



LEVEL 7 ASSESSMENT SPECIFICATION

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Human Resource Management Challenges in an International Expansion

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Introduction

Globalization creates an opportunity for businesses, and most of the companies include international expansion in the business strategies for establishing new revenue and gaining a competitive advantage, but the international expansion will lead to different human resources management (HRM) challenges (Velocityglobal, 2019). The HRM needs to upgrade for aligning the business strategies, and unique international human resource management (IHRM) policies are required to support its business success in the new market. IHRM readiness is a key success factor for international expansion, and the challenges should be considered in a business strategies plan. The following cases study the recruitment, and training & development challenges of two companies for expanding their business operations overseas and the corresponding actions plan from HR.

Companies Background

Giordano, a Hong Kong-based casual wear retailer, and its targeted customers are Men's, women's, and children's apparel and accessories. The first retail store was opened in Hong Kong in 1981 and the marketing strategies focused on color, simplicity in design, and quality of service. The company was rapidly established an excellent reputation in the market by the quality of its products and service-oriented image. Currently, Giordano is a major clothing company in Hong Kong and employs around 8,000 friendly staff with over 2,400 stores in the Asia Pacific, Middle East, and Africa (Wirtz, 2011).

Michael Hill is a retail jewelry chain; the company provides manufactures and retails fine jewelry, watches, and related services such as jewelry repair, valuation, customer design, and corporate gifts. The first retail store was opened in New Zealand in 1979 and the marketing strategies focused on different store designs, the special product range of jewelry, and innovative advertising. The company is famous for its products and rapid popularity in the country. Currently, the Group operates over 300 stores worldwide (e.g., New Zealand, Australia, Canada, United States, etc.) and over 2,500 permanent employees across different roles in retail (Michaelhill, no date).

Giordano – Global Expansion

Giordano successfully built up the image with good quality apparel and service after its start-ups a few years. The company paid a high salary to its employees and made them get job satisfaction. The staff has passionate about working and will positively influence the customer's mood. Significantly, the high-quality service in retail stores made a deep impression on customers than the other competitors (e.g., Bossini, Baleno) and created positive word of mouth in the markets. "People before profits" is Giordano's success strategy, and they know that people and training are the keys (QTSA, 2005). So, there is a stringent recruiting and selecting procedure to ensure that the candidates are a good fit for the job. Training is another critical component, but training programs cannot guarantee customers' best service (Wirtz, 2011). The

most important is the staff transfer of learning to the store and practice. The company encourages it by building up culture and rewarding staff who practice what they learned (Wirtz, 2011).

When Giordano decided to expand the business into global markets, they knew that managing human resources was a significant challenge (Jianguo, 2013). The HR challenges need to be considered in the international expansion plan and keep its high-quality service in new setup retail stores in an unfamiliar environment. Recruitment and training are vital to achieving high-quality service goals. The existing operations model and service culture were built-up in Hong Kong. However, if they expand it beyond Hong Kong, they are concerned about transferring it to a new store. The challenge is instilling a service-orient concept to the local workers and understanding the rationale behind Giordano's culture (In, no date). The service is one of the critical success factors in the retail industry. It affects customer satisfaction, business, and company reputation directly. Significantly, the first impression with customers is significant for setting up a new business in a new environment. If the company fails to build up the image initially, additional marketing efforts are needed to improve customer satisfaction.

Finally, Giordano has leveraged their joint venture¹ strategy for expansion in new markets and adopted an expatriation approach to overcome the issues (Wirtz, 2011). Over joint venture with the local company in the new market, they overcome recruitment and cultural matters by resource integration and knowledge sharing. Furthermore, Giordano has sent the expatriate employee/PCN² from the domestic office who understands the company's culture, practice, workflow, and vision to provide the training and instill Giordano's "Value" to local workers over interaction in daily operation (Jianguo, 2013).

The advantages of the PCN approach:

1. The expatriate employees can interact with colleagues in daily operation to present the culture and high-quality service rather than tell them theory in training. This is most important for Giordano to increase the success rate for replicating the culture to new stores.
2. They have known the internal workflow of operations and communication channels in the company so that new stores can be readied in a shorter preparation duration and operate more smoothly. If hiring host country nationals (HCN³), they need to learn the ropes of the organization from scratch, such as operation procedures, IT system, organization structure for operations, etc (Laird, 2015).

¹ A joint venture is a business strategy that two or more organizations engage in business partnerships and contributions.

² The employee who is hired from their home country and working in a foreign country.

³ The employee who is a citizen of the countries in which the organizations' office is located.

3. Moreover, they are on behalf of the company to work in new stores that can train the HCN and instill its culture, high-quality service “Giordano Means Service”. The PCN oversees the operations and ensures the processes are compliant with the domestic office (Laird, 2015).
4. This is an excellent opportunity to develop the abilities of PCN on cross-cultural management. When the PCN go back to headquarter or the company send them to the other new market, this is a valuable experience for further engaging the business for the organization.

The disadvantages of the PCN approach:

1. The PCN is expensive because many benefits such as tax, insurance, allowances, and housing are needed for sending the expatriate employee to a foreign country. The company needs to pay around two or five times more than hiring HCN (Laird, 2015).
2. There is a break-in period between PCN and HCN for cross-cultural communications before the team functions at good efficiency.

Giordano’s HR approach is a good direction to overcome overseas expansion recruitment and training issues. They are leveraging the benefits of the joint venture strategy, a knowledge-sharing from HCN for a break-in in their culture. The expatriation approach can speed up the operations when initially setting up a business and replicating their service model to the new market. However, the PCN cannot persist in the long term because it is significantly higher in cost. Moreover, it will decrease the local staff’s motivation and increase the turnover rate due to losing the opportunity to get a promotion to senior level in their career (indiafreenotes, 2021). The recommendation for the duration of expatriate employees should be around 3-5 years for helping the operations and skill transfer in the initial setup stage and then picks up the role and responsibilities by HCN. Moreover, the structure in the new office should be a “simple & flat” structure for fast and close communication and coordination. This structure is facilities Senior and Junior employees for communications, problem-solving, and decision making in the break-in period.

The recommendation for Giordano:

	Short Term	Mid Term	Long Term
Duration (Years)	< 2	2-5	5 >
Plan	Sending the PCN for operations, skill transfer, and training.		Train the HCN to pick up the responsibilities from PCN.

Advantages	• PCN knows the company's ropes, internal workflow, and communications. • Oversees the operations and governance.	• Cost-saving for PCN's allowance. • Eliminate the barriers to cross-cultural communications. • Increase the HCN motivation.
Disadvantages	• Higher allowance cost for PCN. • Barriers to cross-cultural communications	• Difficult to monitor their operations remotely. • The International mindset may not be good enough.
Resources	Budget for allowance, experience employee from domestic office.	• Frequently monitor from domestic office. • Travelling resource for onsite visit periodically.
Impacts	The higher investment cost for setting up a new office in the new market.	The PCN has built up the relationship in the local market. The HCN successor will rebuild it again.
Achievement	Replicate the service model to the new office and comply with the domestic office's vision.	It achieved the short to mid-term goals and saved the allowance cost for PCN.

The recommendation for short/mid/long term action can meet their target that replicated operations model and high-quality service concept by staffs of the domestic office and saved the operating cost for the long term.

Michael Hill Group – Global Expansion

Michael Hill Group has had tremendous growth in the last 30 years and focused on aggressively expanding the brand global and opening 1,000 stores by 2022 (Shoppertrak, no date). The company has also faced HRM challenges when expanding the business to the global market. When the business is being expanded into North America, they have missed identifying the HR policies and labor law differences between Australia and North America, such as the employee leaves. The employees in Australia and New Zealand are entitled to four weeks of paid leave, two weeks in Canada, and 0-10 days in the United States (PageUp, no date). The other challenge is which staffing and recruiting approach that are the parent country nationals (PCN) or host country nationals (HCN) should be used for hiring the right talent to lead the overseas operations in the new stores. The company faced country-specific human resources policies and talent management challenges when globalizing its organization.

In the end, the HR of Michael Hill Group has adopted the PCN approach and used technology to cater to the issues in an international expansion. The company sent its senior staff from domestic offices to its Canada stores to lead the operations because they know its culture and practice. This approach can reduce the preparation time initially setting up new stores, but they have no local market knowledge and do not understand the culture in the new place. Furthermore, the lack of brand awareness in the new market makes Michael Hill Group feel like a start-ups company in Canada and the United States rather than a well-established brand (PageUp, no date).

Michael Hill Group's approach can be improved by consultation service or combining PCN and HCN to set up the business in the new market. The company's executive learns from the experience in similar cases that the domestic company has expanded the operations to Canada and United States by researching and including those factors in the strategies plan for international expansion. Combining PCN and HCN is the other option that gets its advantages. This approach not only retains the benefits of sending expatriate employees to new stores but also has the local staff for sharing the knowledge about the local country. The company has implemented talent acquisition software that can consider nuances, workflows, and requirements for talent acquisition in each market. The solution standardized the staffing and recruiting procedure and process across its global operations, reducing the HRM effort and increasing efficiency (PageUp, no date). Moreover, it prevents the company from violating laws of local regulations accidentally. However, IT and HR departments need additional training for supporting the platform and operations and investment for system equipment and software licenses.

The recommendation for Michael Hill Group has two parts that include approach and tool. The approach is similar to Giordano's case except for the action plan. In the short/mid-term, the action plan is additional hiring HCN to help the company break-in and share the local market knowledge. The company leverages talent acquisition software to process the recruiting in the short/mid-term. However, their software focuses on processes and recruitment workflows, and HR is still involved in the interview. So, the other solution will be used to reduce HR intervention, speed up the recruiting processes, and have a better result of talent matching in a long-term plan. The solution also fits the Giordano case and will be discussed next.

Giordano and Michael Hill Group Cases

Giordano and Michael Hill are retail businesses and have established a brand by quality of products and services. High-service quality is the critical success factor for their business and branding. Both companies have faced similar staffing and recruiting challenges when expanding its operations to overseas. They have considered which approaches (PCN or HCN) are more beneficial and initially set up the new stores overseas. Finally, both companies have adopted the PCN approach based on the same consideration that PCN knows the company's operations and trains the local workers. However, Giordano has one more critical reason for selecting the PCN approach: their branding strategy "Giordano means Service" (QTSA, 2005). The crucial mission of expatriate employees of Giordano is to instill its company's culture to local workers and transfer

it to new stores. Giordano quickly overcomes the break-in into a new market by leveraging a joint venture strategy, but Michael Hill does not have such a strategy. Therefore, Michael Hill missed out on sharing knowledge on the local market, resulting in quicker success.

In the long term, the expatriate employees are replaced by HCN. Furthermore, Artificial Intelligence (AI) technology should be deployed for recruitment. The company relies on service in their business, even though training will be provided to employees, but it is merely the framework of the training program. It's the staff deliver that gives it form and meaning. The personality and attitude of the candidates are vital criteria for screening and selection in recruitment. So, AI is a promising technology for recruiting frontline workers. AI system recorded the whole interview and analyzed candidates' facial expressions, body language, tone, and word choice to predict the most likely good fit for the job (Booth, 2019). AI not only automates repetitive manual tasks in recruiting process but also processes an interview with the candidates. It eliminates the bias in recruiting processes and objectively selects the candidates. The disadvantage is the higher investment cost for setup facilities and AI framework. IT resources are needed to support the system, and HR needs to provide sufficient reference data to the AI system for analysis.

Conclusion

In the above cases, Giordano Group and Michael Hill Group are the same industry in the market with different backgrounds, but they are facing the same challenge when they are looking for opportunities overseas. HR has used different approaches and solutions to solve the issues based on its business, situations, and impacts. However, the HR of Giordano has been aware and considered the HR challenges in the overall business strategies plan, but Michael Hill does not and caused to miss out on the chance. There is no single approach or solution for solving all issues, and no single model can apply to all companies. It is because something that works in one company does not mean it will work in the other company.

Globalization created many challenges for organizations that want to expand their business overseas. The recruitment challenges are a typical obstacle in international expansion. Under the globalization influence, the human resource department does not only execute the processes for the organization. The HR department should review its position and develop a global vision for predicting and assessing the potential HR challenges in expansion. Once the HR team has this valuable input for the business strategies plan, the related risks can be reduced and get the business on track easier to succeed.

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