

teaching note

Cultural Dilemmas for a Senior Expatriate CEO in China

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Summary of the Case

Yum China was first founded as a spin off from Yum! Brands. Yum! Brands is a well-known corporation that owns restaurants including Pizza Hut, Taco Bell, and KFC. After controversies involving health code and the vast amount of business being conducted in China, Yum! Brands founded Yum China, an independently ran and publicly traded corporation, in 2015.

Succeeding previous CEO Sam Su, Micky Pant was hired as the CEO of Yum China in 2015 and held his position until October of 2017. Mr. Pant is originally from Uttarakhand, India and was born in 1954, making him 61 years old at the time when he was hired. During Pant's tenure, Yum China's financial performance was sub-par. With same-store growth targeted to reach 3%, the same store growth was only 0.5% for 2016, company sales reached their lowest point to date, and the total sales of Pizza Hut decreased by 2%. Although Mr. Pant had successfully ran and operated multiple corporations in his past including Yum! Brands and Reebok, something was not clicking with Mr. Pant and Yum China.

Upon the difficulties faced by Yum China under the leadership of Micky Pant, Yum China appointed a new CEO in 2017, Joey Wat. Joey Wat was born in Fujian, China and was 46 upon her time of hiring. Under the leadership of Joey Wat, Yum China saw significant financial improvements around the entire company.

This case study focuses on the dilemmas faced by Yum China upon hiring expatriate CEO Micky Pant and why certain aspects of Micky Pant's demographics, cultural differences, and past positions may have played a role in his leadership of Yum China that is inconsistent with his previous professional record.

Teaching Objectives

The teaching objectives could be two levels: graduate and undergraduate. For undergraduates, students should be able to 1) demonstrate an awareness of the difficulties of multi-national fast food chain business 2) give examples of the cultural differences between countries and how they affect restaurant business 3) track how those cultural differences impact business decision making, and 4) analyze whether age will impact the adopter of a new culture.

Graduate students are expected to critique an expatriate assignment, especially at a senior level. They may be asked to identify the potential reasons that may affect the success and failure of international business assignment.

Target Audience

The case will not only be suited for students in hospitality management as it will be of use for all students learning about international business. The case could be used in a human resources and global hospitality courses at the undergraduate level or used in the strategic and international management course at the graduate level.

Learning Outcomes

Upon completion of reading the case, the assigned suggested readings, viewing the videos, and finishing the assignments, assessments and discussion, students will be able to:

Demonstrate an understanding of the challenges of being an expatriate manager in the hospitality industry.

- Assist hospitality organization in talent selection for overseas management positions.
- Analyze the performance of an expatriate manager in the hospitality industry.
- Evaluate the feasibility of a potential expatriate assignment in the hospitality industry.

Teaching Approach and Strategy

- Facilitating a lecture and class discussion about the Chinese fast-food industry in general.
- Introduction of the Yum China case challenges.
- Small-group discussions.
- Assessment of work expressing understanding, application, analysis, and evaluation.

Lecture and Class Discussion

- Overview of the Chinese fast-food market. (History, Competitors, Market Share, Governmental rules and regulations, Sustainability)
- Cultural Considerations (Cultural differential, Labor Issues, Customer Culinary Preferences, Dining expectations)
- Human Resources (Expatriate Employees, Foreign National Employees, Compensation, Employee Demographics (Age), Potential conflicts)

Introduction and Discussion: YUM CHINA CASE

- Knowledge: Yum China History, Market Challenges, Company Performance
- Comprehension: Introduction of CEOs, their respective challenges for the case study time-period: Culture challenges, Age-related Issues

Small-Group Discussions (Suggested Questions)

1. How much of a role do you think cultural awareness, fit, and understanding factor into the success of an organization like Yum China? Precisely what challenges do you anticipate they will need to be ready for? What would be your recommendations to address those challenges?
2. Since the United States is a melting pot of different cultures, do you think there may be different perspectives due to cultural differences regarding age in the workplace? How is age viewed in the United States compared to a more homogeneous culture such as that of China?
3. Aggressive company growth, similar to the market share growth experienced by Yum China, can present many challenges associated with a ready and capable workforce. Do you believe it is better to have strictly nationals as managers or would an organization benefit from expatriates joining the workforce, even though they may have a vastly different cultural background and are likely more expensive to hire?
4. What successes or failures related to culture can you identify in the Yum China case under any of the mentioned CEO's? What other brands are you aware of that have gone international? What international businesses successes or failures are you aware of, and in your assessment do you believe they are related to cultural differences?

Assessment

- Summarize the case and the group discussion points surrounding questions.
- Multimedia Class Presentation
- Keys for Assessment:
 - Culture (Western versus Eastern/ America versus China)
 - Challenges and Strengths (expatriate versus local)
 - Strategies
 - Salary and compensation package (expatriate versus local)
 - Financial reports: Cost of Goods Sold, Sales Performance, Turnover
 - Employee satisfaction
 - Overall performance (expatriate versus local)
 - Recommendation for real world application
 - Suggestions or lessons learned from the case.

Suggested Readings

- Albrecht, A. G., Wiernik, B. M., Deller, J., Dilchert, S., Ones, D. S., & Paulus, F. M. (2018). The Impact of Age and Experience on Expatriate Outcomes. *Managing Expatriates: Success Factors in Private and Public Domains, Series on Population Studies*, 50.
- Reynolds, M. (2016). *How Does the Aging of Employees Affect Human Resources? Small Business*. Chron.Com. <https://smallbusiness.chron.com/aging-employees-affect-human-resources-60377.html>
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- Selmer, J. (2006). Language ability and adjustment: Western expatriates in China. *Thunderbird International Business Review*, 48(3), 347-368.
- Shi, X., & Franklin, P. (2014). Business expatriates' cross-cultural adaptation and their job performance. *Asia Pacific Journal of Human Resources*, 52(2), 193-214.
- The Culture Mastery. (2020). *Money, Time, Manpower – Stinginess With a Tiny Slice May Cost You the Entire Expat Pie*. <https://theculturemastery.com/2018/10/03/stinginess-with-a-tiny-slice-may-cost-you-the-entire-pie-of-expat-management/>
- Yum China. (2020). *Annual Reports*. Yum China Holdings, Inc. <https://ir.yumchina.com/annual-reports>
- Zappe, J. (2017, June 6). *Survey Shows What You'll Spend On Expat Managers*. TLNT. <https://www.tlnt.com/survey-shows-what-youll-spend-on-expat-managers/>

Suggested Watching

- CAREERXFACTOR. (2014, May 15). *Expats in China: Cultural Difference*. [Video]. YouTube. <https://www.youtube.com/watch?v=M-44JKRqapY&t=24s>
- CAREERXFACTOR. (2014, June 4). *Expats in China: Language*. [Video]. YouTube. <https://www.youtube.com/watch?v=v78xMAoY1ro>
- TEDx Talks. (2017, February 8). *Shrugging Your Way Through Expat Life | Tim King | TEDxWestFurongRoad*. [Video]. YouTube. <https://www.youtube.com/watch?v=mcrJ2Xz1lb8>