

Hr challenges in companies international expansion



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Nowadays with the companies increase pace to expand internationally, seeking new markets and chances, HR managers face different problems and challenges in human resources department. Knowing that it is more difficult to manage employees abroad, than if employees were in the home base.

The growth of companies internationally determines new assignment and tasks and there is a need to successfully manage this for the benefit of both the firm and the individuals.

This research study observes the change from domestic to international HR management, which examines issues of culture, contracts, agreements, recruitment process, and remuneration in company's expansion to other countries. All the same, the paper discusses suggestions for HR managers, which involve cultural research, and the functions of selection, training, performance management and remuneration.

In this new era of globalisation, international human resource management is becoming a vital concept for human resource managers to be able to practice human resources functions, starting to mention, recruitment & selection, performance appraisal, compensation & benefits, training & development and finally employee's relations. This is important for human resource managers in multinational corporations and also in domestic based human resource managers who import employees from overseas.

To stay updated with the changing world, human resource managers will have to have an international vision of how to manage their individuals successfully both at home and abroad.

Managing international human resources allows companies to participate more effectively in the market place, and is a developing tool for its employees.

Part 1: Introduction

Human Resources Definition

These last decades, humanity is witnessing the growth of globalization.

Nowadays Human resources is no longer a traditional personnel, and administration, however Human resources role is more strategic that deals with strategic aspect, to make sure that employees contribute effectively and works in parallel with the company direction to achieve the firm's goals and objectives. In other words, Human Resources is no longer only involved in paperwork, paying the employees their salaries and providing them with the benefits; yet it plays one of the organization's important role that is through hiring, training & developing and most importantly retaining employees for the benefits of both parties. (McNamara, 1999)

Gilley define human resources as “ The people employed by an organization” (Gilley, Egglund, & Gilley, 2002, p. 5). They define human resource management as “ the recruitment, selection, retention, development, and utilization of and accommodation to human resources by organizations” (Gilley, et al., p. 9).

Human Resources refer as well to the policies, systems and employment practices that are common to most firms, which are used first to attract talented people by recruiting and selection, secondly retaining talented

people by salary, benefits and employees relations, and finally developing the people by training, development and performance appraisal.

Thus, human resources is considered as an organization function, that focus on recruitment, providing career path for the people who work in the firm, and deals with personnel issues such as hiring, compensation & benefits, performance appraisal, safety, employee's motivation and finally training & development.

Knowing that Human Resources are no longer a business partner, but a strategic partner more related to the firm strategic goals. I will focus on the challenges that HR managers face while international expansion. How HR manager role differs around the world, and the need of the HR professions to be more familiar with culture awareness, language barriers, social differences and diversity promotion. (Halcrow A, 1998).

Nearly every company say it “ People are our most important assets”

Human Resources importance and Need in International Companies

The Human Resources department is important in all multinational and international companies. Recruiting and selecting is one function completed by HR, and their main responsibility is hiring and retaining company's most important asset that is our “ PEOPLE”. Failure to do so, and lack of strong, motivated and satisfied employees, working in the right place in a firm will leads to hiring the wrong people, high turnover, employees will not do their best in their jobs and having some candidates demotivated. Thus, without good employees, the best business plan and ideas will be unsuccessful.

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Moreover Human resources take care of all the employees concerns, make sure to solve employee's issues immediately and to play the fair judge between the employee and the organization, for both sides advantage.

Nevertheless, Human resources guarantee smooth functioning of the operation, good and safe working conditions and ensure that all staff is performing their jobs efficiently and toward the organization goals and objectives. Accordingly, Human Resources Manager evaluates all the employees, reward, takes disciplinary actions or dismissal.

Another important role under the human resources umbrella is training and development, and creating career path for all employees, to retain and develop the existing employees, and attract new talented people, in this way the HR will improve the organization reputation and commitment from staff, thus become an " employer of choice" and reduce turnover.

Why Human Resources are important and needed for international expansion?

In this world of globalization, and company's expansion to other countries, Human resources are important to be able to adopt new cultures, and take care of all legal requirements as per the new country rules and regulations, as well as managing payroll, and other presented benefits. These new skills create a new role for HR managers, requiring them to be strategic business partner.(Bharti Venkatesh).

What could be the HR Challenges in companies International Expansion?”

Part 2: Analysis of the Organization

Through the research study, I am discussing out the HR challenges that companies face while international expansion, and the study that companies have to accomplish from an HR perspective before opening in new markets. I am also investigating on the importance of HR functions in company's international expansion.

For this aim to see how HR functions operates in the real life I took the example of Wooden Bakery expansion to KSA. Thanks to my manager, and due to my personal experience in Wooden Bakery human resources department, I had the chance to know in details the challenges the HR department face, while international expansion. Additionally I read lot of articles, books and blogs that I will mention in the end of my research.

I will start by a small presentation of Wooden Bakery and then i will go deeper into the challenges of international expansion to KSA.

2. 1- Wooden Bakery History

Wooden Bakery was founded in Jal El Dib Lebanon in 1969 by Mr. Edward Bou Habib. It was a simple Bakery providing the market with freshly baked quality Bread.

In the last decade Wooden Bakery literally revolutionized the bakery industry in Lebanon by setting new standards and upgrading its products and services.

Edward's two sons Assaad and Ghassan Bou Habib planned and designed the new concept on paper in 1996. With immense vision and an innovative spirit, Wooden Bakery developed a unique concept gathering Bread (of all kinds), Pastries, Sweets, Sandwiches, Salads and Deli.

The first Wooden Bakery Outlet opened at Zalka highway in October 1999. Wooden Bakery launched the first franchised operation in 2002 and expanded to 26 franchised outlets in Lebanon by the end of the year 2012.

Wooden Bakery opened the first Master Franchise Operation in Saudi Arabia in July 2009, and currently negotiating the scale of the Master Franchise with a number of companies from the GCC countries. ([www. woodenbakery. com](http://www.woodenbakery.com))

The Concept of Wooden Bakery Factory

Wooden Bakery system revolves around a state of the art industrial baking facility. It includes the latest and most advanced machinery and equipment in the baking industry.

Human Resources department make sure to hires top Master Bakers, Pastry Chefs, and highly qualified Managers and Quality Controllers to assure the freshest and most consistent products for our markets.

The Wooden Bakery factory produces from 100 to 150 tons of flours per day depending on the market need and factory size.

Wooden Bakery is the leading supplier of high quality Freshly Baked Arabic Bread in the Lebanese market.

The Concept of Wooden Bakery Outlet

Wooden Bakery Outlets are designed to service all classes of people in any market around the globe.

All Wooden Bakery Outlets are located on Main Road Arteries in Strategic Areas, and considered as a One-Stop-Shop where one can buy Fresh & Hot French and Arabic Bread, French, Arabic and American Sweets.

The Wooden Bakery Outlets offers all mentioned products at Competitive Prices and offer a warm ambiance through its Unique Design, Clean & Safe Environment and Excellent Service for its customers.

2. 2- Mission and Vision

Mission Statement:

Our mission is to push our presence and create a brand in the Bakery Industry by Offering MORE and Delivering BETTER

Vision Statement

Our vision is to dominate the market by building stores on all main road arteries and major cities and towns in Lebanon and beyond,

Our products would be available at ALL grocery stores, supermarkets, catering companies and therefore in every single home in Lebanon.

2. 3- Local and Multinational Expansion

Wooden Bakery first Outlet opened at Zalka highway in October 1999.

The first Wooden Bakery franchised operation launched in 2002 and expanded to 26 franchised outlets in Lebanon by the end of the year 2012.

Baabda-Hazmie

Mansourieh

Bauchrieh

Elyssar

Awkar

Zouk Mikael

Zouk Mosbeh

Jounieh

Jbeil

Kfarhabab

Amioun

Tripoli

Zahleh

Zalka

Jal El Dib

Fanar

Dekwaneh

Chtaura

Roumieh

Burj Hamoud

Sour

Zgharta (Soon)

Achrafieh (Soon)

Chiah (Soon)

Naccach (Soon)

Bayada(Soon)

Wooden Bakery opened the first Master Franchise Operation in Saudi Arabia in July 2009, and currently negotiating the sale of the Master Franchise with a number of companies from the GCC countries.

Wooden Bakery KSA

Wooden Bakery plan was centred on the key concept that customer satisfaction all over the world is the main goal. It has established and developed its first Master Franchise in Riyadh, Kingdom of Saudi Arabia on July 2009.

Its successful set up can be measured by how our products and services that we supply meet however surpass the Saudi customers' expectations.

“ The Bread Factory Outlet” was built on a 10, 000 m2 space to house all the production equipment that will supply Bread and Pastry products and Central Kitchen Food Production to a number of outlets along with the wholesale distribution of Wooden Bakery Products.

“ The Store” is spread over two levels that house a main showroom with an eating area and a restaurant.

Wooden Bakery has received the award for the “ Fastest Growing Lebanese Company” at the prestigious Social Economic Award 2011, instituted by the global communications agency First Protocol to recognize outstanding achievements by organizations in the social and economic sphere.

Today, the name of Wooden Bakery not only spells trust and quality, however, it has become a marked proof that a brand can be born, even in the Lebanese bakery industry. Wooden Bakery's expansion in the Lebanese territory has facilitated the achievement of the owners' mission, proving that Wooden Bakery is worthy of the award that comes as a natural translation of its ever-expanding drive to Offer More and Deliver Better.

2. 4- Wooden Bakery SWOT Analysis

SWOT Analysis

Strengths

Serves all classes of people

Big Variety of products (produced and non-produced by WB items)

One Stop Shop

Mushrooming Franchise (outlets are located on main roads in strategic areas)

All outlets have the same image

Product differentiation in the PRESTO section sandwiches. Ex. Rustic Bread

Customers loyalty

Quality (Shelf life limited)

Freshness products (core value)

Diversity of products (Arabic, French Pastries - Viennoiserie - charcuterie - Arabic Bread)

Rank among the top 25 companies in Lebanon

Hold high level of market share in Leb.

Balance menu (variety, quality, and price)

Quality Control Management during process, on final product and in outlets

Franchise Support

Weaknesses

Outlets are rented premises which leads to increase the operating expenses

Franchise operated outlets might not have same level of loyalty as the outlets owned by Wooden Bakery

Increase in raw materials and labour costs

Not every franchised store owner get involved in the P&L statement

No direct authority

High start-up cost

Delivery Service

Advertising plan to increase sales through brand awareness

Family Business

Opportunities

Market trend turning bakeries into a wider shopping outlets

Healthy eating trend

Opening new and international markets

New inventions for competition

Threats

Increase in Labour costs put pressure on button line margins

Increase in raw materials costs put pressure on gross profit margins

Quality of service focus with the presence of competitors in the market

Many competitors (bakery's, supermarkets, etc...

Recommended Strategies to decrease the weaknesses and threats

Part 3: Methodology and Results

3. 1- Describing “ Human Resources” at Wooden Bakery

At Wooden Bakery, the human resources department used to work the traditional personnel management tasks, generating payroll and registering employees in NSSF.

With the new era of globalisation, Wooden Bakery had to create a new concept and expand more to be able to compete with the market, with this new idea that exceeds only serving the market with bread, Wooden Bakery needed people to make the concept a reality. With more than 500 employees, the company needed a human resources department implanting all human resources functions to be able to succeed with the plan and become more a strategic partner.

The Main human resources achievement was shifting from personnel management to human resources management, implementing all human resources functions, and be more involved in Wooden Bakery strategic plan.

Human Resources department today mainly concentrates on recruitment, management, and providing directions and guidance for the people who work in Wooden Bakery, and off course hiring the right people in the right places.

Human Resources department deals with employees concerns such as compensation, hiring, performance appraisal, employee motivation, safety, benefits, employee's relations, and training & development. Knowing that no one can evaluate employees better than the direct managers with the help of the HR department, The HR department main goal was to promote a positive atmosphere to be able to expand internationally with an encouraging environment.

However, Wooden Bakery HR department make sure that all the employees are effectively contributing to the overall company direction and to accomplish the organization goals and objectives.

The administration roles usually played by the Human Resources department are becoming increasingly aligned with the company strategic plan, which in turn is evolving the HR into becoming: Human Resources Management.

3. 2- HR Functions in Wooden Bakery

3. 2. 1- Recruitment and Selection

The ability of Wooden Bakery to achieve its objectives of profitable and sustainable growth and high-quality product and service standards depends on the quality of its " Human Capital".

The recruiting function, which directly affects the quality of Wooden Bakery's human resources, will represent a critical function in the company's development. It is therefore important that a clear recruiting mechanism is established in order to optimize applicant selection, while supporting Wooden Bakery's strategic orientation and values.

Proper and professional recruiting is necessary in order to avoid undesirable effects, including:

Negative publicity or damage to the company's image

Wasted time and effort to interview applicants who do not meet Wooden Bakery's needs

Cost incurred in training recruits who should not have passed the recruiting interviews

High turnover rates

The hiring process in Wooden Bakery includes Recruiting, Processing, Eliminating, Selecting, Rejecting, File Building, Placing, and Orienting.

The recruiting process is divided into three phases: Pre-recruiting, Recruiting, and Post-Recruiting. It involves:

Posting a job advertisement in appropriate places

Evaluating the information provided on each application

Screening candidates to determine which ones to interview

Verifying references and information

Conducting personal interviews

Deciding who will be offered the job

Orienting the new employee about the organization

3. 2. 2- Performance appraisal

Wooden Bakery faced a problem in its environment, having a negative atmosphere among its employees, almost a good number of its employees have the impact that they are not fairly treated, and based to my research employees have to be motivated to be able to give the best to their job.

Wooden Bakery had to promote a positive environment to be able to expand internationally with employees with high morals.

Accordingly, Wooden Bakery created a new assessment concept for evaluating employees, “ 365 Evaluation”, that is created to monitor and evaluate the productivity of Wooden Bakery administration and management staff throughout the year.

The concept covers three different aspects and tackles employees’ productivity by looking at:

Missions accomplished (Monthly Evaluation)

Key performance indicators (KPI) (Quarterly Evaluation)

Yearly competency evaluation

The purpose of the 365 Evaluation is to:

Monitor the productivity of Wooden Bakery administration and management staff throughout the year.

Compensate and reward exceptional achievements, and where applicable take disciplinary actions against under-achievers.

The benefits to be gained from conducting performance appraisals include:

Recognizing accomplishments and reflecting the results through monetary terms (Salary increase, Promotion, Bonus, etc.)

Identifying newly acquired competencies

Preparing employee development plans

Planning improvement where deficiencies are found

Goal-setting

Communication between supervisors and employees

Monthly Evaluation “ Mission Based”

Mission

based evaluation is a tracking system that records and rates the mission undertaken by Wooden Bakery administration and management staff on Monthly Basis.

Title

Subtitle

Illustration

1-Mission Details

Title

Mission's name

Date & Duration

Date of registering the idea and expected mission duration

Owner

The employee who created the idea and who is the custodian for its implementation

Department

Self-explanatory

Mission Scope & Objectives

Scope is the sum total of all products, services and outcomes needed to make sure that the mission is successfully done.

Objectives are the benefits, outcomes, or performance improvements that are expected to be accomplished by the mission.

Authority Structure

List of personnel involved and needed for the completion of the mission and the designed authority distribution

2-Mission Program

Task Breakdown

Breakdown of tasks and assigning a start and a duration for each task

Start & Duration

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3-Mission Kick-off &Registration

Owner Signature

The mission owner has to register the mission with the HR department after it has been noted by the direct supervisor and approved by the concerned VP

Direct Supervisor

VP (Concerned)

Human Resources Manager

4-Mission Evaluation

Score for Innovative

At the completion of the mission, the owner has to get the formal evaluation of the concerned VP. 3 criteria will be used to evaluate the mission (Innovative, Importance, Impact)

Score for Importance

Score for Impact

5- Approvals

3 parties and the checking of the Internal Audit department

Once rated by the concerned VP, the mission score is registered by the HR in the Mission Tracking System.

The internal Audit team is entitled to monitor the proper implementation of the system.

Quarterly Evaluation (Productivity Based)

The Quarterly Evaluation is a system that measures the productivity of Wooden Bakery administration and management staff by looking at five (5) aspects:

Attendance

Mission Accomplishment

Policy and Procedure Development (creation and implementation of new procedure)

Introduction of Improving Ideas (Cost saving ideas – Process improving ideas)

Productivity Measurement (Vary from one department to another – each department will be evaluated by using five indicators)

Yearly Evaluation (Competency Based)

The Yearly Evaluation is a systematic way of measuring, reviewing and analysing employee performance on a yearly basis and using the information gathered to plan for the employee's future with Wooden Bakery. The feedback is used to judge employee effectiveness as well as provide necessary Training and development to improve the employee's contributions to the Wooden Bakery's goals.

The purpose of the Yearly Evaluation at Wooden Bakery is for the manager or the direct supervisor and the concerned employee to have an open discussion about performance expectations and actual performance.

The employee's actual level of performance is compared to the estimated level of performance using standards that were developed by the supervisor.

This expected level of performance is to be derived from competencies needed to perform the job in the highest level of professionalism.

The comparison of actual performance with expectations and standards serves as a basis for recognizing accomplishments and planning for improvement where insufficiencies are found. Performance appraisals may also be utilized in a progressive disciplinary process to resolve continuing poor performance.

3. 2. 3- Training and development

Wooden Bakery encourage growth and career development of its employees by coaching, and helping them to achieve their personal goals, through providing adequate training, encouragement of staff development, and chances for growth.

Wooden Bakery training methods include:

Orientation training, Orientation training is the process Wooden Bakery use for welcoming a new employee into Wooden Bakery family. New employee orientation, often organized by a meeting with the Human Resources department, that generally contains information about the new job description, the work environment, company culture, company history, the organization chart, tour of department, introduction to colleagues, Wooden Bakery rules and regulations, etc...

On-the-job-training, on the job training is used in both our branches and factory to teach new employees how to perform job duties.

Sometimes training sessions take place in the headquarters and some other times on site. For example, customer service, food safety and hygiene, menu implementation.

Conferences and Seminars, Wooden Bakery works on developing its employee's skills by sending them to international conferences, Seminars and Workshops.

Some of the trainings attended by Wooden Bakery administration employees:

R&D Technician and R&D Manager were sent in 2010 to Las Vegas to attend " Baking Industry Trade Fair"

Production Manager and R&D Manager were sent in 2012 to Bulguim to attend " Professional training session held by PURATOS"

Quality Controller Supervisor and R&D Supervisor were sent in 2012 to Paris to attend training with " Chopin Technologies"

Maintenance Manager was sent in 2012 to Vienna to attend a conference in " ROSENDAHL Company".

3. 2. 4- Compensation and benefits

The term compensation in Wooden Bakery refers to the wages used to reward employees. As for benefits, Wooden Bakery offers paid vacations to its employees.

Wooden Bakery wishes to maintain a sense of fairness and equity within the pay structure – Grading System.

For each position at Wooden Bakery the following will be defined:

The Minimum, the Middle, and the Maximum fixed salary range

The minimum and maximum of each fixed salary range is selected in line with market realities, and based on external salary surveys of comparable organizations.

The parameters used to determine the weight of each job and thus giving an accurate grade based on numerical study:

Know How

Technical Knowledge

Management Extent

Human Relations

Highest Education Level

Problem Solving

Reasoning

Decision Making

Communication

Influence on Others

Accountability

Freedom to Act

Magnitude of Action

Impact of Decisions

Working Conditions

Long Working Hours

Working during Holidays

Extensive Traveling

Hazardous Environment and Critical Encounters

The grading system at Wooden Bakery offers a clear career path for employees who show potentials to advance within the company hierarchy.

Moving horizontally within the same grade is governed by different factors including:

Seniority (1. 5 years spent in each level)

Performance Appraisal Recommendations

Acquiring Additional Skills (Experience and Education)

Top Management Discretion

Moving vertically is governed by different factors including:

Performance Appraisal Recommendations

Acquiring Additional Skills (Experience and Education)

Availability of the vacancy

3. 2. 5- Employees Relations

Wooden Bakery promotes a positive atmosphere, and encourages positive relations between employees, to be able to reach the organization goals and objectives.

Employees Relations is concerned to prevent and resolve problems involved by employees which arise out of or might affect Wooden Bakery work atmosphere.

Wooden Bakery employee's relation involves the relation between the employees with each other or their relation with their supervisors.

Wooden Bakery concerned supervisors provide advises on how to correct poor performance and employee misconduct.

The Company Disciplinary Action is to help and encourage employees to improve, achieve and maintain standards of conduct, attendance and job performance. It also enables management to deal effectively with those

employees who do not comply with Wooden Bakery standards of conduct, attendance and performance in the workplace.

Employee relations are designed in a manner which is non-discriminatory and which is “ Fair” consistent and effective. It must also be applied in a timely manner and without undue delay.

3. 3- What are the differences between Local HR functions and Global HR functions?

The below mentioned HR functions will be the same for the HR management operating locally and globally;

Recruiting and staffing

Training and development

Compensation and benefits

Employees relations

Performance appraisal

But when the company operates globally it has to take into consideration additional aspects. (Jayant R Row, 2010)

Globalizing the HR functions:

After taking into consideration all the above HR functions and the additional global aspects, the HR department have to make sure that the HR policies fit with the new organization country, the HR department have to modify the policies to fit local requirements.

3. 4- Human Resources Planning for Global expansion

Global expansion is a growth strategy for the future. It is at the heart of Wooden Bakery's development strategy. The owners are constantly striving to raise market share through expansion primarily in the Middle east and subsequently worldwide, in order to win over increasing numbers of customers.

Wooden Bakery began seeking out growth and expansion, looking to reach out into new markets through Master Franchising and/or Partnership/Joint Venture.

Wooden Bakery planned to expand worldwide after going through a number of challenges and risks that need to be taken into consideration along with is the Human Resources. The human recourse factor refers to the hiring of employees in the foreign markets, and the challenges and risks that come with doing so.

Wooden Bakery will always take into consideration the foreign country laws, rules and regulations, which might be far different from our country of origin and which may seem difficult to manage with.

One of the differences is the employee's contracts in other foreign countries, which define the parameters of an employee's job benefits, including vacation time, working hours, salaries, compensation, severance pay, etc.

The differences stated earlier will mandate that the total packages offered abroad are tangibly higher than those offered within the Lebanese region.

Thus, the existence of all the above variances means that any organization looking to expand internationally will need to do unlimited researches in regards to the foreign markets, since it might affect its operation.

Implementing a global business strategy requires having the right people in the right places; it requires specialized leadership skills-managing the work of people with different backgrounds and customs.

3. 5- How to prepare from an HR perspective, for international expansion

When a company seeks new opportunities and decide to target new markets, and ex