STAFFING PRACTICES BY MILLICOM INTERNATIONAL CELLULAR LTD IN RWANDA

BY

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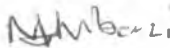A RESEARCH PROJECT PRESENTED IN PARTIAL FULFILMENT FOR THE REQUIREMENTS OF THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

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DECLARATION

I declare that this research project is my original work and has not been presented for any academic award in any University

Signed....**Mhmbazi**........ Date....**15/ 11 / 2012**......

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This research paper has been submitted for examination with my approval as the University supervisor

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DEDICATION

This research paper is dedicated to my beloved husband, Frank NTWALI for his tireless encouragement during the tough days of this research.

Finally, I thank my entire family for having assisted me to complete this work.

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LIST OF ABBREVIATIONS

CEO: Chief Executive Officer

CFO : Chief Finance Officer

H   : Head

HCNs: Host Country Nationals

HQ: Headquarter

HR: Human Resources

HRD: Human Resource Development

HRP: Human Resource Planning

MIC: Millicom International Cellular

MNCs: Multinational Corporations

PCNs: Parent Country Nationals

TCNs: Third Country Nationals

UON: University of Nairobi

ABSTRACT

The study focused on how staffing practices adopted by Millicom International Cellular Ltd might have impacted on its operations in Rwanda. This was a case study approach that was effected through structured interviews that were designed to facilitate data collection. Data was collected from top and middle level managers and was subjected to content analysis with the conceptual approach to capture the dominant themes, categories and aid in analysis. It was evident that MIC Ltd adopted ethnocentric staffing practices, and consequently its operations in Rwanda have been adversely affected by lack of adequate knowledge of the host country culture leading to expatriate failure, lack of local staff career advancement opportunities and lack of organizational identification leading to local staff turnover and low productivity.

The research finally concludes that, generally a successful international firm is one that adopts staffing practices that reduce cultural risks, promote local staff career advancements, encourage local staff organizational identification and lay staff retention strategies to increase productivity. MIC's ethnocentric practices have adversely impacted on its operations in Rwanda, reasons varying from cultural differences, lack of local staff career advancement opportunities, lack of organizational identification by local staff to staff turnover and low productivity. However, a consensus driven approach to decision making where local staff members can contribute their ideas can shed light on the host country.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Staffing, which is concerned with recruitment, selection, placement, evaluation and promotion of individuals, lies at the heart of how businesses procure human resources in an organization (Peters and Youngblood, 2000). In this regard, the focus is on matching the capabilities and inclinations of prospective candidates against the demands and rewards inherent in a given job (Dowling and Welch, 2002).

The profitability and even the survival of any organization usually depend upon the caliber of the workforce, and that the costs of ineffectual commercial viability can often be attributed to decades of ineffective staffing practices (Plumbley, 1985). Even in today's technically advanced business environment, the human factor is instrumental to the success of an organization, hence staffing is one of the key factors that influence the success of an organization (Tanova, 2003).

The last decade has witnessed an accelerated growth of large international firms, many of which operate in 25 or more countries. In 1994, the top 25 multinational companies had sales ranging fromUS$55 to US$175 billion a year. Increasingly, these large multinational companies have shifted sales and production operations to countries closer to their widespread global markets. The international staffing process is of considerable

importance to an international enterprise. Virtually, any type of international problem in the final analysis is either created by people or must be solved by people.

Hence, having the right people in the right place at the right time emerges a key to a company's international success (Deresky, 2002).

1.1.1 Staffing principles

The major inputs to staffing are employee recruitment and selection which start with human resource planning, that is analysing labour supply and demand (Luis and David, 2010). Human resource planning is the process organizations use to ensure they have the right amount and kinds of people to deliver a particular level of output or services in future. Firms that do not carry out human resource planning may not be able to meet their future labour needs, and failure to plan leads to financial costs (Luis et al, 2010). HRP is followed by recruitment, the process of generating a pool of qualified candidates for a particular job. Firms have to announce jobs' availability to the market, inside and outside organizations to attract qualified candidates to apply.

Selection follows so as to make a "hire" or "no hire" decision regarding each applicant for the job. This involves determining the characteristics required for effective job performance, and then measuring applicants on those characteristics which are typically based on job analysis. Selection techniques include letters of recommendation, application forms, ability tests, personality tests, honesty tests, interviews, assessment canters, drug tests, reference checks, background checks and handwriting analysis. Orientation then takes place in order to socialize the hired applicants to orient them to the

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organization and units in which they will be working to make the new worker feel like a member of the organization and not like an outsider.

Finally, performance evaluation, the process of comparing employees' performance with performance targets and standards to check for employee effectiveness must also be conducted (Luis et al, 2010).

1.1.2 International staffing practices

Generally, four main orientations or attitudes can be distinguished for global operations. These attitudes may vary with regard to different subsidiaries or locations. An ethnocentric orientation reflects the view that parent country attitudes and management styles are deemed superior to those prevalent at the host countries. Accordingly, this approach entails international staffing practices that centre on parent country nationals for filling key positions at foreign subsidiaries (Harvey, Speier and Novicevic, 2001)

In contrast, a polycentric or adaptive approach displays a higher degree of local responsiveness as it considers local units as distinct national entities whose management requires local knowledge and is therefore left to host country nationals. PCNs primarily persist at the HQ leading to a reduced overall volume of international assignments. The geocentric or integrative orientation reveals the most comprehensive approach since it centers on a worldwide business philosophy. The focus is placed on potential candidates' ability in favor of nationality which results in the selection and development of individuals on a global basis in order to be assigned key positions at any of the MNCs' units. Finally, a regiocentric approach has been identified and can be placed in between

the polycentric/adaptive and geocentric/integrative orientation. Here, staffing policies concentrate on the regional cross-country transfer of staff (Harvey *et al*, 2001).

1.1.3 International telecommunication firms operating in Rwanda

The Rwandan telecommunication industry has three international firms, MTN-Rwanda, which was the pioneer South African based international telecommunication firm that received a license to operate in Rwanda in 1998 to provide global systems for mobile services for both post and prepaid mobile subscribers. Millicom International Cellular Ltd, under the subsidiary operating name Tigo-Rwanda followed to get a license in 2009, and by the end of 2011, Bharti Airtel, an Indian owned international telecommunication firm also secured a license to operate in Rwanda.

1.1.4 Millicom International Cellular Ltd

The origin of MIC Ltd can be traced back to the early days of the cellular industry. In 1979, Industriförvaltnings AB Kinnevik acquired a small mobile telephone company in Sweden which developed into Comviq GSM. In 1979, Millicom was formed to pursue cellular telephone opportunities in America, and in 1982. it was awarded by the US federal communications commission one of the three cellular development licenses.

In 1982 still, Millicom was founded, with Racal Electronics Plc, a joint venture which evolved intoVodafone. MIC "the group", was formed on December 14, 1990, when Industriförvaltnings AB Kinnevik and Millicom contributed their respective interests in

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international cellular joint ventures to form the group. MIC Ltd was incorporated under Luxembourg law on June 16, 1992.

In 1993, MIC Ltd entered into discussions with Millicom, formerly the owner of approximately 49% of MIC, regarding the acquisition of Millicom in order to obtain a NASDAQ listing and providing Millicom shareholders with direct ownership in MIC Ltd, which was Millicom's principal asset. On December 30th , 1993, a resolution was placed before the shareholders of Millicom proposing an acquisitive merger with MIC Ltd. The resolution was overwhelmingly endorsed and MIC Ltd officially began trading on NASDAQ on December 31, 1993. The remaining businesses of Millicom including its successful satellite TV operations, the broadband license for Britain and Innova Inc, a computer networking company, were contributed to a new company, American Satellite Network.Inc.

In 2008, Millicom acquired Amnet Telecommunications Holding Limited, the leading provider of broadband and Cable TV Services in Central America. It has now become a global telecommunications group with mobile telephones operations in 13 countries in Latin America and Africa. It also operates various combinations of fixed telephony, cable and broad band businesses in five countries in Central America. It was licensed to carry out operations in Rwanda in 2009 under the operating name Tigo Rwanda Ltd. By November , 2011, it had secured 1,523,825 subscribers country wide.

1.2 Research problem

International staffing is increasingly being recognised as a major determinant of success or failure in international business. The staffing problems facing international enterprises are more complex than those in domestic enterprises, and inappropriate staffing practices may lead to difficulties in managing international operations (Deresky, 2002). International firms favouring ethnocentric practices are increasingly facing challenges of cultural risks, subsidiary local staff turnover mainly as a result of lack of career advancement opportunities and organizational identification, and expatriate failure which are the major obstacles to global expansion (Harvey et al, 2001).

Lack of international qualified managers is another success obstacle for firms that would like to pursue a polycentric practice. On the other hand however, expatriate failure for ethnocentric practices is also a hindrance to successful international operations (Deresky, 2002). Whereas for geocentric and regiocentric practices, cultural risks can be minimised, career paths and perceived career prospects increased due to elimination of barriers to international staff mobility. Millicom international Cellular Ltd is therefore not exempted from such international staffing challenges. Various researchers have tried to study about international firms including Kivindyo (2009), who attempted to look at how host country culture affects human capital management practices in multinational corporations operating in Kenya, Kiruguni (2010) tried to look at the influence of culture on success of international agricultural non-governmental organizations in Kenya, Sigei (2009) tried to look at factors affecting investment by multinational corporations in the Kenyan transport industry, however, no study has attempted to determine the staffing practices

adopted by Millicom International Cellular Ltd in Rwanda, and how such practices have impacted on its operations in Rwanda. Therefore, this research sought to answer the questions, what are the staffing practices adopted by MIC Ltd? And how have these practices impacted on its operations in Rwanda?

1.3 Research objectives

The objectives of the study were:

(i) To determine staffing practices adopted by MIC Ltd in Rwanda.

(ii) To determine how such practices have impacted on MIC's operations in Rwanda.

1.4 Value of the study

The study will be important to various stakeholders especially human resource practitioners in international firms, researchers and students. Human resource practitioners will gain an understanding of how critical a particular staffing practice is to an international firm, and therefore recommend appropriate staffing modes to their respective firms.

The management of international telecommunication firms will find the study results useful in terms of enlightening them on the staffing practices they adopted. Other firms will also find the study useful by pointing out the importance of adopting appropriate staffing modes to enhance their firms' international success. It will also add to the researcher's existing knowledge.

Lastly, it will contribute to the existing literature by providing an understanding of international staffing practices and the best that can fit each firm.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on staffing practices by international firms. The chapter begins with general staffing practices, international staffing practices, and their implication on firms' operations in host countries.

2.2 Staffing Principles

The two major inputs to staffing are employee recruitment and selection which start with human resource planning, that is analysing labour supply and demand, the process organizations use to ensure they have the right amount and kinds of people to deliver a particular level of output or services in future (Luis et al,2010). Firms that do not carry out HRP may not be able to meet their future labour needs, and failure to plan leads to financial costs. Recruitment, the process of generating a pool of qualified candidates for a particular job is carried out to attract candidates for the vacant jobs. Firms have to announce jobs' availability inside and outside organizations to attract qualified candidates to apply. Selection will then follow to make a "hire" or "no hire" decision regarding each applicant for the job. This involves determining the characteristics required for effective job performance, and then measuring applicants on those characteristics, which are typically based on job analysis. Selection techniques include letters of recommendation, application forms, ability tests, personality tests, honesty tests, interviews, assessment centres, drug tests, reference checks, background checks and handwriting analysis. With

orientation, organizations must socialize the hired applicants to orient them to the organization and units in which they will be working to make the new worker feel like a member of the organization and not like an outsider. Measuring performance concerns comparing employee performance with performance targets and standards to check for employee effectiveness. Measuring performance against set targets and standards will enhance firms' effectiveness through promotions, training & development, (Luis et al., 2010). Staffing not only helps in acquiring right talent, but also strives for nurturing. There are no universally accepted staffing principles; however, Heinz and Koontz (2003) have identified certain useful major principles or guidelines for understanding and performing more effective staffing function. The principle of the objective of staffing; which is to ensure that those qualified personnel fill organisational roles, the principle of job definition; which states that the more precisely the results expected of managers are identified, the more the dimensions of their positions can be defined. Since organizational roles are occupied by people with different needs, these roles must have many dimensions such as pay, status, power, direction and possibility of accomplishment that induce managers to perform.

The principle of managerial appraisal states that; the more clearly variable objectives and required managerial activities are identified, the more precise the appraisal of managers against these criteria can be. The principle of open competition holds that; the more an enterprise is committed to the assurance of quality management, the more it will encourage open competition among all candidates for management positions. Principles of management training and development also emphasize management training and development. The principle of training objectives states that; the more precisely the

training objectives are stated, the more likely are the chances of achieving them. Finally, the principle of continuing development states that; the more an enterprise is committed to managerial excellence, the more it requires that managers practice continuing self-development. This principle suggests that, in a fast-changing and competitive environment, managers cannot stop learning; instead, they have to update their managerial knowledge continuously, revaluate their approaches to managing and improve their managerial skills and performance to achieve enterprise results.

2.2.1 International staffing practices

Three types of international staffing practices can be distinguished for global operations. An ethnocentric staffing practice is where all key management positions are filled by parent country nationals (Hill, 2011). According to him, firms pursue this approach for three major reasons: The firm may believe that the host country lacks qualified individuals to fill key management positions. This is mostly in cases where the firm is operating in less developed countries. Second, the firm may find this approach the best way to maintain a unified corporate culture, and thirdly, if the firm is trying to create value by transferring core competencies to a foreign operation.

On the other hand however, there are some drawbacks associated with this practice including limiting advancement of opportunities for the host country nationals, and cultural myopia, which refers to the firm's failure to understand the host country's cultural differences that require different approaches in marketing and management. The polycentric approach requires the host country nationals to be recruited to manage subsidiaries while parent country nationals occupy key positions at corporate

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headquarters. This addresses the shortcomings of the ethnocentric approach. Advantages associated with this practice are that the firm is less likely to suffer from cultural myopia, and again it is less expensive to implement. Its draw backs include limited opportunities to gain experience outside their own country, and a strong feeling of nationalism in the home country with host managers at the subsidiary can make the company seem less foreign. Again, managers can create their own upward immobility if because of strong cultural or family ties are reluctant to accept promotions that would require them to leave the country to work at the parent company or another subsidiary.

The Geocentric approach seeks the best people for key jobs in the organization regardless of nationality; they are mainly recruited from third countries. It helps in reducing cultural difference related problems. Again, they may be selected due to their knowledge of several languages and the industry. This practice has several advantages like enabling the firm to make the best use of its human resources, and it enables the firm to build a cadre of international executives who feel at home working in a number of cultures. Draw backs are that it may be expensive to recruit them, high payments, and most host countries prefer recruiting local nationals.

Deresky (2002) distinguishes four international staffing practices: She asserts that international firms using an ethnocentric staffing approach fill key managerial positions with people from headquarters (PCNs). Among the advantages of this approach are that PCNs are familiar with company goals, product technology, policies and procedures, and they know how to get things accomplished through headquarters. Frequently, companies use PCNs for the top management positions in the foreign subsidiary; in particular, the Chief Executive Officer and the Chief Financial Officer to maintain close control of

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operations. With a Polycentric staffing approach, local managers are hired to fill key positions in their own country. If a company wants to "act local", there are obvious advantages to staffing with HCNs. These managers are naturally familiar with the local culture, language and way of doing business and they already have many contacts in place. (Deresky, 2002). With regard to cost, it is usually less expensive for a company to hire a local manager than to transfer one from headquarters, frequently with a family and often at a higher rate of pay. Transferring from headquarters is a particularly expensive policy when it turns out that the manager and his or her family do not adjust and have to be transferred home prematurely.

Rather than building their own facilities, some companies acquire foreign enterprises as means of obtaining qualified local personnel. Local managers also tend to be instrumental in staving off, or more effectively dealing with problems in sensitive political situations. Some countries, in fact, have legal requirements that a specific proportion of the enterprise's top management must be citizens of the country. The author further asserts that, one disadvantage of a polycentric staffing policy is the difficulty of coordinating activities and goals between the subsidiary and the parent company.

Global /Geocentric practices select the best managers from within or outside the company regardless of nationality (Deresky, 2002). A global staffing approach has several important advantages. First, this policy provides a greater pool of qualified and willing applicants from which to choose, second, where third country nationals are used to manage subsidiaries, they usually bring more cultural flexibility, act as an acceptable compromise between headquarters and local managers, and it may be cost-effective to

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transfer and pay managers from some countries than from others because their pay scale and benefit packages are lower. A regiocentric practice recruitments are on a regional basis. This staffing approach can produce a specific mix of PCNs, HCNs and TCNs according to the needs of the company or the product strategy.

2.3 International staffing practices/ an implication for international firms' success

According to Erdener and Torbiörn, (1999), the major international firm's success factor is its ability to adopt staffing practices that reduce cultural risks. Cultural risks include cultural differences originating from varied norms, values and judgements of both foreign and local staff, cultural frictions originating from different staff nationalities each representing his/her own home culture leading to internal or external frictions. Staffing practices that reduce cultural frictions and differences can help the firm to gain competitive advantage, improve performance and hence gain success internationally. International staffing practices are particularly sensitive to the central and local dilemma. Within this general area of concern, one important consideration is the staffing practices of international firms, and their impacts on firms' success. Certain aspects of staffing have significant implications for the cost structure of the firm, either decreasing or increasing overall costs.

The transaction cost theory of international firm success holds that; the ex ante costs of operating in another country include the costs of establishing a physical presence and of learning a new culture and market (Hennart, 1994). In the international firm's situation, the extent to which internalization does in fact reduce risks and costs is influenced by staffing decisions regarding the use of parent country nationals , who are expatriates sent

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from the country of the parent corporation to the foreign country operation, host country nationals, who are foreign country nationals hired by the parent corporation to staff its foreign country operation, and third country nationals, expatriates from yet another country employed by the parent corporation and sent to work in its foreign country operation.

According to Deresky (2002). if firms can retain their staff, it enhances success due to the fact that the existing local subsidiary staff has familiarized with the company operations, and if they leave, the remaining will perform at a low rate of effectiveness. Similarly, expatriate retention is of a major importance because the existing staff has adapted to the local culture, and loosing it will lead to extra costs of cross cultural training for new expatriate staff members. Similarly, given the growing importance of local employees for international firms, especially with regard to staff in culturally and institutionally distant foreign subsidiaries, their retention becomes a crucial success factor for international firms' management (Harvey *et al.*, 1999). Retention strategies like local nationals' perceived career opportunities, the notion that perceived career advancement opportunities within the organization reduce employees' inclination to quit is supported both in domestic turnover studies (Griffeth, 2000).

At the same time, there is evidence that the design of international staffing practices affects subsidiary staff's career outlook. More importantly, existing approaches to international staffing are likely to differ in their impact on career opportunities. International staffing practices not only entail consequences for local employees' career

prospects, but also affect their level of organizational identification. Organizational identification is understood as "the degree to which a member defines himself or herself by the same attributes that he or she believes define the organization" (Dutton *et al.*, 1994)., and has been shown to exert a negative effect on turnover intentions (VanDick *et al.*, 2004). However, both aspects are not entirely distinct but reveal several interdependencies, for example, the fulfillment of career aspirations is considered to serve as a key antecedent of organizational identification (Reade, 2001).

To be successful, an international firm should have a compensation package that is comparatively attractive to managers that the firm wishes to hire or relocate to the subsidiary firm in order to motivate and retain their managerial talent (Deresky, 2002). In many countries, it is a considerable challenge to develop compensation packages appropriate to the local salaries and those expected by expatriates or transpatriates. An adequate expatriate package should comprise the salary, bonus, stock options, hardship premiums, currency protection, cost of living, tax protection, housing standards, relocation, education, home leave, shipping and storage allowances, and other perquisites that are adequate enough to bind the expatriates to the organization.

2.3.1 Ethnocentric staffing practices

An ethnocentric approach to staffing displays the most salient shortcomings in terms of vertical mobility since local employees' career advancement is restricted to lower management positions. Existing literature reflects the view that a huge number of foreign expatriates block HCNs career advancement opportunities and creates sizeable income

and status disparities, leading to frustration and dissatisfaction among locals. Again, existing staffing orientations are likely to differ in their effect on organizational identification. Research suggests that the parochial nature of ethnocentric staffing policies, which are based on the belief of PCNs' superiority and leave HCNs in a second class status, seriously hampers organizational identification among local staff (Banai, 1992). This view is supported by the notion that organizational legitimacy will more likely be achieved and preserved at geocentric and polycentric MNCs compared to ethnocentric ones, (Kostova and Zaheer, 1999) Moreover, Grossman and Schoenfeldt, (2001) posit that in the case of a high ethical distance between home and host country, an ethnocentric orientation increases the likelihood of committing a perceived ethical breach which will be detrimental for local employees' identification with their employer leading to resentment, lower productivity and increased turnover among the group.

Cultural myopia due to lack of adequate knowledge of the local environment leads to the firm's failure to understand the host country's cultural differences that require different approaches in marketing and management. Expatriates can make major mistakes before adapting to these differences, for example they may fail to appreciate how product attributes, distribution strategy, communication strategy and pricing strategy should be adapted to host country conditions, and they may also make decisions that are ethically suspect because they do not understand the culture in which they are operating, resulting into poor and unsuccessful operations in the subsidiary firm (Hill, 2011). On a similar note, expatriates sent to manage subsidiary firms carry with them the composition of their home culture leading to cultural differences between them and the host staff. This may

further result into expatriate failure, or even complications may also arise in interaction with the external local environment leading to cultural friction.

2.3.2 Polycentric staffing practices

A polycentric design of international staffing seems more favorable as host country nationals are entitled to fill key management positions at the local unit which entails more extensive career paths and development opportunities. A polycentric approach is more favorable as it gives host country nationals the opportunity to manage the subsidiary on their own. However, a highly localized attitude also entails several inconveniences. In fact, language barriers as well as irreconcilable national loyalties and cultural variations may alienate HQ management and subsidiary staff, thereby risking a reduced level of home-host country interaction and even isolation (Dowling and Welch, 2004). Consequently, while organizational identification may be substantial with regard to the local unit, it will be low concerning the global organization.

The fact that an organization comprises multiple subgroups or coalitions, each with distinct sets of values and goals serving as different sources of membership and identification, sustains the notion that individuals experience multiple commitments or identifications (March and Simon, 1958). Given the prevailing ethnical and cultural differences, this is particularly salient in international organizations (Child and Rodriguez,1996). Gregersen and Black (1992), for instance demonstrate tha,t expatriates reveal varying levels of commitments to the parent firm and the local unit and show that these allegiances are subject to different antecedents. Likewise, Reade (2001)

investigated identification patterns of local staff and found variations in terms of employees' identification to the local and global firm as well as differences concerning the respective antecedents. Her study results suggest that career advancement at the local organization facilitates local identification, whereas global career prospects enhance the identification with the global firm.

These findings sustain the notion of existing interdependencies between perceived career prospects and organizational identification, hence regional and international assignments are vital to foster identification to the global company and retain employees with international career aspirations. The role of supervisor support and appreciation for employees' local identification is particularly challenging in the subsidiary context. Existing frictions between local and foreign personnel, for instance due to intercultural barriers, localized management of subsidiaries generate more favorable outcomes in terms of employees feelings respected, recognized, and thus more attached to the local unit (Reade, 20001).

The previous arguments show that polycentric staffing practices mainly support identification with the local unit. At the same time, it seems likely that identification with the global company is more difficult to promote. As Lawler (1992) noted, identification tends to be more significant with regard to proximal groups or units compared to larger, more distant and more wide-ranging organizations. Also, even in the case of geocentric orientations, international career progression may only involve a very small fraction of host country nationals. It is not clear to which degree these different identifications will

affect turnover cognitions given the higher proximity of the local unit, but it might be assumed that the degree of local identification is more salient in terms of employee turnover and should therefore receive more attention concerning adequate retention measures. With a polycentric staffing approach, local managers, referred to as host country nationals are hired to fill key positions in their own country. These managers are naturally familiar with the local culture, language and way of doing business and they already have so many contacts in place. In addition, host country nationals are more likely to be accepted by all people both inside and outside the subsidiary, and they provide role models for other upwardly mobile personnel (Deresky, 2002).

With regard to cost, it is usually less expensive for a company to hire a local manager than to transfer one from headquarters, frequently with a family and often at a higher rate of pay. Transferring from headquarters is a particularly expensive and complicated policy when it turns out that the manager and his or her family do not adjust to the host country conditions and have to be transferred home prematurely. Some of the shortcomings of this approach are addressed by geocentric staffing practices.

2.3.3 Geocentric staffing practices

Along these lines, geocentric practices display certain advantages because they enable HCNs, at least a part of them, to become involved beyond the local level which will enhance identification to the local and global firm (Caligiuri and Stroh, 1995). Third country nationals are employed depending on their capability to achieve organizational targets. The skills and experience that those managers use and transfer throughout the

firm result into a pool of shared learning that allows the firm to compete globally.

Again, when third country nationals are employed, they bring in more cultural flexibility as well as bilingual or multilingual skills than parent country nationals especially if they are from a similar cultural background as host country co-workers and are accustomed to moving around. In addition, when third country nationals are placed in key positions, they are perceived by employees as an acceptable compromise between headquarters and local managers, and thus their appointment works to reduce resentment.

Finally, it can be more cost-effective to transfer and pay managers from some countries than from others because their pay scale and benefits packages are lower. Those enterprises with a truly global staffing orientation are phasing out their entire ethnocentric concept of a home or host country. As part of that focus, the term "transpatriates" is increasingly replacing that of expatriates (Deresky, 2002). This is due to the fact that most international firms are increasingly adopting geocentric orientations to staff their global operations to reduce ethnocentric and polycentric practices' drawbacks.

2.3.4 Regiocentric practices

Regional and international assignments especially temporary but repeated transfers are a powerful mechanism for socializing local employees with the overall organizational values, thereby decreasing the salience of national cultural influences in favor of an integrating corporate culture. In this case, employees' identification with the local company will be increasingly complemented by identification with the global firm

(Edström and Galbraith. 1977). Building on this notion, the regiocentric approach reveals a generally higher retention capacity by extending employees' perceived career advancement opportunities to the regional level. Still, managerial employees with international career ambitions will find their promotion prospects limited to a specific region, with only marginal chances of being assigned to the HQ (Caligiuri and Stroh, 1995). The aforementioned barriers to international staff mobility are eliminated in the geocentric orientation, which therefore seems to be the most beneficial system in terms of existing career paths and perceived career prospects. Despite its advantages, geocentric staffing policies encompass a crucial shortcoming which is related to their centric nature.

As staffing decisions are still made at the HQ level, firms tend to use this approach in a selective manner. While careers of HCNs and TCNs may be managed on a worldwide basis and may entail temporary assignments to other MNCs units, the majority of career paths are still limited to the local or regional level with only PCNs enjoying comprehensive international mobility (Novicevic et al.2001). Also, researchers highlight the importance of MNCs' administrative heritage and their embeddedness in the home-country cultural and institutional environment (Bartlett and Ghoshal,1998). These factors are likely to reduce an MNC's inclination to adopt and implement a truly geocentric approach to international staffing. Local employees' perceived career opportunities are subject to additional factors. Indeed, enhanced global integration of a subsidiary, possibly accompanied by regiocentric or geocentric staffing patterns, will only be perceived as being beneficial to local employees' careers if MNCs' units display a high extent of interdependencies. These may exist due to extensive communication, shared clients, and

mutual resource dependencies (Birkinshaw and Morrison, 1995). Conversely, a subsidiary's strong local embeddedness will be perceived as having negative career implications concerning global integration, for example, as a result of perceived incompatibility of employee skills (Newbury, 2001). Dealing with turnover then encompasses the need to effectively manage employees' perceptions. In addition, the size of the local unit may have direct consequences for employees' perceived career prospects. Accordingly, international staffing practices need to consider and adjust to context-specific requirements. A pluralistic approach is favorable since it permits the inclusion of contextual and subsidiary-specific conditions as well as normative standards in international staffing decisions (Novicevic et al., 2001).

This orientation thus seems to be more successful in managing employee perceptions and may enable individual and organizational career plans to display a higher level of congruency, thereby fostering employee retention (Lähteenmäki and Paalumäki, 1993). It has become clear that local nationals' career aspirations are generally not limited to the local organization but will extend beyond national boundaries. Moreover, desirable career patterns and perceived career opportunities differ between subsidiaries and even individuals. As a result, a retention-oriented design of international staffing practices needs to consider HCNs' career goals and perceptions to effectively bind these employees to the organization. In this case, a polycentric or a geocentric staffing practice can be of a vital importance given the fact that they are most likely to increase opportunities for local staff career development.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter details the research design that was used to achieve the objectives of the study, which are to determine the staffing practices adopted by Millicom International Cellular Ltd in Rwanda, and how these practices have impacted on its operations in the Country.

3.2 Research design

Research designs are used in preliminary and exploratory studies to allow the researcher to gather information, summarise, present and interpret data. Orodho (2002). The study adopted a case study design. The aim was to equip the researcher with in-depth information on the staffing practices adopted by MIC Ltd in Rwanda, and how those practices have impacted on its operations in the country. The case study was an appropriate research design as it undertook in-depth analysis of MIC Ltd as a unit, hence facilitated intensive study of the same. The highly focused attention on a case study enabled the researcher to carefully study the order of events as they occur or to concentrate on identifying the relationships among functions, individuals or entities.

3.3 Data collection

The study was captured through structured interviews. Respondents were purposively selected from MiC's top and middle management. These included the Chief Executive Officer, Chief Finance Officer. H /marketing, H /human resources unit and the recruitment manager. Action research was also conducted where the researcher could meet challenges of some respondents withholding information citing sensitivity of information and fear of competitors Again, it could be used to obtain information that was not given during primary data collection since the researcher was denied full access to secondary data like human resource management statutory reports citing confidentiality of such information.

An action research is defined and supported by Bogdan and Taylor (1975) as a research characterised by a period of intense social interaction between the researcher and the subjects. During this period, data is unobtrusively and systematically collected. The researcher is closely linked to the community being studied over a considerable period of time in order to understand how people perceive the company. Here, most of the data is obtained through unstructured interviews and through direct participation and observations of group activities. This was done purposely to deal with respondents who could fear to reveal information citing sensitivity of the information being asked for.

3.4 Data analysis and interpretation

Data collected from interviews was analysed through content analysis. It is a central activity in studying the nature of the verbal materials which allowed the researcher to compress many words of text into fewer context categories and make inferences by objectively and systematically identifying characteristics of messages (Kothari,1990).

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The study focused on how staffing practices adopted by Millicom International Cellular Ltd might have impacted on its operations in Rwanda. This chapter presents the study findings and discussion. The study was executed through structured interviews and the interviewees comprised top and middle level managers of MIC Ltd in Rwanda. Top managers were the company's CEO and CFO, and middle managers were heads of departments. This chapter presents content analysis extracts as derived from factual statements of the respondents as captured during the interviews. The chapter also presents discussion of the facts as presented and in line with existing literature on international staffing practices and global firms' operations.

4.2 Staffing practices by MIC Ltd in Rwanda

Staffing practices are very vital to the international firms' success. It was evident from all the respondents that MIC Ltd adopted ethnocentric practices. The company's key managerial positions, the CEO and the CFO are expatriates from the parent country in Luxembourg. Local Staff members occupy positions from heads of departments to short term contractual staff known as Tigo cash, Tigo balance and Tigo lend mobilisers. However, the company is trying to move away from the tendency to view employees as either local or expatriate. Instead, it is trying to promote the concept of Tigo together

people, which will view Tigo employees as individuals who have opportunities to work in various operations. The company is in the process to implement a new organizational structure that will ensure the best possible mix of employees for the next phase of operations where it believes there will be in local, in-market scale that will enable it to continue to lead in markets successfully.

With the new organizational structure, the company aims to shorten the "time to revenue", or the time between the moment one idea proves successful in one market, and the time it generates meaningful revenues across the company. As the company works towards achieving these goals within the framework of its new organizational structure, it focuses on the affordability and accessibility of services, the availability of network and an affinity with customers, which it believes to be the vital and inter-dependent ingredients needed to have successful operations, but the question still remains with the already existing staff, is it currently performing to the company's expectations?

4.3 Impacts of MIC's staffing practices on its operations in Rwanda

The recurrent themes on the impact of MIC's staffing practices on its operations in Rwanda include expatriate failure, local staff turnover and consequently low productivity. Though MIC aims at attracting top-quality employees and understands the need to create work conditions that both promote and retain these individuals, develop a performance-based culture that identifies, develops and rewards the group, the endeavours have not yet reached a positive stand due to ethnocentric practices adopted. Retention strategies, cultural adaptability measures, reward systems and consensus driven approaches to decision making, which are the major supporting pillars to international firms'

employees' success are still lacking in the company. The company exerts more efforts in actively promoting a shift in the organizational culture to become increasingly more customer centric, but little efforts made to make expatriate staff adapt to the national culture. However, the company understands that for the reward philosophy to be truly effective, it needs to fit both the needs of the company as well as its people, MIC subscribes, to the "total rewards" approach, which means understanding the person in a business context. The company is cognizant of the fact that each employee's work experiences are different from each other. Therefore, MIC's proposed approach to total rewards will address a variety of employees' needs, aspirations and expectations, while being almost singular in its focus on positioning total rewards as an effective motivator of those behaviours that will lead to the company's continued business success.

4.4 Discussion of findings

The findings on impacts of MIC's staffing practices on its operations in Rwanda largely concur with what is found in literature. The dominating themes mirror what have been established to be the adverse impacts of ethnocentric staffing practices in international firms. Expatriates who are top managers are facing problems of cultural differences especially in norms and values, they face difficulties in business negotiations with government officials where the culture of slow-pace is a little bit intolerable for them given the fact that they are used to the western culture of rapidity. This has resulted into cultural friction where these expatriates carry and represent what their home culture believes and value resulting into the company's loss of some profitable business deals like installation of network around Muhazi and Gahini sectors of the Eastern Province.

This coupled with other minor cultural differences has led to lost business opportunities and the firm's success as asserted by Erderner and Torbion (1999), that the major international firm's success factor is its ability to adopt staffing practices that reduce cultural risks. These expatriates who occupy key managerial positions have in several cases failed to recognise the need to conform to the host country cultural tendencies. The former CEO's firing and deportation was a consequence of such. This concurs with what literature calls expatriate failure, which refers to any kind of premature termination of an expatriate's contract abroad due to failure to adapt to the host country culture or inadequate compensation package, (Hill 2011).

Another challenge faced by these expatriates is failure to comply with local and international laws and regulations resulting into liabilities and sanctions which might have a material adverse impact on the company's business as stated in the CEO's 2011 annual report. The company's integrity function has been tasked with ensuring not only that it has adequate levels of corporate governance and controls, and comply with local laws as they apply to it, but also taking a proactive approach to ensuring risks and potential future liabilities are mitigated.

Staff retention strategies are still lacking in the company. The expatriates' packages are not adequate enough to bind them to the organization. Evidence is from the above same report highlighting MIC's expatriates' package elements as an annual base salary, share based compensation, social security contributions, and pension contributions. The bonus and share based compensation plans are based on actual performance, including

individual and group performance. The officers are issued share options and restricted shares. Share-based compensation is granted once a year by the compensation committee of the board. The annual base salary and other benefits of the CEO are proposed by the compensation committee and approved by the board. The annual base salary and other benefits of the CFO are set by the CEO and approved by the board, the process which is seen by staff as a long lasting delaying strategy to effect their full packages.

Nevertheless, the elements listed above are not in conformity to expatriates' full compensation packages in order to bind them to the company as asserted by Deresky (2002), that an adequate expatriate package should comprise; salary, bonus, stock options, hardship premiums, currency protection, cost of living allowances, tax protection allowances, housing standards, relocation allowance, education allowance, home-leave allowance, shipping and storage a lowances, and other perquisites. It was again observed that no efforts are made to create career advancement opportunities for local staff. There are only few cases of management training where the company invites executive managers to be trained.

Though reward systems are being planned, respondents argue that they still lack opportunities for career development. Literature reflects that in ethnocentric staffing practices, a huge number of foreign expatriates block host country nationals' career advancement opportunities and creates sizable income and status disparities leading to frustration and dissatisfaction among the local staff (Banai 1992)., and that retention

strategies like local nationals' perceived career opportunities within the organization reduce employees' inclination to quit, (Griffeth 2000).

As a result, organizational identification is lacking in the company, local nationals' perceived career advancement opportunities being a key antecedent (VanDick et al 2004). All these factors have adversely impacted on the company's success in Rwanda due to local staff turnover and low productivity as a consequence. This concurs with Grossman and Schoenfeldt (2001) that ethnocentric orientations increase the likelihood of committing a perceived ethical breech which is detrimental for local employees' identification with their employer leading to resentment, lower productivity and increased turnover. It again concurs with Deresky's assertion that staff retention emerges among the key factors to the global firm's success due to the fact that the existing staff is very well familiar with the company's operations and if they leave, the remaining will perform at a low rate of effectiveness (Deresky 2002).

This has been observed in this study as respondents argue that when a group of their fellow employees leave their jobs; they feel discouraged leading to poor performance and low productivity. The HR office could not exactly reveal all the required information such as employee turnover rates citing confidentiality of such kind of information, but where the researcher could meet such constraints, she would opt for an action research. Here an action research was conducted with several employees from consumer and ICT departments where they estimated a 2011 annual employee turnover rate of 7.2%, meaning close to 22 staff members left the company. Another challenge faced by local staff members is strict supervision rather than empowering them for the organization's

mission. This factor is brought forward by staff citing lack of policies and procedures in the organization, and empowerment is far better than supervision (Deresky 2002).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study findings have been presented as discussed in chapter four. Consequently, this chapter is a summary of the key findings based on the objectives of the study and draws conclusions thereof. It as well covers the recommendations suggested to the company, the limitations of this research, and finally the chapter looks at suggestions for further research.

5.2 Summary

The company's ethnocentric staffing practices have adversely affected its operations in Rwanda. Local staff members are lacking motivation to yield accordingly. This has been mainly due to lack of career advancement opportunities and organizational identification necessary for local staff members to perform with commitment towards an international firm's success. In addition, there is lack of documented human resource policies, procedures and guidelines to free the employees of stressful strict supervision from superiors. This coupled with lack of rewards and incentives for any kind of innovation that the employee might have brought forward leads to local staff turnover and low productivity as a consequence.

The study also revealed expatriate failure in the company as a result of slowness, failure or even reluctance to conform to the host country cultural tendencies leading to

differences in judgement on crucial and profitable business issues. Consequently, there has been firing and repatriation of CEO's which emerges another adverse impact to the company. The deportation of the former CEO on 12th/July/2011, just after having served the company for only one and a half years was a result of such lack of a common judgement and compromise. These expatriates have time and again failed to capture adequate knowledge of the local culture resulting into failure to come to good terms with government officials on crucial and profitable business issues.

Insufficient compensation packages for expatriate staff coupled with lack of career development opportunities and organizational identification for local staff has led to employee turnover in the company. Consequently, the company is incurring extra costs to recruit and train new staff. The company's responses to all these impacts seem too slow to save the prevailing situation.

5.3 Conclusions

Generally, a successful international firm is one that ensures it has adequate knowledge of the host country culture and adopts staffing practices that reduce cultural risks and encourages local staff career development and identification. The usual temptation of transferring expatriates from the parent country on grounds of expertise will hardly yield given the fact that differences in norms and values will always cause lack of a common compromise. This practice ultimately implies that there will be cultural myopia and failure of these transferred staff, hence unsuccessful operations. MIC's ethnocentric

staffing practices have caused unsuccessful operations varying from expatriate failure to local staff turnover and low productivity from the remaining staff.

However, a consensus driven approach to decision making that involves local staff ideas can facilitate successful operations by shedding some light on the host country cultural expectations and even identification. This is due to the fact that once decisions are made at the top level; foreign expatriates are unaware of the host country minor cultural aspirations and expectations which in turn lead to differences in judgements on business and job related issues leading to lost compromise, hence lost business opportunities.

5.4 Recommendations

Adequate cross cultural training is needed to facilitate expatriates adapt to the host country culture and awareness of other minor cultural tendencies that may hamper effective collaboration between the company and the host government.

Local staff members should always be recognised by the company and involved in the decision making process of the firm. By doing so, they will alert the company where expatriates have gone astray from the host country cultural expectations. Local staff members should as well be given opportunities to develop their careers which can facilitate their retention.

The company should develop human resource policies and procedures to guide employees instead of strict supervision which seems stressful to employees and depriving them of focus on their duties. The company should encourage and facilitate more researchers to open up areas of improvement given the fact that this research was carried

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out with a lot of difficulties where some respondents could withhold information on grounds of fearing competitors.

Lastly, the company should try to reduce ethnocentric practices. Rwanda is a fast developing nation with many qualified personnel and therefore they should not keep it under the umbrella of less developed countries. The tendency to recruit top managers from the parent country leads to cultural problems, hence should recruit them from within Rwanda.

5.5 Limitations of the study

This was a case study approach that focused on staffing practices and their impacts on MIC's operations in Rwanda; however there is need to study other factors relating to international business like evaluating MNCs' activities, internationalization problems, and others.

As well, this study was carried out in one country of operation, and therefore staffing practices' impacts can be studied in different countries with different cultural beliefs where the company operates, for example Tanzania and Congo. This will facilitate in distinguishing staffing practices' impacts with regard to the host country culture.

5.6 Suggestions for further study

Similar studies should be carried out in similar firms to contribute to the body of knowledge in the area of international firms' success. There is also need to study other

concepts other than staffing practices, like internationalization problems, political and cultural compatibility as related to international firms' operations.

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APPENDICES

Appendix I: Interview Guide

1. In which country does MIC have its main headquarter?

2. Are MIC's key managerial positions occupied by Rwandans at this firm? if no

   what nationalities occupy these positions?

3. Do MIC's expatriate and local staff members have same cultural understandings

   and judgements on job related issues?

   b) If no, please explain such differences encountered and their impact on the firm

4. Is MIC's expatriate staff fully adapted to local internal and external environment?

   b) If no, how has it impacted on their performance? Explain.

5. Does MIC Ltd encounter cases of expatriate failure?

6. What constitutes MIC's expatriate compensation package?

7. Does MIC offer career advancement opportunities to local staff?

8. Does MIC Ltd offer rewards and incentives to committed staff members?

9. Does MIC Ltd apply a consensus driven approach to decision making?

10. Does MIC Ltd offer regional and international assignments to local staff?

11. What is MIC's estimated annual employee turnover rate?

12. How has this turnover rate impacted on MIC's operations in Rwanda?

Appendix 2: Introduction Letter

MBABAZI Olivia

University of Nairobi

School of Business

July 2012

Dear respondent,

RE: MBA INTERNATIONAL BUSINESS RESEARCH PROJECT

Iam a post graduate student at the University of Nairobi, undertaking a Master Degree in Business Administration/ International Business Management. As part of partial fulfilment, Iam conducting a research project on "STAFFING PRACTICES BY MILLICOM INTERNATIONAL CELLULAR Ltd IN RWANDA". For this reason therefore, I would appreciate if you would kindly spare your little time to answer the few questions I have concerning this firm to facilitate my research.

The information you give will be confidential and used only for academic purposes. Your assistance will be highly appreciated.

Yours faithfully,

MBABAZI Olivia,

Student.