Analysis of the effects that Global Business Environment has on the adaptation of Strategic HR Planning: A Case study of KFC in China

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Abstract: Internationalization has become common in the current business environment as businesses seek opportunities outside their home countries. These organizations not only internationalize their marketing strategies, but also their resources including human resources hence these organizations are faced with the problem of how they will manage their human resources in the foreign countries. The objective of this study is to analyse how organizations such as KFC have undertaken strategic HRM. Literature review reveals that SHRM is as important to an organization as any other element that is internationalized. It shows that SHRM is the most important source of sustainable competitive advantage given that HR is required in order to leverage any other source of competitive advantage. Qualitative research methodology was adopted and interviews were used to collect data from the participants. The study found that a combination of economic, socio-cultural, technological and legal factors affects KFC SHRM in the Chinese market. It is imperative to note that the company has had to significantly adapt its HRM strategies in this market to comply with the needs of the market.

Keywords: Global Business Environment, Human Resource Rules, China, Business Strategy.

1. Introduction
1.1 Research Background
Internationalization has become a common topic in business as established businesses seek to take advantage of business opportunities outside their home country’s boundaries. It is imperative to note that the expansion of businesses beyond the home country’s boundaries does not only affect the company’s structure and operations, but
also its allocation and management of human resources. Ang and Massingham (2005) argued that organizations must make decisions on whether to standardize or adapt their human resource management strategies in addition to the marketing strategies. According to Marler (2012), strategic human resource planning is the process by which an organization identifies the human resource needs of the organization and putting in place proper measures that would ensure that such HR needs are met amicably for the organization to achieve its strategic objectives. The planning process should be focused on the human resource management practices of the company and the strategic goals which the company hopes to achieve through its human resource policies. As opined by Briscoe et al. (2011) the essence of strategic human resource planning has been evident in many countries such as in the Western countries where there is a significant number of aging worker population who need to be replaced by young vibrant talents/workers to make the firm maintain its path to prosperity.

However, in an increasingly globalized economy, the economies are largely integrated such that the economic happenings in one country are likely to affect the other economies that are connected to it (Marler et al., 2012). For instance, if two countries are trading partners and one country plunges into economic crisis, it means it will have to reduce its level importation of commodities and as such, the other country is also affected when it can no longer sell its products to a foreign market. In the same line of argument, Ericson and Dyer (2005) posit that the integration of world economies has seen the emergence of multinationals which operate in more than one country and as they operate in multiple countries, their operations are affected by the local environments in the respective countries as well as what happens in the international arena. One area that is affected by the business environment is human resource planning and management. The global business environment includes the political factors, economic factors, socio-cultural factors, technological factors, ecological factors, and legal factors (Budhwar, 2012).

1.2 Significance of the study
The global business environment comprises the political, social, economic, technological, and legal factors. These factors affect the success of the business in a specific market and also determine how the company will align its operations to fit into the prevailing business environment (Liang et al., 2010). For instance, in cases where there are no good political relations between countries, the businesses are bound to be affected negatively as this may result in a country placing embargo on brands belonging to the other country. The same applies to the social factors. This study attempts to examine the global business environment facing the Western companies operating in China with a focus on KFC. In the international business arena,
Chad and Katou (2007) intimate that each country has its own specific conditions which a multinational will have to conform to with regards to HR planning. For instance, the Chinese have a tendency to put emphasis on collective success rather than individual success and this implies that a Western firm such as KFC has to focus on team building initiatives in its Chinese subsidiary in order to get the maximum output from its Chinese employees as argued by Budhwar (2012). This study seeks to examine how KFC may need to adjust its strategic HR planning practices to fit into the Chinese scenario. This study also intends to investigate the strategic HR planning practices of KFC in China to establish which ones succeeded and which ones failed.

2. Literature Review
2.1 Strategic Human Resource Planning
As a result of a mixture of developments connected to rapid globalisation, major technological developments, growth in emerging markets, regular change, and focus on intellectual capital, the Human Resource (HR) function has evolved to become more strategic and global in its function (Briscoe, Schuler and Tarique, 2011). Wright, Dunford and Snell (2001), the resource based view (RBV) has focused on the internal firm resources such as intellectual capital as a major source of competitive advantages, and this has been vital in the development of SHRP strategies. The RBV argues that for a given firm to cultivate sustainable competitive advantages, it has to develop and utilise valuable, unique, and inimitable resources at its disposal. According to Chad and Katou (2007), SHRP focus on the functions as well as roles of HRM systems and their impact or effect on firm performance. According to Mathew and Jain (2008), the development of business strategy has to factor in both internal and external factors so as to ensure that the firm responds to its internal strengths and at the same time to external influencers. To this end, Barney, Ketchen and Wright (2011) argue that although the RBV has had a major impact on the SHRP field, it is imperative that it be revitalised especially through continuous innovations on its links with other processes, perspectives and sustainability. Furthermore, Campbell, Coff and Kryscynski (2012) posit that an organisation capacity to develop sustained competitive advantage from employees depends both on the specific competences of the employees as well as the capacity to enhance these competencies. This as such calls for the adoption of the best practices both internally and externally developed to ensure that the employees remain competitive and valuable to the firm.

2.2 Theoretical Frameworks
To explain how the global business environment influences strategic human resource planning, Mulla and Premarajan (2008) adapted the contingency theory to the field of
HRM. The classical contingency theory argues that the choice of HRM practices and the link these relationships have with firm performance is influenced by an array of external and internal environment factors (Mulla and Premarajan, 2008). According to Sajeevanie (2015), the contingency theorists have opposed the adoption of best practices given in SHRM given that these practices assume that these best practices are a perfect prescription for each organization. Therefore, each organization is tasked with the challenge of finding or developing its best fit solution to its SHRM problem. Furthermore, Morris et al (2009) cites the contextualist theoretical perspective as influencing views on SHRP. They argue that this perspective factors in the uniqueness of geographic and industrial context, macroeconomic, social factors and business systems as influencing SHRP. In general, both theoretical frameworks highlight the critical influence of the global business environment and SHRP. It is imperative that business leaders’ factor in the global forces that impact HRM in their efforts to ensure that HR enables the firm to cultivate sustainable competitive advantages.

2.3 The Influence of Global Business Environment on Strategic Human Resource Planning

In terms of changes in the international economy, Nyberg et al (2011) argue that the interconnectedness of the global economy has seen movements or changes in a specific national economy have an impact on other economies globally. For example, a global recession may see firms reduce its workforce, freeze hiring of new employees, and fund comprehensive training and development programs for existing employees (Nyberg et al, 2011). Fodor and Poor (2009) argued that it is imperative for organizations to be careful in dealing with economic crisis as they should manage the risk of losing their talents to competition because it will jeopardise their ability to innovate. As a result, these organizations will have lost their driving force hence it will be difficult to achieve significant growth during the recovery phase. In the event of global growth, firms may focus on hiring of new employees as they expand into new markets, development of new products that necessitate employee training and development and rise in wages and salaries as motivation for employees (Nayar, 2010). In terms of technological changes, Nyberg et al (2011) are of the view that technological changes especially those that impact organisational operations will have a direct impact on SHRP. According to Liang Xie and Cui (2010), it is imperative that firms remain aware of the changes in production technology especially if they are not leading the technological change. Additionally, Nyberg et al (2011) argues that in the global business environment, firms must consider the effect or impact of national cultures and traditions on a firm SHRP strategy. This is considered critically important because firms are increasingly going
global and to succeed must factor in the uniqueness of each market as influenced by culture and traditions. Nyberg et al (2011) argue that in some cultures, there are clear and entrenched gender roles at the workplace and this must be considered in the development of SHRP strategy. Although gender roles at the workplace have largely been eliminated, some cultures especially in Arab countries still retain some degree of gender roles that must be respected and maintained by international firms. For example, in Saudi Arabia, women are not allowed to drive as such firms should consider this factor as they seek to hire drivers. Additionally, Novicevic and Harvey (2001) argue that there are certain cultural does and don’ts that must be considered at the workplace in relation to issues such as meeting etiquette, addressing senior employees and how employees relate with each other. It demands that a firm’ SHRP strategy factors in the influence of culture and traditions on HRM practices. This as such calls for training of employees to ensure that they are multi-culturally competent especially in international markets where success is also tied to how a firm is perceived in terms of upholding cultural values and traditions.

The Hofstede’s model has been used to evaluate the impacts that cultural differences between two countries has on the HRM practices (Eroglu 2014; Al-Sarayrah et al 2016; Bialas 2009). Bialas (2009) argued that variation in power distance in different cultures makes it difficult for organization to standardise their HRM practices given that HRM practices are closely related to culture hence impossible to replicate in different cultures. The individualism/ collectivism axis shows that individual in different cultures either prefer to work alone or in groups, which will greatly impact on the HRM strategies that an organization adopts in different cultures. Al-Sarayrah et al (2016) argued that the level of uncertainty avoidance differs in different cultures and this will have significant impact on elements such as seniority and management relationship between different individuals within an organization. Therefore, it is imperative to note that an organization has to evaluate the cultural dimensions that it faces in different cultures and devise HRM strategies that accommodate the different practices in these countries. It is clear from this that the universalist approach is not appropriate for SHRM practices for an organization that has internationalized, especially organization that operate across the globe and are not confined to a few countries with a homogeneous set of cultures.

3. Methodology

3.1 Research Design

Research design can be described as the arrangement of the study or its plot which encompasses the entire processes involved in data collection, data analysis and subsequent presentation of the data (Bajpai, 2011). The research design can be
descriptive design, exploratory design, as well as explanatory design. Descriptive designs entail the description of research phenomena and rarely go beyond the description. This implies that the focus is on addressing the “what” element of the research questions. On the other hand, exploratory designs involve an in-depth investigation into the research phenomena to establish the reasons why the specific research phenomenon happens in a particular manner. According to Wilson (2010) the emphasis of exploratory designs is on addressing the “why” component of the research questions. Explanatory studies involves providing amicable explanations on how the research phenomena happen which implies that the focus is on addressing the “how” aspect of the research questions. In this study, the desired research design is descriptive design (Collins, 2010). Descriptive design as intimated above focuses on the description of phenomena and in this case, the focus is on the effects of global business environment on the adaptation of strategic HR planning. It uses KFC China as the case study. This is because KFC is an American company and since the social, political, and legal environment of China differs from that of the United States, KFC must adapt its strategic HR planning strategies to suit the Chinese environment.

3.2 Research Approach
Research approach refers to the scope of coverage of the study as it may entail widening the scope or narrowing the scope. In this regard, research approaches can be deductive or inductive in nature. While deductive approach entails narrowing the scope of the study as claimed by Barney et al. (2011), inductive approach entails the widening of the scope. In this regard, inductive approach entails using a specific case study and applying it to a larger scope such as an industry or the global market environment to generalize about what happens in the larger scope. Deductive approach on the other hand entails using a generalized theory and applying it to a specific case study (Briscoe et al., 2011). In this study, the research approach chosen is inductive approach. Inductive approach is suitable in the sense that it uses KFC as the case study to collect data but uses the data or findings to generalize and statements of facts about what happens in the global business environment with regards to strategic human resource planning strategies. This approach is suitable as it is more feasible to gather data from a specific organization and applying it on a wider scope rather than making attempts to cover many organizations which may be costly or infeasible within a limited timeframe and in the context of limited resources.

3.3 Data collection and analysis
Data collection technique is largely determined by the nature of information that is anticipated in the achievement of the research objectives. The data collection
techniques include qualitative and quantitative techniques. Based on the nature of data that is used to achieve the research objectives, research that primarily relies on statistical data or mathematical models is referred to as quantitative technique (Wilson, 2010). In this study, the data collection technique that was used was qualitative technique. Qualitative technique is suitable because as a study which relies on interviews to gather data, it relies largely on the opinions, statements and views of the target respondents to achieve the research objectives. Data analysis method refers to the method that is used to critically examine the research findings in line with the research objectives and also in line with the existing literature (Bryman & Bell, 2015). This implies that the methods of data analysis used for qualitative data differs from that used in quantitative data analysis. Qualitative data analysis methods include content analysis and thematic analysis while the methods for quantitative data include SPSS, Excel, and ANOVA (Collins, 2010). In this study, the most suitable method of data analysis is thematic analysis. In this method, the focus of the researcher is on identifying the most predominant themes that are featured in the research and categorizing similar themes together. It is a suitable method of analysis in this study as it deals with qualitative data gathered from the respondents through interviews as suggested by Crowther and Lancaster (2008). Thematic analysis also makes it easier to link the main themes featured in the interview responses to the research objectives hence ensuring that the objectives of the study are adequately met through the analysis.

4. Findings and discussion

4.1 Demographic analysis

This study collected a variety of demographic data including gender, age, education and income to be able to effectively analyse data that addresses the set objectives. The data is summarized below.

<table>
<thead>
<tr>
<th>Random code</th>
<th>Company designation</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>76A1 (Male)</td>
<td>Head of International Human Resource Planning</td>
<td>Human resource management</td>
</tr>
<tr>
<td>76B2 (Female)</td>
<td>Financial management executive, Fries</td>
<td>Finance</td>
</tr>
<tr>
<td>77A3 (Male)</td>
<td>Chief executive officer, China</td>
<td>Fast food</td>
</tr>
<tr>
<td>77A4 (Male)</td>
<td>Marketing in Charge</td>
<td>Sales and marketing</td>
</tr>
</tbody>
</table>
Three fifth of the participants were females while males were a two fifth of the targeted population. The interview also sought information concerning the education of participants where it emerged that majority of the KFC employees were university graduates (nearly half) although others had college training and a few had postgraduate education qualifications. In general, though, it can be ascertained that KFC is composed of employees with college or university education on average. The Table below shows the analysis for monthly income of the participants for about 40% of the participants who were able to reveal this sensitive information.

<table>
<thead>
<tr>
<th>Descriptive statistics</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>$679.84</td>
</tr>
<tr>
<td>Median</td>
<td>$606.00</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>$391.798</td>
</tr>
<tr>
<td>Skewness</td>
<td>.966</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>-.337</td>
</tr>
<tr>
<td>Range</td>
<td>$1,401</td>
</tr>
<tr>
<td>Minimum</td>
<td>$299</td>
</tr>
<tr>
<td>Maximum</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

The participants of this study were asked how much they earned from the company and provided the figures as shown above although many were reluctant to reveal this information as earlier indicated. In total, management workers at KFC in China earn about $679.8 as management salary whose standard deviation is $391.8. The high standard deviation implies a big disparity between the income of low and highly paid management employees in the company. The mode for income of employees was $646 per month with a minimum monthly income of $299 and maximum of $1500.
hence, the range in the income is close to $1200, an equivalent of 92.1%. The skewness value is computed as 0.966 and a kurtosis value of -0.337. These values show that the income disparity and range is quite high among the same calibre of employees at KFC.

4.2 KFC in China
The study intended to have a glimpse of how KFC as a company was performing in China by engaging participants. They were asked to comment about their current performance in the Chinese fast food industry. Many participants were quite contended about the performance of KFC in China. They said that the performance of KFC had reached a level of no return and was set to reap even higher profits. A few responses are quoted in the place of this question: Respondent 79A10 said, “We are doing extremely well, and this is just a beginning. Watch the space!” another participant, 76B2 intimated that, “Doing just ask about performance, ask why us. Indeed, am grateful that we have continuously shined against competition in China despite harsh legislations in place regarding healthy living. Given the opportunity, China is a good destination for us.”

Data gathered from participant 77A3 revealed some important quantitative information about the performance of KFC within China as a US conglomerate. The respondent reported that Yum! China sales increased by 16% in 2011 having been established just a year earlier. In the US, the participant said that a decline of 2% had declined for the same category of products meaning that China was technically ahead even though a new niche with unique and new features. Figures obtained also indicate that KFC margin was 22% in six months of established when in the US it was 11%. It was established from the participants interview responses that the firm had more than 4.1 USD and 755 million dollars. In the last quarter of 2010, KFC China had surpassed the US counterpart in revenues and operating profits standing at 4.1 billion USD and 755 million USD respectively. The respondent was of a belief that in just five years, China’s stake would be two times that of the US.

4.3 Strategies in adapting HRM planning in China
The most highly quoted strategy was that of localization for both products and services. The participants indicated that they employed localization as a strategy to becoming a market leader in China. In this case, localization is associated to acculturation, convergence of practices and behaviour and sharing similarities while ceasing the differences. The key respondents said that KFC China was generally trying to reflect China in most prospects. The major prospects include size of the farm, confidence and eagerness for new experiences. It should be noted that for China, customer relations
skills are quite poor. KFC China handled this by recruiting employees through a thorough training program. With this, they were able to instil some basic employee management skills among the locals being employed into customer services.

As learned from the study, there was also a good focus on ownership rather than franchising when it comes to HRM planning in China for KFC. According to respondent 79B9, “rather than having local partners, our strategy even in HR is to possess and own as many outlets as possible be. Owning outlets helps us to identify well with the local people hence high possibly of better performance.” It was also established that KFC currently owns about 90% of its own stalls and stores, which was a great challenge to the dominant logic. Although franchising is one of the best strategies of getting global because reduced, costs and risks of investment occur. However, for KFC, there were not many people with the experience needed in order to run franchises. Subsequently, according to respondent 79B10 “Owning the restaurants allow the company to closely control every aspect of their operation, from menu to decor, and to monitor results and the success of new products”. It permits centralized purchasing, which reduces costs, and gives the company a larger share of outlet profits.

Other than recruiting and subjecting new persons to basic interpersonal skills training, KFC also has a program for continuous training of employees while in service. This strategy has also been very successful for the company to make sure that the quality of service is very high even though this concept is quite unfamiliar among many persons in China. This is also, where KFC is greatly challenged in staffing even though there are many willing workers. The rapid expansion of KFC in China today requires that 1000 new managers and 30 thousand crewmembers that must be ready every time a store is completed. Nevertheless, KFC also banks highly on learning and talent management as basic skills. In such cases, it was found that an employee who is new is inserted among experienced ones in established outlets; once trained, they move to a new location.

5. Conclusion and Recommendation
5.1 Conclusion

It emerged that strategic human resource planning is a critical component of strategic human resource management and involves identifying the human resource needs of the organization and formulating strategies on how such needs can be met in line with the strategic objectives of the organization. Strategic human resource planning also serves as a source of competitive advantage to the firm when done effectively. This is in line with the Resource Based View (RBV) which considers the human resource as an important resource/asset to the company. This implies that the company can use
its HR planning approach to make the human capital valuable, rare, inimitable, and non-substitutable to gain competitive advantage over its rival. The global business environment affects the human resource planning strategies of the organizations especially multinationals like KFC. It comprises political factors, economic factors, socio-cultural factors, technological factors, and legal factors. The political factors shape the HR planning approaches of the company in the sense that the decisions that are made by the political leadership affect the HR practices of the company and in the planning approach, the firm has to take into consideration such decisions.

5.2 Recommendation for future studies
This study intended to examine the global business environment and how it affects strategic human resource planning in KFC with a focus on KFC China. It emerged that the political, economic, socio-cultural, and technological factors affect the strategic human resource planning of KFC and KFC has to adjust its HR practices to reflect the local business environment. For future studies, it would be useful to conduct a comparative study between a company that uses standardized HR planning approaches and one that uses adapted HR planning approaches to determine which one is more effective. In this regard, the study would focus on companies that are sensitive to the prevailing political, social-cultural, economic, technological, and legal environments and how adapting their HR planning approaches have helped achieve higher level of success. It would also examine companies that embrace standardized HR planning to examine how such approaches enable them be effective in their HR management approach.

5.3 Limitations of Study
The Limitations for the research was obtaining the data from the respondents, as respondents were cagey to produce information that they deem would be sensitive to 3rd parties. Similarly, obtaining information of SHRM from a company like KFC was tough if not complicated as information was scanty but the researcher tried hard to retrieve the data to enable the research understand its objectives.

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