

Assignment 1:**Assignment Task (Case Study Assignment)****CASE STUDY: MOLEX**

Molex Inc. manufactures and sells electronic components. Molex's revenue of \$3.62 billion for 2013 (fiscal year) makes it a large player in the sector. Molex operates in two product segments: Connector and Custom & Electrical. In December 2013, Koch Industries Inc announced that it had completed the acquisition of Molex Inc. Koch is an American Multinational conglomerate group (Koch companies manufacture a wide range of products, including transportation fuels, building and consumer products, electronic connectors, fertilizers, membrane filtration, etc.). Koch paid \$7.2 billion for Molex because it believes the company can become an even bigger player in the \$46-48 billion connector market.

Molex Inc. was founded in 1938, in the US. Based in Chicago, it is one of the world's largest manufacturer of electronic components. The company established an international division to coordinate exporting in 1967 and opened its first overseas plant in Japan in 1970 and a second in Ireland in 1971. From that base, Molex has evolved into a global business that generates over 60% of its \$1.84 billion in revenues outside of the US. The company operates over 50 manufacturing plants in more than 20 countries and employs more than 30,000 people worldwide, with only one-third of them located in the US. Molex's competitive advantage is based on a strategy that blends low costs, excellent customer service, and the mass production of standardized products that are sold globally. Manufacturing sites are located in countries where cost conditions are favourable and major customers are close. Since the 1970s, a key goal of Molex has been to build a truly global company that is at home wherever in the world it operates and that proactively shares valuable knowledge across operations in different countries. The human resource management function of Molex has always played a central role in meeting this goal.

As Molex grew rapidly overseas, the HRM function made sure that every new unit did the same basic things. Each new entity had to have an 'employee manual' with policies & practices in writing, new employee orientation programs, salary administration with a consistent grading system, written job descriptions, promotion and grievance procedures, standard performance appraisal systems, etc. Beyond these things, however, Molex views HRM as the most localized of functions. Different legal systems, particularly with regard to employment law, different compensation norms, different cultural attitudes toward work, different norms regarding vacation, and so on all imply that policies and programs must be customized to the conditions prevailing in a country. To make sure this occurs, Molex's policy is to hire experienced HRM professionals from other companies in the same country in which it has operations. The idea is to hire people who know the language, have credibility, know the law, and know how to recruit in that country.

Molex's strategy for building a global company starts with its staffing policy for managers and engineers. The company frequently hires foreign nationals who are living in the US, have just completed MBAs, and are willing to relocate if required. These individuals will typically work in the US for a while, becoming familiar with the company's culture. Some of them will then be sent back to their home country to work there. Molex also carefully screens its American applicants, favouring those who are fluent in at least one other language. Molex is unusual for a US company in this regard. However, with more than 15 languages spoken at its HQ by native speakers, Molex is committed to multilingual competency. The company also hires a significant number of managers and engineers at the local level. Here, too, a willingness to relocate internationally and foreign language competency are important, although this time English is the preferred foreign language. In a sign of how multinational Molex's management has become, it is not unusual to see foreign nationals holding senior positions at company's HQ. In addition to Americans, individuals of

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Greek, German, Austrian, Japanese, and British origin have all sat on the company's executive committee, its top decision-making body.

To help build a global company, Molex moves people around the world to give them experience in other countries and to help them learn from each other. It has five categories of expatriates: (1) regular expatriates who live in a country other than their home country for three- to five-year assignments (there are approximately 50 of these at any one time), (2) "in-pats" who come to the company's US headquarters from other countries, (3) third-country nationals who move from one Molex entity to another (e.g., Singapore to Taiwan), (4) short-term transfers who go to another Molex entity for six to nine months to work on a specific project, and (5) medium-term transfers who go to another entity for 12 to 24 months, again to work on a specific assignment. Having a high level of intra-company movement is costly. For an employee making \$75,000 in base salary, the total cost of an expatriate assignment can run as high as \$250,000 when additional employee benefits are added in, such as the provision of schooling and housing, adjustments for higher costs of living, adjustments for higher tax rates, and so on. Molex also insists on treating all expatriates the same, whatever their country of origin, so a Singapore expatriate living in Taiwan is likely to be living in the same apartment building and sending his child to the same school as an American expatriate in Taiwan. This boosts the overall costs, but Molex believes that its extensive use of expatriates pays dividends. It allows individuals to understand the challenges of doing business in different countries, it facilitates the sharing of useful knowledge across different business entities, and it helps lay the foundation for a common company culture that is global in its outlook. Molex also makes sure that expatriates know why they are being sent to a foreign country, both in terms of their own career development and Molex's corporate goals. To prevent expatriates from becoming disconnected from their home office, the HRM department touches base with them on a regular basis through telephone, e-mail, and direct visits. The company also encourages expatriates to make home office visits so that they do not become totally disconnected from their base and feel like a stranger when they return. Upon return, they are debriefed and their knowledge gained abroad is put to use by, for example, placing the expatriates on special task forces.

A final component of Molex's strategy for building a cadre of globally minded managers is the company's in-house management development programs (open to a wide range of managers who have worked at Molex for at least 3 years). Molex uses these programs not just to educate its managers but also to bring together managers from different countries to build a network of individuals who know each other and can work together in a cooperative fashion to solve business problems that transcend borders.

So, to return to where we started with ..., Molex acquisition by Koch represents a significant event not only for Molex but the sector at large. Arguably Koch targeted Molex because it believed that it could become an even bigger player in the connector market. In spite of the fact that Molex is already a large player it still controls less than 10% of the sector and some reports have alleged that the company has been growing recently below the industry's 20-year 5.3% compounded annual rate. In the fiscal year 2013 Molex's sales rose by 4% from \$3.49 billion in 2012, and less than 1% from \$3.59 billion in 2011.

Case Study source and references

Case study adapted and updated (Jan. 2014) from C. W. Hill 'International Business: Competing in the Global marketplace' (2009).

Further references: J. Laabs, 'Molex Makes Global HR Look Easy,' Workforce, March 1999, pp. 42-46; Molex website at: <http://www.molex.com/molex/about/about-us.jsp>; Molex SEC Form 10K, 2004; Molex will change under Koch, but how much?; Dec. 2013 (available at <http://electronics purchasingstrategies.com/2013/12/09/molex-will-change-koch-much/>); C. M.

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