

Banks face recruitment challenges in international expansion

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Executive Summary

The purpose of this report is to present an overview of the recruitment challenges in banking industry during expansion. The global financial services industry is experiencing unprecedented change, many banks engage in HR transformation, HR department should be actively response to changing environment to make HR services more efficient and effective during bank expansion. Time is money! Recruit the right candidates spending a lot of time; Attract the wrong candidates can even take up more of the time. Therefore analyse recruitment challenges is an important step before considering international expansion.

A case studies on Hong Kong local bank, CMB Wing Lung Bank and European bank, LGT Bank AG will be illustrated to address the recruitment challenges during their international expansion. Leveraging the successful expansion experience in both banks to provide recommendation to tackle the recruitment challenges.

Background of CMB Wing Lung Bank

Wing Lung Bank was founded by Dr. Wu Yee-Sun in 1933 which is among the oldest local Chinese banks in Hong Kong. It was listed in Hong Kong from 1980 to 2009 and extended its footprints in China by China Merchants Bank acquisition in 2009 and currently known as CMB Wing Lung Bank. Currently there are over 2,000 employee, its total assets amounted to HKD 371.5 billion as of 30 June 2020. Currently, the bank has 41 banking business outlet in Hong Kong, mainland China, Macau and overseas.

Background of LGT Bank AG

LGT Bank AG is the largest family-owned private banking in the world. Headquarter in Vaduz, Liechtenstein with key presence in Zurich, Switzerland. It was owned by the princely House of Liechtenstein and founded 90 years ago. LGT Bank AG has developed from a small regional bank to an international private bank. The bank has made several acquisitions expanding its footprints like acquired HSBC private assets in 2015, ABN Amro Asia Private assets in 2017 and recently acquired wealth management business of UBS Europe SE in Austria. Currently the bank has over 3,500 employee with 22 offices globally. Assets under management is CHF 218.7 billion.

Scope

The report covers the recruitment challenges in local Hong Kong bank CMB Wing Lung Bank and European bank LGT Bank AG, specifically in terms of their international expansion. At the beginning both banks were regional banks but after few decades of expansion, both became a international banks. The following will identify and analysis the the recruitment challenges.

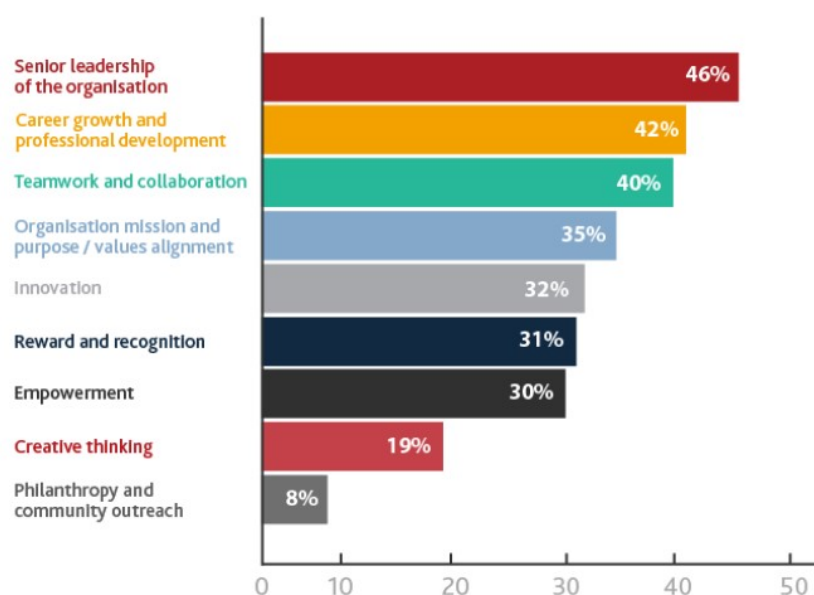
1. Talent and Professionals

Similar to local recruitment, HR faced the core challenge is finding the right candidate for a job, especially in banking industry which requires professional qualification in certain jobs. Time is money, the HR recruiters are given a short period of time to make a quick hire. HR recruiters need to analysis the overseas market, familiar with the business strategy in new market.

LGT Bank AG with a reputation for growth and ability to offer international opportunities is more likely to attract talent in overseas market. However how can the bank stand out from the competitors to find the talented individuals? According to a research by Morgan McKinley (Morgan McKinley, 2019), a survey from 715 senior leaders including CEO, business leaders and Board Chairs found that nearly half of the sample 46% of best people chose to work for organizations because of senior leadership of the organization; 42% of them joining the organizations because of career growth and professional development. Interesting that only 31% of them chose ‘Reward and recognition’ (Figure 1). The research shows the importance of leadership. Although individual career path is a personal journey, the people around in the workplace are significant contributing factor to success along the way. Also remuneration package is not the single important factor to attract talent, money is not everything, not the only solution to solve the problem.

Figure 1, Reasons Talent Join Organisations (Morgan McKinley, 2019)

Reasons Talent Join Organisations



For Wing Lung Bank as it merged with China Merchant Bank in 2009 and became CMB Wing Lung Bank, both banks are benefit from talent sharing. Increased in talent at leadership's disposal, boosting the sales team and strengthening the talents. The HR recruiters have less pressure on hiring talent and professional for expansion.

2. Talent relocation & cultural difference

In business world, the result of globalization will lead to frequent interaction of different cultures. Business relations and communication styles vary from one country to the next are greatly affected by cultural factors. The HR management should identify the cultural differences, prepare recruitment planning and apply different business strategy in expansion.

LGT Bank AG established its presence in Hong Kong since 1986 and expanded to Singapore in 2000. Both places are international cities with expats and similar cultures with European countries. Therefore less cultural pressure for LGT Bank AG to relocate people from headquarters to overseas branches. For example, LGT Bank AG relocated senior management Mr. S Coloni from Lichtenstein to Hong Kong few years ago to handle the private banking business - currently, he is the CEO of LGT Bank AG Hong Kong.

Also relocate local people from headquarters can share the corporate culture. LGT Bank AG's brand campaign "Values Worth Sharing": commitment, expertise and sustainability are the core value of LGT AG. The employee from headquarters can help to cultivate enduring value to overseas branches. Therefore a high percentage of employees in Hong Kong and Singapore were relocated from headquarters.

The culture in China is totally different from Europe. China is hierarchy focused society, the Chinese managers expect respect and obedience from subordinates. Their subordinates are often involve in negotiation to reduce losing face. One thing is very interesting is Chinese bank has strong retention rates. According to Zhao. P (2020), who has left HSBC investment bank to a Chinese institution. She found that the relationship between colleagues were stronger and longer established. The performance measure in Chinese bank based on the strength of your networks, annual performance is less important and the bank culture is not result-driven. Therefore people tend to stay longer in the bank to build up good relationship in order to get a higher position. Also money is not the only motivating force for young generation in China, they will prefer more involvement in decision-making and goal setting for greater degree of self-fulfilment.

3. Regulatory and legal issues

Different countries have different licensing and regulatory requirement for employees in banking industry. Before recruiting candidates from overseas, HR recruiters should understand the rules and duties of employees before allowing the employees in carrying out banking activities. For example, Securities & Futures Commission of Hong Kong (SFC) required individual to be licensed in order to carry on dealing and advisory in investment. For example, the HR recruiters in LGT Bank AG should make sure the new hire and those employees relocated from headquarters should have relevant licenses.

In terms of legal issues, understanding the local legal regimes is a key element for international expansion. International HR should pay attention to domestic

employment laws, protections for foreign workers and regional legal requirements. HR recruiters should understand their legal obligations, ensure their selection and recruitment procedures comply with the law. The employment law in Hong Kong, China and Liechtenstein would be totally different.

4. Recruiting cost

According to Deloitte Consulting LLP (2012), the study found that HR process costs in North America spend 27% less than APAC and 21% less than Western Europe, result in saving of around USD 600 per employee. Also North America allocates more cost in outsourcing HR, 82% more than APAC and 310% more than Western Europe due to lack of regional vendor options in some countries. HR recruiters and company management should discuss the recruiting strategy in order to allocate reasonable recruiting cost in expansion.

The quickest way to attract and retain talent is attractive compensation. Compensation means all forms of pay going to employees in their employment, good compensation package can attract talent from competitors, give employees a job satisfaction and motivation. However due to different living standard, cultures and practices, there is no standard compensation package for all branches. For example, Chinese banks tend to offer many types of allowances to employee, like meal allowances, clothing allowances and travel allowances but their basic salary usually lower.

Recommendation for solution

1. Short- term action plan

a. Relocate talents from headquarters allow cultural and company value sharing in new market, however it does not apply in all expansion. Those countries with extreme cultural background like Japan and German may need to apply a concept of “localization”. During the DaimlerChrysler-Mitubishi alliance in 2000, Daimler failed to acknowledge the local Japanese practices. Japanese business people value personal relationship more than strictly fact-based and pragmatic approach of the German business partner. The impact of cultural differences is significant, fail in dealing with cultural diversity risk miscommunication, low morale and reduced productivity. Oppositely cultural exchange of ideas can increase work efficiency.

b. Promote the company branding by advertising in local job search website and build a strong social media presence. The HR recruiters should understand the recruitment market, knowing the popular job search website. For example, Zhaopin.com has been one of the most popular job hunting website in China while JobsDB.com in Hong Kong is the most popular one.

Social media can have tremendous benefits for banks expansion in particular to attract younger generations to join the banks. Therefore most banks nowadays have created Facebook, Twitter and WeChat pages. Both LGT Bank AG AG and CMB Wing Lung Bank have digital footprint for marketing purposes.

c. Implement different business strategies in different culture. For example: offer fancy title and create more layers for the organization in China. The title inflation is

very common in China, according the Xinhua News Agency cited a China Youth Daily's poll, 96.9% of respondents think the job title inflation phenomenon is common. Also HR recruiters can discuss with management to restructured or redesigned the organization structure to empower the employees in order to have enough autonomy or freedom to make decisions while performing their jobs. This is a win win business strategies as it can give an employee "face" and build up their confidence, at the same time no cost to the banks.

2. Mid-term action plan

a. Employ experienced HR solution agency for international expansion. The agency is able to provide advice on local recruiting practices, they understand the regulatory and legal issues of the market. Also an array of recommendations tailor-made for banks in different situation.

b. Using technology for help. For example Applicants Tracking Systems to speed up the process of screening to find out the right candidates and top performers at a glance. HR recruiters can save time in tedious administrative work and focus on strategic planning on bank expansion. Technology can help HR recruiter to monitor and track the recruitment process to make it more systematic.

3. Long-term action plan

a. Merge and Acquisition (M&A)

Merge and acquisition is an efficient way for international expansion and it is common in the banking industry. For example, Wing Lung Bank merged with China

Merchant bank; LGT Bank AG acquired ABN Amro, BNP Paribas acquired Fortis Bank and so on. This can help the institution scale up fast and gain large number of clients instantly, open up new markets for both companies and it is a cost-effective way to fuel expansion. M&A is a complicated project, time and cost involving in interaction between different stakeholders like management, audit and compliance, it can be a successful or a failure M&A project. An empowered decision is required for M&A decision. KPMG (2016) emphasis the need for pre-merger preparations. The bank should analyse the potential benefits of the merger, recognize and identify the differences between two companies thorough planning of merger.

b. Drive people to perform to reduce turnover rate

The key to make employee to perform based on 3 factors: Motivators, Skills and Opportunity.

Motivators: The most straight forward motivator is an attractive compensation package but the cost is high and very competitive.. Therefore management can consider other elements as well. i. The need for affiliation, people needs to feel a sense of ‘belonging’ and ‘involvement’ in a group (McClelland, 2016). The company can allow their employees engage in mentoring and coaching activities, ensure the employees have significant interactions with other team members in order to make a harmonious working environment.

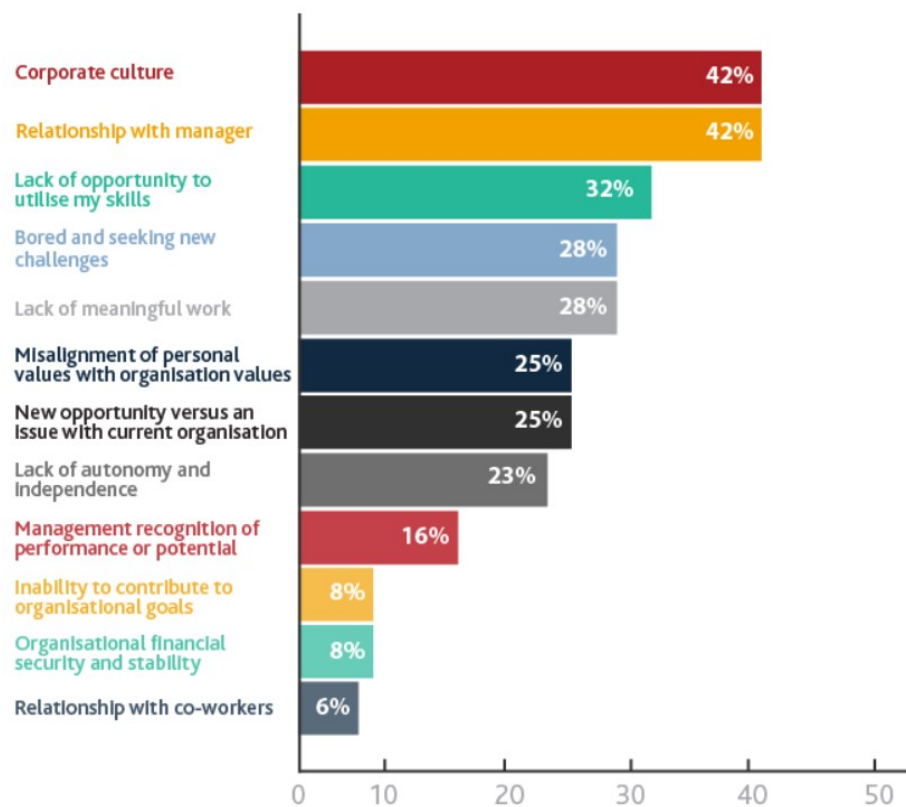
Skills: According to the research by Morgan McKinley (Morgan McKinley, 2019) on why talent leaving organization, 32% of employee chose lack of opportunity to utilize skills and 28% of employee chose lack of meaningful work (Figure 2). Therefore

make good use of the talent will be beneficial to employer who will profit the rewards of greater skills while employee will feel more engaged and valued.

Opportunity: Employer can give employee opportunities to manage people, give them power in decision- making in order to train up their leadership skills and improve their career development.

Figure 1: Reasons Talent Leave Organizations

Reasons Talent Leave Organisations



Conclusion

Talent recruitment is a key for bank expansion. Before expansion, the bank should look into the key recruitment challenges: talent and professional issues, cultural and regulatory issues to tackle the hurdles in expansion. Based on the case studies of CMB Wing Lung bank and LGT Bank AG, demonstrated their different approaches in overseas expansion. At the beginning both banks are family owned but after expansion Wing Lung Bank merged with China Merchant bank while LGT Bank AG are still princely family owned to drive forward the strategic decisions, no pressure as more widely held organization.

International bank expansion is common in the global economy, HR executives in banking industry should work closely with management to sharpen their strategic focus, finding out the effective recruiting methods and recognizing international expansion is a marathon, not a sprint.

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