

Challenges on Strategic Hiring and Recommendation for International Expansion for Financial Industry

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Executive summary

International expansion is poised to remain high. With the help of technology and artificial intelligence, the companies greatly expand their business from a local business to become a multinational corporation. People is one of the most important assets of a company. When we think of business expansion, we have to consider whether there is enough support of manpower. In the view of this, human resources planning becomes critical to achieve its goal. Some of the business is very unique which developed from family in which the family members involve in the business control and daily operation, even in financial industry, there are banks still run by family. In this report, we will study the challenges of recruitment have to face during international expansion in financial industry, we will use Bank of East Asia (BEA) and JPMorgan & Chase Co. (JPMorgan Chase) as study examples to see how do they encounter the talent risk and tackle the cultural difference when expanding abroad. Short-term, mid-term and long-term recommendation for international expansion will be provided. Human resources outsourcing can be considered as a short-term planning. However, when thinking of an enduring business, merger and acquisition could be a better choice.

Companies background of Bank of East Asia and JPMorgan Chase & Co

BEA is the largest family run local Hong Kong Bank. The company was incorporated in Hong Kong and fully operated in 1918 (The Bank of East Asia Limited, 2019). It is founded by Li family and now it is still controlled by the family. BEA offers various range of banking products and service as well as insurance products through its subsidiaries. The company continued to seek opportunities to expand its presence locally and internationally. In 1920, BEA opened their first branch outside of Hong Kong in Shanghai and Vietnam (The Bank of East Asia Limited, 2019). Today, the Group maintains 130 centers in Hong Kong and operates in more than 40 cities with approximately 10,000 employees (The Bank of East Asia Limited, 2019). Hong Kong remains the headquarters of the company and total consolidated assets of BEA were USD 111.1billion as of 31 December 2019 (The Bank of East Asia Limited, 2019).

JPMorgan Chase is an American multinational investment bank incorporated in Delaware with New York City as its headquarters (JP Morgan Chase & Co., 2019). The company has a long history which was started since 1799 and it began with The Manhattan Company. Through dozens of mergers and acquisitions, the present company was formed in 2000. Today, JP Morgan Chase is the largest and leading

bank in the United States with more 3,300 companies and their subsidiaries. The company with more than 200,000 employees around the world and total asset were around USD 2.7 trillion (JP Morgan Chase & Co., 2019). JPMorgan Chase expanded their footprint in Asia Pacific since 1872 and launched their business in Hong Kong (JP Morgan Chase & Co., 2019).

There are not much sizable banks which are still significantly owned by family. BEA and JPMorgan Chase provide a comprehensive range of banking services and they are both originated from family-owned business. The Li family are still maintaining their family influential in BEA, the current Chief Executive and Chairman, David Li, is the 3rd generation of the Li family. Although JPMorgan Chase named with their leader J.P. Morgan, not like BEA, J.P. Morgan has ceased their family influence and control on the US bank since long time ago (Family Capital, 2014).

Reason for international expansion

When look into the history and background of BEA and JPMorgan Chase, it is always interesting to know how can a small family business expand to become a multinational company. It is not hard to know the reason for the companies choose

international expansion, their desire is especially obvious when the growth of the domestic market become stable and the company is well established in their domestic country.

According to Goldberg and Saunders, during the period of 1960-1978, the total assets of America commercial banks grew from USD 255.7 billion to USD 1,486 billion while those overseas branches rose from USD 3.5 billion to USD 306 billion (Goldberg and Saunders, 1980). It was noted that International business has 99% in growth while the local business was about 83% increment only.

Challenges on international expansion

The basic function of human resources management are staff planning, performance management, talent development as well as retention which aims to drive employees to achieve the company's strategic growth. Human resources management becomes more challenging and complicating when the size of organization increases.

Small local business usually has a stronger connection and better understanding of their domestic country, smaller employee base companies allow easier development

of their company culture and harmonious workplace. However, when the company grows and expands to other countries, there are various challenges have to face and the first thing we have to deal with is the manpower recruitment.

There is a need of various business licenses and investment licenses when engaging in financial industry. In order to prevent breaking the regulatory requirements and the local laws, experts' view on this area will have to be consulted before implementing the business plan for international expansion as well as to understand the talents in the target market. According to a recent survey from KPMG, they have interviewed 1,300 CEOs and most of them claimed talent risk has risen a significant threat to the growth of business and this situation is become more obvious after the start of the COVID at the end of 2019 (KPMG, 2020).

There is no doubt that both BEA and JPMorgan Chase are reputable in their domestic county which allow them to be familiar with the local market talents. They can easily access to the talents with qualified licenses through their local connections. However, when BEA expands to China and JPMorgan Chase expands their business to Hong Kong, they have to face the challenges on recruitment as they have to rebuild their connections and find out the expertise in China and Hong Kong.

Cultural difference is another challenge when the organization expand abroad. Tylor (1871, quoted in Koivulahti, 2019, p.5) defines culture as a mixed of knowledge, belief, idea, custom and social behavior shared by a society. Koivulahti regards culture as country (Koivulahti, 2019, p.5). Each country has different cultural background and practices. People with different cultural background may tend to work in different ways. Some common gestures will be need for overcoming the cultural difference, it will be easier for the domestic company as people can have more interactions and easier to be connected. However, for the team across borders, strong human connection will become the biggest international challenges. It is essential to think of a way to unify the company cultural in different locations.

According to the Lewis Model of Culture (2019, quoted in Koivulahti, 2019, p.7), it divided the countries in different groups based on the people's behavior. It was noted that China and Hong Kong shared similar cultural background. However, USA and Asian countries behave differently. People in USA and Europe countries are more direct and factual. They are job oriented and prefer to plan ahead for carrying out one task at a time. People in Asia like Chinese are indirect, amiable and prefer to follow the rules and react to partner's response. Hong Kong was defined to be mixed of them and more like Asian behavior.

When BEA expands their branches to China, as China and Hong Kong shared similar cultural background, it will be easier for them to get integrate into China. However, when a western originated company like JPMorgan Chase get into Hong Kong, they may have to face various challenges including languages, time zone as well as working behaviors.

Ways to overcome the challenges

The simplest way to hire talents for oversea branches is through the local agency recruiting firm. However, we cannot just rely on outsourcing for recruitment. There are also other ways to attract talents.

Through the young talent program to nurture the relationship with the target students or candidates to help to build up the talent pool for global expansion. BEA offers Summer Internship Programs in China with structured training and on job opportunities through participating the program, The Scheme on Corporate Summer Internship on the Mainland and Overseas, launched by the HKSAR Government (The Bank of East Asia Limited, 2019). The candidate can gain knowledge about workplace culture, interpersonal networks and also the career prospects from this

internship program. This is a collaborative strategy. This not only helps in developing the talent pipeline, it also helps BEA to gain the market awareness and build up corporate reputation in both Hong Kong and China. In Chinese cultural, personal relationships and networks are important for conducting business. This is originated from the cultural perspective of filial piety in Chinese family (McLaughlin, 2013). Chinese trust and rely on their closest friends and their relatives. BEA is a family originated company and the Li family impose collection of government and business connections. The family is still involved in the daily operation and maintaining their influential within the Bank. However, this may interfere the recruitment planning of the company especially the senior positions.

JPMorgan Chase also maintains Work Experience Program in their company webpage. Various branches in different locations offer this program and Hong Kong branch is one of them. Candidate can explore and apply their interested job role from their company webpage directly around the world. This US giant are undergoing digital transformation which empower their staff in different areas and departments including recruitment process.

When expanding internationally, online recruitment platform is one of the ways to attract talents around the world. In order to attract the committed talents, a good brand and reputation will aid in recruitment process. Corporate social responsibility helps to build up the corporate reputation. Nowadays, candidate is looking to work in a company with positive public image. This will promote a better team-work and fellowship among the employees to create a working environment with low attrition. Jamie Dimon from JPMorgan Chase claimed people are most important asset of their company, it is important to maintain a diverse and inclusive workplace for talents (JP Morgan Chase & Co., 2020). Implementation of employee handbook will help to provide a consistent guidance to promote the workplace behavior and offering a shared approach to create a harmonious and fair working environment. The Group issued employee handbook can help to unify the company cultural in different locations. JPMorgan Chase also use machine learning as employee surveillance for tracking on the employee behavior as one of the internal controls (Faggella, 2019).

In order to promote the company culture, BEA and JPMorgan Chase also offers chance for employees to transfer to oversea branches for work to promote the interaction of employees between the local and oversea branches. This can help to build up the internal mobility through this exchange program and the transferred

employees can also act as a bridge for communicating between the domestic and overseas branches. However, we may have to further considering the additional costs when managing international transfer of employees which may result in other concerns, e.g., compensation and benefits, housing or travel allowance and tax requirements, etc.

Recommendations on action plan

When considering on expanding abroad, we have to think about an all-rounded business plan before making the decision. Here we will further explain a short-term, mid-term and long-term action plan as a consideration.

First of all, we have to assess our own business prior expansion, understand the strengthen, weakness and also the position of the company in the market. The external factor is also very important for the business development, economic environment and market capacity is also critical for successful.

Outsourcing is one of the fastest ways to consider as a short-term action plan. There is some global expansion expert like professional employer organizations (PEOs) or

certified professional employer organizations (CPEOs) which allow to expand into a market quickly. They act like an agency firm which offer a global employment solution to help to hire employees on behalf of the company without immediately setting up an international legal entity. CPEO partnerships can allow the small local business to expand their business abroad in short time and at the same time the business owner still maintaining their control of the company. It helps to maximize the talent in target country in a short period of time. However, this model will only be fit for smaller employee base company. If the company expand and number of employees become to a larger size with more than 100, the PEO strategy may not be able to sustain.

It looks like a straightforward decision to consider to set up a legal entity abroad as the long-term plan for international expansion. This increases the brand recognition worldwide. However, setting up a legal entity abroad is not that simple. We have to study the target market, laws, regulatory requirement before planning for the business expansion. Furthermore, we have to understand the social culture for recruiting the workforces. It is not simple to proceed without the help of local experts.

An acquisition can be taken as a mid-term action plan. The company can acquire the target firm abroad and the acquired company retains its name and legal structure for carrying their business which the operational decisions was taken over by the domestic company. The acquired company reports to the domestic company on their financial as well as their daily operation. This can help to enter into a new market and increase the market shares in the industry.

Another way for long term action plan is merger and acquisition which involves the consolidation of companies. This process is a financial synergy for lower cost capital and help to penetrate into an international market by purchasing the existing company. The time frame for merger and acquisition can be several years which including the interception and communication. This process can help to access to talented workforce and retaining the international talents through integration. However, poor managed integration will lead to failure of implementation and loss of talents.

JPMorgan Chase is a very successful on this as the company expands and grows through this strategic move with a splendid success. C-level management have to be involved and leading the merger and acquisition process. Due to the sensitivity of the issue, only senior manager of each departments will have to be involved. Clear

communication from management is important to ease the stress of employees caused by the uncertainty resulting from the merger and acquisition project.

Conclusion

Before making a leap to overseas, it is important to consider the upcoming challenges, regardless the size of the company, this process is complicated and costly. Financial industry plays a vital role in the economy, considering the diverse business foreground, succession and staying ahead of the competition, we may have to think about the possibility of global expansion. Companies can stay competitiveness by integrating and expanding their business activities internationally. BEA and JPMorgan Chase are very good examples to demonstrate the growth from a small business to a successful and robust multinational corporation, these two leading banks overcome the challenges in recruitment and established branches worldwide. For an enduring business, merger and acquisition can be considered as a way for international expansion. There are still lots of challenges have to face other than recruitment, we may also have to take into consideration before moving forward.

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