

Question 24 (10 marks)

Red Flash is an Australian manufacturer of a range of sportswear. It is intending to expand overseas by establishing a subsidiary in a developing country.

Management has identified that labour laws in this country vary greatly from those of Australia.

In establishing its operations overseas, Red Flash has chosen an ethnocentric rather than a polycentric or geocentric staffing system.

- (a) Identify TWO skills of management needed to implement this business proposal.

One skill is vision skills. This means that they need to be able to see their path.
Another skill is people skills. This is through training staff in a new country.

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- (b) Discuss a possible conflict of interest between stakeholders in relation to the decision to locate in a developing country.

The customers would no longer have access as wide as now to the brand of sports wear. The employees of the business will have to move to another country leaving some family and friends behind. Shareholders also will have a conflict of interest in the fact that they will no longer be able to see the company on a regular basis because it is in a new country.

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- (c) Evaluate the decision of management to choose an ethnocentric rather than a polycentric or geocentric staffing system for this subsidiary.

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Ethnocentric refers to staffing the overseas company with staff from the existing company. This would be better than using a mixture of current employees and new employees. Also it would be better than using staff from other countries because the members of staff know the procedures to follow and have been properly trained therefore the business would find more success in using existing employees. Also it would not be a good idea to staff completely from the other country due to the varying labour laws that may be faced by the business, this way is much safer and cost effective.

End of Question 24