

LEVEL 7 ASSESSMENT SPECIFICATION

Student name:	Kwok Wai Kam	Student ID number:	2227330
Programme:	MBA		
Module:	Human Resources Management		
Module code:	HKBM7007	Contribution to Overall Module Assessment (%):	50%
Lecturer:	Dr Leo Ho	Internal Verifier:	Dr Terence Li
Assignment Title:	Assignment 2	Word count (or equivalent):	2500 words Essay
Submission deadline:	12 Dec 2022 (Report)	Return date of provisional marks & written feedback:	20 working days after submission
Submission method:	All written assessments, where practical and possible, must be submitted via Turnitin unless otherwise instructed by the Lecturer. (Please DO NOT put this assessment specification into Turnitin or it will match many similarities with other students' submissions.) Alternative submission method (if applicable): Late submission of the assessment will result in a late penalty mark. Penalties for late submission: Up to one week late, maximum mark of 50%. Over one week late, 0%. Only the Extenuating Circumstances Panel may approve a change to submission dates.		
Academic honesty / referencing:	Academic honesty is required. In the main body of your <u>submission</u> you must give credit to authors on whose research and ideas your work is based. Append to your submission a reference list that indicates the books, articles, etc. that you have used, cited or quoted in order to complete this assessment.		

Case study of International Human Resources for AEON and CITY'SUPER in China⁴

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12th December 2022⁴

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1. Introduction

With the most top 3 large population in the world, the population growth will continue to contribute to the economic growth. Consistency in economic growth over the last couple of decades, this nation is threatening the giant economies of the West. China is the popular country that foreign companies have been looked for their establishment and expansion. After the “open-door policy” in 1979 and China joining WTO in 2001, that makes easier to enter. Multinational companies had investigated the opportunities in China.

To expand the business in China, the companies should expand the headcount in China. Human resources issues will upgrade into international human resources management. Unfortunately, to enter China Market still has some challenges and regulations always changing. Language barriers, cultural barrier, qualified professionals, labor costs, employing expats, employment policy are also having to face.

Now, for easier comparison to evaluate the international expansions has led to different HR management changes and action when upgraded IHRM. Aeon Co., Ltd and City'super Co, Ltd are the studied companies which also have the same business in general merchant retail in the industry which also legally registered and expanded their operation in China. These two companies are Japanese-styled brand with merchandise

store and supermarkets which both are serving with customers first and based on human capital.

2. Background

2.1 Aeon Group

“Aeon Co., Ltd” (formerly named “Jusco Co., Ltd”), a Japanese owned corporate consisting 300 companies in 14 countries providing retail (General merchandise store and supermarkets), development, financial and services. It founded in 1926 aiming at modernizing the retail industry. “Jusco” renamed from Japan United Stores Company" in 1969 and the practice of "Customer First" with of "Pursuing peace from the customer's point of view, respecting people, and contributing to the local community." (AEON, n.d. b)

AEON strive to become the NO.1 retail enterprise in Asia and ranked 100th in the Fortune Global 500 in 2021. (AEON, n.d. a)

Aeon Co., Ltd expanded business in China in 1996. In late 2011, "Aeon (China) Investment Co., Ltd." established in Beijing as Headquarter. "Global localization" is well performed by AEON China on the global business perspective with the company strategy through the development of all activities to achieve the overall growth in China. Furthermore, store development, product development, talent recruitment and training, etc. are also taking important parts. (AEON, n.d. a)

2.2 City'super

A famous brand where first opened in Times Square in Causeway Bay in 1996. Mr. Masashi Ishikawa who is previously director of Seibu Department Stores in Hong Kong and will be repatriates to Japan and he found the opportunities of Hong Kong. He resigned and to start a business for the brand-new concept food and lifestyle stores. With 4 months preparation on team forming, scratch the store, brand image, management of the decoration, finding business partners, acquiring stock areas, staffs selecting and training. (*City'super, n.d.*)

The Japan affiliated company was formed in 1999 by Mr. Takayuki Ooke for the reason of build more profound relationship with Japanese vendors and liaise with Japanese vendors. The Japanese suppliers are the Japanese who were initially reluctant to export their products to Hong Kong because Chinese always try to copy. (*City'super, n.d.*)

City'super aimed at providing “Mega Lifestyle Specialty Store” concept. City'super also operating Log-on and Cooked Deli which in all-round service as a department store concepts. They aimed to inspire and enrich customers' lifestyles with positive impact by providing delighted shopping experiences and to grow the brand in metropolitan cities in a sustainable manner. (*City'super, n.d.*)

City'super started operating first stores in Shanghai of China in 2011. There are 3 stores located in Shanghai now. (*City'super*, *n,d.*)

3. Challenges

Cultural conflict is the phenomenon within different forms of culture and cultural elements. National differences, mentality differences in and customs different will occur the different of the staffs. This will be leading in different values, judge and interpret create cultural bias.

In addition, westerners pay more attention to the team based on the rules. Chinese tends to concern on the hierarchy and the strategy will be on a case-by-case basis. “Guanxi” meaning relationship or connection and “Face” are important in the mind of the Chinese which they admire in the age, hierarchy, and face instead of morality and peer opinion.

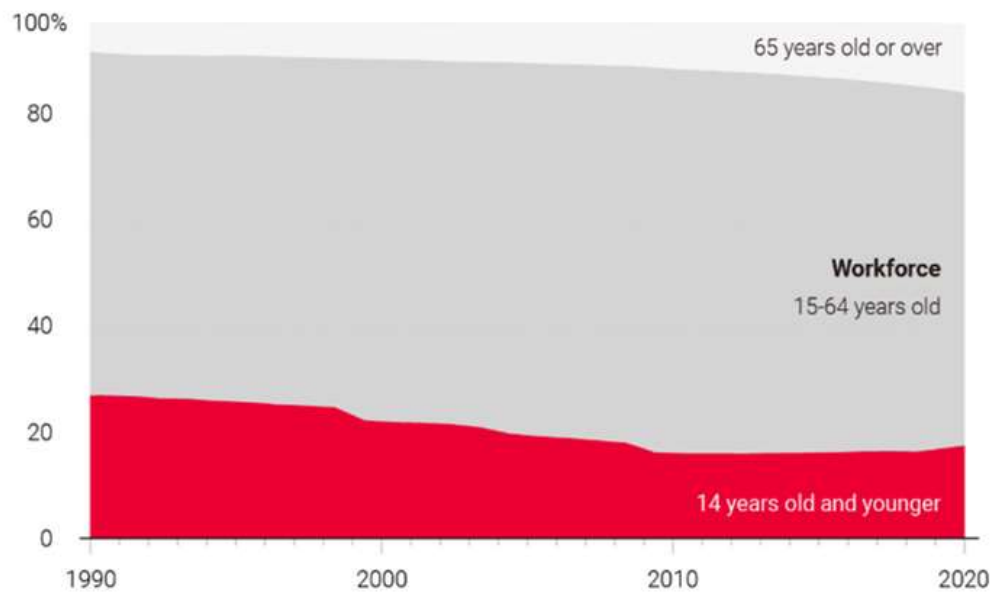
(EU SME, 2015)

Furthermore, Singh (2021) stated with “One-Child Policy”, the working population in 30-50-year-old will fall from 50% of the population to 40% by 2030. The diagram below showed decrease in working force while the elderly population increased.

(Mullen, 2021)

Workforce squeeze

Percentage of population by age group



source: SCMP[↩]

With all these challenges that HR must overcome, staff recruitment is the chosen issue that to be discuss in this essay. Because of the diverse cultures and policies in China, the regulations of the employment contracts changed from 2008 into contract based instead of the lifelong term (also called iron rice bowl) with the legal requirement in termination of the employment, limited working hours, overtime work, insurance, housing, withholding tax. (Iles et al ,2013) Provide five insurances and one housing fund according to law, including social insurance, health care insurance, unemployment insurance, maternity insurance, work injury insurance and withholding income tax. (明報, 2022) Besides, High-Temperature Allowance applied in China with different

duration in each province which is legally listed in the employment law. This will also increase the cost of the employer.

4. Scope

In this part, we will discuss about the contents and the reasons of the challenges in Staff Recruitment.

4.1 Reasons

4.1.1 Difficulty in find and attracting talents

With the one-child policy in 1979, the workforces of China are shrinking as well. (*Pinchas, 2021*) The policy had been implanted to control the over population in two decades ago. Under fifteen percent of Gen Z are university students with two percent of this elite group pursuing studies overseas (*Peng, 2021*). The business opportunities in China and qualified talents are imbalance the biggest challenges the companies must face. (*Global Demographics, 2018*)

4.1.2 Increasing labor costs

As most of the cities in China came to modernization, the living standard and the literacy rate had been improved. The wages of the staffs will increase with all other benefits aligned with the government policy. The increase in labor cost no longer served the concept of “Made in China is lowest labor cost” which is negatively impacted to foreign companies. (*EU SME, 2015*)

4.1.3 High employee turnover

Due to the trend of great resignation in China, two years of working experience in maximum for them. The working force are expecting to have more experience. The new generations are expected more adventures and learning from the job itself. Thus, the Human Resources face hardships in identifying employees who will remain in the organization with genuine commitment. (Deloitte, 2021, Deloitte, 2022, Ginkgo Search 2017)

4.1.4 Shortage of qualification

Survey revealed that less than 10% of Chinese employees are qualified to work for a foreign company. Keen competitions within the foreign companies to on attracting the qualified employees. ((EU SME, 2015, Ginkgo Search, 2017) And there is lack of talents had been qualified and had experience to worked in foreign companies. Besides, Peng (2021) stated under 15 % of Gen Z are university students and in less than 3 % of those elite pursue the continuing study overseas. Offering better remuneration packages for the well-qualified employee also a solution that HR faced in China market. (Ginkgo Search, 2017)

4.1.5 Expose fabricated resumes

References and background checks Reference checks are normal procedures before employment. References are often unreliable or subjective in China because false

resume data are common in online purchase platform. And the overseas firms difficult to valid the reference. To find the right talents, filtering the resume is the most effort wasting. Kroll survey revealed that about 20% of discrepancies in the job applicants in the resumes and applications. (Ginkgo Search, 2017)

4.2 How the HR managers experience and approach to solve the issues.

Chinese etiquette and ethics understanding is key to success way to manage Chinese employees. There are 3 types of international human resources. Ethnocentric approach, polycentric approach, geocentric approach. HR managers would find out which type should be suitable for the expansion in China and to face the challenges that happened in China. (Armstrong ,2017, Bratton, et al., 2022, Iles et al, 2013) Two companies had been using outsourcing recruitment agency to help the process. AEON using polycentric approach while City'super using ethnocentric approach.

5. Analysis

Localization is a must to enter the China market. The government restricted the foreign companies need to cooperate or being joint venture with the local companies and pay for the tax. It will also employ local instead of only foreigners. And this will solve the cultural and language issue.

5.1 Problem solving of AEON

AEON concerned on the training and development of the talent resources. And it also concentrates on the future talent's development. The recruitment will hold in the campus to target the graduates with also by online recruitment platform, recruitment agency (前程无忧 2017) . The recruitment of the management trainee by using 6 months job rotations in different departments. MT also need to reflect and review the operations and giving opinion to the companies as a return. This can fulfill the needs of experience in job and give the talents a sense engagement and decision-making.

AEON concerns on its human capital and had provide some training program in develop the talents. Aeon had an Aeon Business School to foster the future mangers. Some universities in China like Qinghai and Qingdao also received subsidies from Aeon. There is exchange program for the staffs to learn from the home country. Besides, some selected staffs also have the subsidies on studying MBA. Besides, AEON also launched scholarships and subsidies for the universities and high schools' students. AEON

launched a set of programs aimed at foster the youth by using different exchange program, Asian Youth Conference Scholarship program, etc. since 2008. (AEON, 2021)

Besides, the managers will mainly promote from the original talents within the company who had been develop for years and will be the qualities to promote. (AEON, 2017)

Besides, Chinese will think the company had been set the headquarter in China, the MNC will not suddenly left the country and provide a confidence for the talents. It shows the applicants that the companies have the mind could be involved in. (AEON, n.d.)

Social responsibility also is the important part of Aeon, the culture of caring for the community, sustainability issues and the tree planting activities are also held in China.

This will also hit the interests of the young generations (Deloitte, 2021)

5.1.1 Impacts

PROS	CONS
● More loyalty on the talents ● Feeling engagements ● Feeling important to the companies ● More willing to stay in the companies	● Resources may waste on the early leave staffs ● Long payback period ● Easy to lose the talents after they learn the skills

● Brand building ● Word of mouth sharing among the talents ● Family pride of talents ● Early immersion of brand goodwill ● No language barrier	● Different culture between Chinese and Japanese -Culture shock ● Difficult to spread the idea of home country company ● Talents may take the advantages of the company ● Loyalty maybe to country not company
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5.2 Problem Solving of City'super

Recruitment in China through a integrated human resource services agency called “51 job” which is the most top provider in China. (前程无忧, 2022)They are responsible for the whole recruiting process. Chinese know Chinese better. This will also increase the confidence in talents that they will know more about the company with local language and system. Because they will first Chinese HR expertise to communicate with City'super to catch what they need and finding the right talents in tell them about the normal compensation and benefits in China for the matchmarking.

5.2.1 Impacts

PROS	CONS
● Lower possibilities to in mismatching talents ● No need to worry about where and what to recruit ● Avoiding risks in all the laws and regulations ● Time saving and cost saving in outsourced for professional to handle the recruitment process ● Better maintenance in cooperating between Chinese and Foreign culture ● A local expertise knows better than the foreigner companies	● Recruiting cost will increase in outsourcing ● Less control on the recruiting and selecting process ● Less information about the whole picture of the talent pool ● Less experienced talents founded within China ● Expatriates may need and will increase costs ● Expatriates will arise another unfairness to local people ● Promotional opportunities less for HCNs ● Communication problems abroad

6 Recommendation

Peng (2021) stated that the new working force of generation in China tends to be tangping who also did not have much reality experience to solve the problems. Since the generation born in the “one-child families”, they are well loved by their whole family. They are more self-centered and believed in individual self-fulfillment. Besides, the generation is born with the internet which they are heavily relied on the social media. They are inextricably tied to digital and continues sharing their experiences. (Duan,2021)

6.1 Action plan

	Short term	Mid-term	Long-term
2023 1st quarter	-Continue using agency recruit the talents -Communicate with the agency about the new trends of recruiting the talents -re-arranging the work and setting policy to strictly apply in work work-life balance -plan for the train the trainer or mentor program -re-arrange the workforce planning, decide what parts of job would be automated and being remote control by using technology	-Cooperate with university about the mentorship programs -cooperate with university about the learning day as experience in the company -matching the mentor with the students in the program -Setting a program that encourage staffs to speak up for improvements	-Continue to setting scholarships and subsidies in the universities and high schools -providing Parent Care program to the company's health insurance plan
2023 2nd quarter	-selecting and train the experienced staffs to be mentor -planning for the trainee program for the new staffs -arranging the senior management staffs who benefits from the training program and had been promoted to sharing their experience in social media and in the universities -setting program for connecting the current staffs about the value of human capital concept		-Launching the program to select ambassador to walk the value of the company
2023 3rd quarter	-launching visiting day or trial working day for the talents to experience the work life balance -adjust the application of work-life balance policies	-Encourage in inter-department exchange for 6 months	
2023 4th quarter	-Review the program and adjust for the next year -Setting the opinion channels for the talents	-Reinforce the training program in business value	
2024 onwards	-launching some social activities in the cities like volunteer work like visiting schools and kindergarten	-Setting the coming home program for the re-joining the company based on the family reason to resign	-Launched Exchange program to the parent country

6.2 Resources and Impacts

There will be several departments need to help all the program, besides HR department, Development Department and CSR Department. HR Department had to formulate the plan first and communicate and cooperate with the recruiting agency. Extra budget is

needed for the training program. For CSR Department and Development, they need to do continue scholarship and subsidies also will raise extra costs. And about the promoting the brand value program will be the part of development department. Internal staffs training will be needed. The need of using KOL on social media platform to promote the company.

Pros	Cons
● Increase the interest of the potential talents ● Increase the loyalty of the staffs ● Increase brand goodwill ● Gain the confidence among the talents and their families that the company had long investment period in China ● Increase the mind of young talents that they mean something in the company	● Extra work of the current staffs ● Increase the costs of administrative costs ● Increase the company insurance costs ● Current staffs will feel being neglected ● Psychological part of current staff's feeling unfair to them ● Changed in the current operations and output

6.3 Outcomes

Potential talents will know the value of the company the wish to foster the potential talents. Increase the confidence of the talents and staffs that the company concern on human capital and about their families. However, the increase in workload of the current staffs may led to resignations after launching the program. And the change of the job security will affect their mind that the company did not concern on them.

7. Expectation of Stakeholders

Increase the interest of the potential talents while comparing to other companies in China with low work-life balance. They will stay longer in the company, and they can learn more from the mentor who teach them experience. Goodwill will build within the customer part that human capital is important in the companies instead of the traditional concept of the Chinese companies.

8. Conclusion

Staff recruitment in China is a new challenge within HR in the companies. “One-child families” and the new trend of the new generation makes it more complicated in recruiting and attracting the talents. Besides, the original human resources operations needed, using recruitment agency is also a typical characteristic of the Chinese. So, there are also needed in global vision to oversee the picture of the situations.

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