International HRM – Study of Coca Cola

## Abstract

International Human Resource Management includes the firm’s work systems and its employment practices. It takes into consideration both individual and collective aspects of people management. It is not restricted to any particular category or ideology. It engages the energies of both line and specialist managers and typically entails a range of messages for a variety of workforce groups.

This particular article tries to explain how the International Human Resource theories are utilized in Coca Cola as an international organization. It clarifies the IHRM theoretical facet and the way the company uses it in its practices. Also it explains both of the strength and weak points of the practical methods. Coca cola is an example of multi -national enterprises as it operates its business around the globe.

**Introduction**

The Coca-Cola Company is an American based multinational corporation that is engaged in the manufacture, retailing and marketing of more than 500 non-alcoholic beverage brands including the iconic Coca Cola, overseeing a franchised business model where it makes the famed Coca Cola syrup concentrate which it then sells to more than 300 bottling partners located around the world. Coca Cola was invested in May 1886 by Dr. John S. Pemberton in Atlanta, Georgia. Currently, its operations are in more than 200 countries, and with diverse work force of approximately 55,000 employees. Revenue for the year ended 31st December 2016 was US$41.863billion on operating income (before tax) of US$8.136billion. Of the more than 500 brands The Coca-Cola Company owns, 21 generate annual retail revenue in excess of US$1billion). *Interbrand*, the global brand consultancy ranked the Coca Cola brand 5th in the 2018 rankings for “Best Global Brands” after Apple, Google, Amazon and Microsoft assigning it a brand value of US$80 billion. Local Human Resource Management practices are different of International Human Resource Practices, because the core difference in the organizational structure. The structure of a transnational organization as Coca Cola should be different of another American local organization. These variations return from the important role and senior strategies of the company. This should cause some significant change in the HR practices and functions. Since Coca Cola is a company that operates its business around a huge number of countries around the world it began to retort to both of local and international needs. Environment, culture and political differences exist from one region to another. Globalization is the most significant issue for the transnational enterprises development. Coca Cola one of the American companies became a multinational company to take the benefits of new markets and to minimize the labor costs. As per the latest estimates Coca-Cola and Pepsi, its competitor receives more than half of their revenues from operations outside the United States. These reasons and more encourage the company to operate its business outside the boundaries. While the corporate started its operations outside USA it thought about the environmental, cultural and political modifications. Also it considered the differences among the multinational employees. Therefore it started to find the methods and the practices which help to avoid any obstacles since the IHRM has new concepts were developed internationally. As a core point, the international human resource practices should be aligned with the predefined strategic business goals.

**The local and global strategy**

The strategic vision of the corporate was to achieve five strategic goals: Profit, people, value, partners and planet. One of the on top of strategic is individuals, that is that the most significant  component in Coca Cola  as individuals are  the  manpower  that  operates the full work. Moreover the corporate offers its attention to the HRM to manage the human functions and roles and to be orientating with the company’s senior strategy. In line with the higher objectives of the company, human resources management seriously seeking to get the best management to achieve the objectives of the company. For these reasons, IHRM should define the structure of the company as a global.

**The company’s structure**

The home country of Coca Cola is USA it controls each of the centralization and localization’s functions. Senior decisions at The Coca Cola Company are made by an executive Committee of 12 company Officers. This committee helped to shape the strategic priorities. The chair of the executive committee acts as a head for the company and chairs the board meetings and in addition to that he also will be acting as the Chief Executive Officer (CEO) and thus he is the final decision maker. Other executives square measure accountable either for key regions (e.g. Africa) or have an important business specialization for example the Chief Financial Officer. There are seven main regions where Coca Cola operates in-North America, Africa, Asia, Europe, Eurasia, Middle East, and Latin America. Each region has divided into countries and each country has its own structure.

## IHRM concepts in Coca Cola’s practices

# Staff choice, international assignments, international training and development, international compensation, and IHRM in the host Country context are some key concepts of the international practices which Coca Cola’s HRM is responsible to deal with. And it's vital to understand the rationale of transferring individuals from a district to a different among dope parent company, host countries and subsidiaries. The reason of causing employees for international assignment in dope is to realize 3 major goals at intervals short and long terms: to fill positions, develop the management and to fulfill Coca Cola’s development.

# Why does Coca Cola transfer staff from the parent country (USA) to the host countries

Transfer of technical or social control data, coaching of subsidiary managers or lack of qualified native personal

Position Filling

* Level of education in host country is low
* Subsidiary is young
* Subsidiary is Greenfield establishment
* Gain international experience
* Develop global awareness

Management Development

* MNC is more internationalized
* MNC is large
* Control and coordination of subsidiary operations

Organizational Development

* Uncertainly avoidance in home country is high
* Level of cultural distance between home country and host country is high
* Level of political risk in host country is high
* Subsidiary is large or young
* Subsidiary is majority-owned
* Subsidiary is higher in corporate reporting chain Subsidiary is young
* Subsidiary is under-performing
* Improvement of communication channels between head quarter and subsidiary

# Selecting staff for global assignments

Selecting workers for international tasks to attain international specific jobs is tough. Also wrong selection may lead to significant problems. Therefore Coca Cola developed its own system for careful choosing workers, during this system the corporate determines rigorously the acceptable persons for every assignment.

In Coca Cola they invariably provide enough time to assess workers they need to travel for a world assignment. First step is to receive applications from the staff UN agency notice that he's qualified for the task, then conduct  5 hours assessment for all the candidates to spot the subsequent 9 skills:

1. Organizing and planning
2. Perception and analysis
3. Decision making
4. Oral communication
5. Decisiveness
6. Adaptability
7. Interpersonal skills
8. Written communication
9. Perseverance

Second step is to work out the simplest candidates UN agency have  achieve  the primary assessment and raise them to come next day for the  structure  orientation, additionally there's 3 days  of coaching for the road  managers  UN agency square measure chargeable for this choice. In dope typically the third step is associate interview to pick out one amongst 3 candidates to try and do the international assignment.

Comparing with the recent approach of choosing workers to try and do a world task there square measure a big amendment within the manner and technique used presently in dope, results indicate that the new methodology of interviewing is more practical than ancient interviewing. Hence, the assessment/hiring quantitative relation was down from 3: 1 to 2:1.That is for every two people assessed in the center, one could be selected. The cost saving amounted to about $48,000 per center or $4,000 per candidate.

# The disadvantages of traditional selection

Selecting people that have equivalent skills, info, and structure expectations is a lot of advanced than it earliest seems. Someone UN agency has been successful in other places in a very connected position might not invariably be a decent choice. Old selection in most organizations is not as useful as it could be because it is not based on an analysis of job necessities, rather than being prepared and logical, it is unofficial and incompatible, making it hard to compare and assess candidates, it may involve unrelated, and sometimes unlawful, it allows the candidates small chance to express actual job skills and it is based on poor inspection and records and generally relies on the interviewer’s ability to bring to mind complex information about number of candidates.

# PESTLE analysis 2017-2018 -Opportunities and Threats

The year 2018 was a challenging year for the carbonated soft drinks (CSD) market in the US which has declined for ten straight years, largely due to a decline in soda sales, part of a long-term trend that has seen total sales and volume of sugary sodas consumed decline for 11 consecutive years, as consumer worries over the use of high-calorie sugars and artificial sweeteners escalate. Even sales for diet sodas, supposed to be the industry saviors, continue to dip primarily due to increased skepticism of artificial sweeteners such as aspartame, a controversial artificial sweetener often used in diet colas Diet sodas sold by both The Coca-Cola Company and rival PepsiCo posted steep volume declines last year as consumers opted for healthier options. 2018 sales for Diet Coke fell by 4.3% from the previous year while Diet Pepsi was down by 9.2%. With carbonated drinks losing market share to non-carbonated drinks especially bottled mineral water, Coca-Cola is seeking to remake its portfolio with a strategic emphasis being placed on what American consumers are actually drinking such as bottled water or very small mini soda cans. In the following section, we will thus identify the major drivers of change behind Coca Cola’s external environment looking at the general trends driving the soft drinks industry in general. This will help us understand how The Coca Cola Company can utilize its brand competencies so as to take advantage of macro environmental opportunities while at the same time neutralizing emerging threats that are chipping away at its success.

# Political environment

The early part of 2017 saw the introduction of a Muslim travel ban by the Trump administration. Coca Cola Chairman Muhtar Kent joined a swath of more than 1000 CEOs in publicly condemning the ban which he said would impact the company’s long-standing policy that values diversity and mobility of its global employees and customers.

# Economic environment

Staggering declines in soda consumption in the broader US market have unfortunately hurt Coca Cola sales with the company recording revenue of US$41billion in 2016, its lowest since 2010. The declining sales are due to a combination of both economic and social trends that are changing the beverages people drink today across the US and Europe. Such trends are responsible for the US firms decision to cut 1,200 jobs later this year, a 22 percent reduction of its 5,500 corporate staff.

# SWOT analysis 2017

Strengths

* Strong brand reputation. The Coca Cola brand was ranked 5th in the 2018’s “*Best Global Brands*” Interbrand rankings after Apple and Google.
* Boasts 21 brands that earn annual retail revenue in excess of US$1billion
* Strong and creative brand marketing.
* Growing product portfolio with more than 500 new product lines in 2018 alone.

Weaknesses

* Coca Cola has a less diversified portfolio that is too focused on beverages compared to rival Pepsico which has a much broader product diversification that includes snack brands in addition to beverages.
* Consumption of carbonated sodas has been in decline steadily over the years in the US reaching a 30 year low in 2018. This is reflected in Coca Cola’s revenues which have been in decline too since 2012.

Opportunities

* The final divesture of its Chinese bottling operations in November 2016 helped the company focus better on the more profitable syrup manufacturing business which offers more opportunity for future profitability. This also explains why the company has refranchised many of its bottling operations in the creation of Coca-Cola Beverages in Africa and launch of Coca-Cola European Partners are key strategic moves in important and valuable markets.
* Growth in lower-calorie beverages such as value-added bottled water (e.g. sparkling, flavored, and "vitamin" waters), coffee, teas, and other high growth healthy beverages.

Threats

* Coca Cola lost many lucrative sports sponsorship deal to Pepsico and other competitors  at a time when soda consumption is not only declining but when Coca Cola is also losing US market share of non-carbonated drinks to its biggest rival.
* Lots of US cities and states are reviewing proposals to implement a soda tax, a tax that already has been shown to reduce soda consumption wherever it’s introduced.
* Coca Cola is currently the subject of a lawsuit filed for misleading consumers about the health risks of drinking sodas. If successful, the lawsuit could force beverage firms to display public health warnings on their sodas, similar to those tobacco makers add to their packaging for decades.

**Conclusion**

2018 was a challenging year for the carbonated soft drinks (CSD) market in the United States. Total sales and volume of sugary sodas consumed have declined for 11 consecutive years, driven by consumer worries over use of high calorie sugars and artificial sweeteners. Even sales for diet sodas, supposed to be the industry saviors, continue to dip primarily as consumers turn to non-carbonated drinks especially bottled mineral water, which has overtaken soda to become the largest beverage category by volume. The Coca-Cola Company is now seeking to remake its portfolio with strategic emphasis being placed on lower-calorie beverages such as value-added bottled water, teas and other high growth healthy beverages. As health consciousness continues to become the major driver of change in the soft drinks industry, The Coca Cola Company will need to diversify its portfolio in a similar way rival Pepsico has done, and utilize its brand strength to help it take advantage of emerging opportunities in low-calorie beverages. This is the best way the company can neutralize emerging threats such as new sugary drinks legislation that could chip away at its long term success.

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Context

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