>3. <strong>(Cultural Due Diligence)</strong></td>
<td>Through its “cultural due diligence” of the country assigned, how well and how specifically did the consulting team identify practices that would likely need adaptation in the management/HR/talent management spheres?</td>
<td></td>
<td></td>
<td>Comments</td>
<td>Comments</td>
</tr>
<tr>
<td></td>
<td>Needs Improvement</td>
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<td>Exceeds Expectations</td>
<td>Things Done Well</td>
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</tr>
<tr>
<td></td>
<td>Comments</td>
<td></td>
<td></td>
<td>Comments</td>
<td>Comments</td>
</tr>
<tr>
<td>4. <strong>(Cultural Adaptation)</strong></td>
<td>To what degree did the consulting team demonstrate the important interconnectedness of strategy alignment and cultural adaptation in crafting an international business expansion plan outside <em>Friendly &amp; Fresh Foods</em>’ home market?</td>
<td></td>
<td></td>
<td>Comments</td>
<td>Comments</td>
</tr>
<tr>
<td></td>
<td>Needs Improvement</td>
<td>Meets Expectations</td>
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<td>Things Done Well</td>
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<tr>
<td></td>
<td>Comments</td>
<td></td>
<td></td>
<td>Comments</td>
<td>Comments</td>
</tr>
<tr>
<td>5. <strong>(Managerially-useful Insights)</strong></td>
<td>Overall, how compelling and managerially-useful were the consulting team’s recommendations?</td>
<td></td>
<td></td>
<td>Comments</td>
<td>Comments</td>
</tr>
</tbody>
</table>
Appendix H: Evaluators’ Scores of Team Presentations—see Appendix G for exact question wording

In September 2015, teams had only four days (and over a weekend) to research and prepare their presentations. The authors believe—based on evaluator comments post completion of the ratings—that some evaluators did not factor in the limited time available to the teams . . .

Scores were significantly higher in the February 2016 session, possibly due to the fact that teams had a full week to research and prepare their presentations . . .