



LEVEL 7 ASSESSMENT SPECIFICATION

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The Challenges of IHRM of HK Companies to Expand in the Republic of China

And how to improve to achieve success?

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1. Introduction

In December 1978 the policy of **Reform and Opening-up**, (NPC, 2021.) it has not only transformed Mainland China from a developing country to the world's 2nd largest economy but also, brought innumerable opportunities to the world. China has become well known as "the world's factory" benefit of its strong business ecosystem, low labor costs, lack of regulatory compliance, low taxes and duties, and competitive currency practices.

As a result, it attracted a lot of manufacturers from Hong Kong as a pioneer to expand their production lines in China, and create numerous positions of technical specialists, middle management, and executives, thus a lot of challenges of them.

2. Overview

IHRM (International Human Resource Management) always has various challenges, the most obvious is **Staff Recruitment**. In this essay, I will discuss the impacts of the expansion in China, provide an actual case to study, and recommend the solutions to achieve a better result.

3. Case Study

3.1 Company Background

Gordon C & Co., Limited (Gordonc, 2012) founded in 1972, is a leader in the watch industry. The company specializes in OEM and ODM services to international watch brands. As the first watch-manufacturing company to reward the Hong Kong Q-Mark. Moreover, **Gordon C & Co Group** hires over 3,000 employees all over the world to deliver a one-stop service, which enables clients to maintain a consistently elevated level of competitiveness. To promote the company to a global audience, exhibit in the BASELWORLD (Basel World, 2021) Watch show and the Hong Kong Watch and Clock Fair (HKTDC, 2021), the world's largest events in the watchmaking industry.

In 2009, the Group established **Brilliant Glory Metal (Dongguan) Limited** (Brilliant-glory, 2009) in Dongguan, to specialize in processing various watch parts, high-precision mobile phones, electronic products, and metal accessories. Under the group's experience in high-precision metal, processing to operate 800 CNC machines to achieve automation. The company is well-equipped factories as well as comfortable and human-based accommodation and recreational facilities and living spaces – all of which minimize the staff turnover and ensure the ambitious standards in production. Moreover, as an ISO-certified company with SAP management software, to ensure excellent production management and product quality.

3.2 The major challenge of an IHRM of watch industry in China

IHRM cannot escape the challenges of **Staff Recruitment**, nor Gordon C & Co., Ltd, here are some examples to discuss the differences between the HRM in Hong Kong and IHRM in China.

The Benefit under the Reform and Opening-up, (NPC, 2021) a lot of opportunities are provided for Hong Kong employees who have higher education backgrounds and work closely with headquarters, which can be easier to understand the goal and direction of the company. On the other hand, the employee in the factory of China, are relatively working at a lower level. Therefore, most of the employees from Hong Kong are assigned by the mother company to manage the workers in Mainland China.

3.3 The methods of resolving the challenges of Staff Recruitment of IHRM in China

In the headquarters, the HRM recruits through different traditional channels, such as head-hunting companies, students who graduated from Universities, LinkedIn, and professional institutes, etc. to follow the rules and regulations in Hong Kong.

On the other hand, people in China mostly come from the lower level, they left their rural villages to work in cities after basic education in primary school, they don't seek their jobs like the people in Hong Kong, because of this root cause, the **Staff Recruitment** in China developed two new methods to deal with these issues. They post **advertisements on the bulletin** at the front door of the factory or introduce by **referral from hometown**.

The IHR department faces the impact every year, at the end of February which is before the Chinese New Year (CNY), numerous workers resign after the double pay and the bonus released, consequently, the labour forces decline likes a cliff fall. The reason behind this because most of them came from rural villages, after they go home to celebrate the CNY long holiday, which is two weeks up to one month, some people would like to spend more time with their family, and the others would like to do small business at home, therefore, they might not want to come back to the factory. To prevent the dramatic loss of manpower, IHRM usually encourages the workers to stay in the factory with an additional bonus, defer their benefits, promise them to provide better opportunities to promote, and give them recruiting bonuses to encourage them to bring in new workers by referral.

3.4 The benefits and disadvantages compared to two recruiting systems of IHRM in China

To look in little deeper at the benefits to the IHRM and at the same time, what are the suffers? For example, Dongguan Chang'an (HKTDC, 2020) is located in the south-central part of Guangdong Province, which is a manufacturing centre in the Guangdong-Hong Kong-Macao Greater Bay Area (Great Bay Area, 2019), most of the core OEM and ODM factories in watch industry form an industry chain in this GBA area, it also has a nickname called Watch City. Although Chang'an has already developed as a complex industrial city since the early '80s, the workforce still has to relate from the people in rural villages all over China.

Post advertisement on bulletin only serve a little part in recruitment, workers move from one factory to another, it is just a rotation, there is no significant good and bad. Employees seek better basic salaries in the same position, or they are looking for more overtime paid, it's reflected in a small percentage of the total workforce.

3.5 Benefits from enrollment by referral

Considerably, the major factor is the enrolment by referral, the IHRM department encourages workers to invite people to join the company after CNY long holiday, A lot of new employees join the company during that period, it covered a lot of labours of the resignation before the CNY holiday and obviously, which save a lot of recruitment costs as well. At the same time the new employee, also profit from some advantages (Andrew Moran, 2020) as follows:

- Quick establish at the unfamiliar environment.
- To gain job satisfaction easily compared to work alone.
- Feel more peaceful to build the trust of the surrounding from co-workers.
- Communication easily with the same native dialect.
- Better collaboration throughout the workplace
- Reignited career passion
- Higher engagement

3.6 Disadvantages from enrollment by referral

According to the advantages to solve the shortage from the recruitment by referral at hometown/village, theoretically, at the same time, it seems that IHRM also benefits from the new employee to merge with the senior workers more effectively to escalate better productivity levels. But how about the reality?

Although IHRM wants to apply some methods to solve the problems to maximize the benefits to the company, whereas always comes with some damages. Of course, this is not an opportunity cost, either right or wrong or good and bad? This is not that simple. At the managerial level, we always prepare to find out the risks to calculate the cost of returns, rather than being too optimistic.

Here are some typical disadvantages which IHRM is facing in every factory.

- Human nature like to stay together with their kinds, from nations to villages. Recruitment by referral from home, the factory offers food and accommodation to attract the services, in our case study, it even mentioned comfortable and recreation facility, which bring out an issue of how to assign the dormitory and how to operate the canteen? Different provinces from south to north have different food tastes, IHRM put extra effort to set up the rules and regulations to balance the emotional distress and controversy.
- Too many employees came from the same area to form an awfully bad structure in an organization, the modern terms call **Hilltopism**. (OMGChinese, 2020)

We are going to study an actual case from Gordon C & Co., Ltd., extending their business to set up Brilliant Glory Metal (Dongguan) Limited in China. The heritage of the factory in China is separated by departments to workshops, each workshop has their supervisors to manage and report to their department heads, the plant manager takes care of the technical parts with the department heads, and the general manager is responsible for the whole operation. The general manager recruited in Hong Kong from the headquarters to make sure that the whole operation in China follows the guideline of the company. Despite the advanced technology to support the operation like SAP (SAP, 2021), some difficulties still have to deal with, the key factor of IHRM is people, people make mistakes, if the mistake can explore sooner, the loss can be minimized, sometimes even prevent?

3.6 Disadvantages from enrollment by referral (cont'd)

The number one goal of a factory is on-time delivery (a.k.a. OTD) (DigiSource, 2021) to achieve that, depends on a large number of workers and the co-operation between the workshops to the departments. But the sadness always happens, to evaluate the ability and the endurance of the IHRM.

Here is an example, the Plating Treatment Department forgot to switch off a small switch of a pure water tank to seepage of water accidentally. No one was discovered until a routine inspection led by the Hong Kong management team. During that period, no staff in the whole department notified the management of the Hong Kong staff. The damage from Hilltopism, the collusion of withholding information on staff's misconduct cost the company to slow down the delivery and also, spent the extra money to fix the accident.

- Due to the communication easily with the same native dialect, which is nearly no secret between the employee, especially on wages. Employees like to discuss with each other of the salaries, they feel this is the trust and the reward from the management, it brings create a chaos during the salary's adjustment.
- Apart from the benefits from the Staff recruitment by referrals, it can easily find the downsides from the effect of Hilltopism. (OMGChinese, 2020)

4. Recommendation for solution

Based on the analysis of the above, the exiting methods solve certain issues for recruiting, but also, create some side effects to the IHRM. Here are some recommendations for the IHRM of Gordon C&C Ltd., for reference:

4.1 short term action plan

The most critical problem to affect the IHRM is the deduction from the manpower, to stop this, to improve the worker engagement to the company is a way to solve this issue, despite the existing methods to encourage the workers to stay in the company after a long holiday. To provide an additional benefit or increase the salary to benchmark (Robert Walters, 2021) with the surrounding competitor, can increase the willingness of a worker to stay in the company. People left home from rural village to city for a better opportunity, they don't come for fun nor big ambition, they just want to give their family better standard of living. Therefore, provide a compatible salary to give them satisfaction to stay longer to stabilize the loss of manpower. It can also save more money and time cost to train up new an employee to achieve expected results.

4.2 Midterm action plan

The market of talents (HGHRSS, 2021) has a similar function as headhunting companies in Hong Kong for basic working levels. IHRM recruits' workers from this to cover the loss of manpower. To find worker by this method to mix up the people from different provinces which can certainly balance the negative outcome from Hilltopism.

Organizing a job fair (DJZPH, 2021) is another good method to absorb the talent to the company, it provides the opportunity for the IHRM to interview candidates face to face within one day. Because of the large number of people to join the interview, it takes time to arrange, and it cannot do too often, which is usually organized in February after the CNY holiday. To perform a better result, it needs plenty of communication with the department heads and upper management to identify the job descriptions of each role and KPI to develop a proper interview or exam.

4.3 Long term action plan

To ensure the continuity of the supply for the good quality employee, cooperating with the technical schools in China is a solution. The new generation might not want to work in a factory due to long service hours and low paid, they would rather stay at home villages to do small business through social media likes WeChat or Taobao (UND, 2021), they even don't mind being a courier to deliver food or parcel due to the freedom of work and higher hourly wages. If the company provides enough training and promotion, they might have the desire to join? To achieve this, candidates from technical schools (58.com, 2021) are preferable, they are relatively well educated compared to the candidates by referral, and most of them have a special skill to match with the job. Since they have the foundation from school, they are more willing to learn to equip themselves for the next challenges. As the result, it can solve the bad influence from Hilltopism and provide more candidates for the company in middle management, likes supervisor of the production lines or even assistant manager of departments. To facilitate this, the company needs to travel and visit different technical schools, do a lot of research to find the right partner.

Automation (IBM, 2021) is another long-term method to apply, using machines to replace the workers. Provide sufficient training to the worker, transform the basic skill workers to an operator with better knowledge and they can operate the machines do the rest. The major purpose of automation is cutting down the cost rely on labour intensive, for example, one operator can manage up to ten CNC machines at the same time, therefore it can replace ten workers to operate one small session, also the operator is easy to replace, therefore it will help to lower the workload of HRM.

5. Conclusion

In conclusion, human resource management always has to face problems when headquarters expand, the rules and regulations, the cultural differences will create a lot of issues. Staff recruitment is the major topic to study on. Watch industry involve a large number of workers, high volume of job in recruitment is a daily job for HRM, post advertisement on bulletin and enrolment by referral are two methods, which the watch industry are using for long times, they can provide a certain level of service in recruitment but some of the negative issues should have to take care, they are not something have to be take over, but apply some extra methods to develop a better performance is important. In IHRM, people are the main factor, no matter how many methods we apply, if the culture does not change, the effort of the staff recruitment is wasted.

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