

financial



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Description

financial CAST STUDY solution

. Please read the case and answer the questions given at the end.

The forces in the world economy have necessitated that financial institutions become more international in outlook if they are to survive in the global arena. Noticeable changes, for example mergers, acquisitions, emergence of new players, deregulation, and application of modern technology, have been observed in the structure of the global financial industry (Qing, 2001). These changes have intensified competition among financial institutions in many countries, such as East Asian economies. Rapid changes in the industry can pose serious challenges even for the giant financial institutions and their approaches to HRM. Three areas of HRM that concern the banks most in their Asian operations are recruitment, rewards, training and development. The following case considers HSBC's HRM policies and practices in East Asia and discusses how relevant and applicable existing IHRM approaches are to other parts of the world, what institutional and cultural factors influence HRM approaches in global firms, and what the implications of change are for their HRM approaches. HSBC Holdings plc, number one

in the Fortune Global 500 in 2007, is the world's largest company and bank. The Holdings was established in 1991 to become the parent company to the Hong Kong and Shanghai Banking Corporation. It has a significant presence in the major financial markets. By 2008, HSBC operated a network of around 600 offices in 20 countries in the Asia Pacific region. Its long history in East Asia can be traced back to the nineteenth century. It has been the largest note-issuing bank in Hong Kong since the 1880s, handled the first public loan in China in 1874 and was the first bank to be established in Thailand in 1888. When entering the Asian market, many MNCs have adopted an ethnocentric approach to their recruitment policies. Key top positions were often filled by expatriates from home countries although a number of MNCs have used a geocentric staffing policy to search for the best people. The key issue however for many Asian economies, such as China and Vietnam, which have had a large pool of unskilled and semi-skilled workers, combined with a shortage of sufficient numbers of well-trained managers and technical people. Furthermore, recruiting qualified bankers in the local markets can be very difficult. P.T.O. Business expansion during recent years has fuelled the talent war in the labour market. For instance, HSBC had planned to double its number of branches in China over the next few years. According to its manpower planning policy, there has always been 'a need to recruit managers to oversee new branches and handle new services, but experienced and talented bankers are limited in the market'. Consequently, HSBC implemented a global talent management process to attract, motivate and retain its employees. HR professionals first visited all countries to describe key principles and nomination guidelines for talent assessment to ensure employees 'buy in' to the recruitment process. Multiple sources of data, including interviews, panel interviews and 360 degree feedback, were then used to review capability ratings for all global talent nominees. A list of potential leaders and specialists were identified to fill future positions planned for the next 3-7 years (Gakovic and Yardley, 2007). Nevertheless, cultural and social influences played a key role in talent decisions. The globally consistent talent nomination criteria and instructions were subject to local interpretations (Gakovic and Yardley, 2007). Cross-cultural differences further impacted on the consistency of the process. Besides, the panel members who reviewed nominations were not equally comfortable with challenging one another or voicing negative criticisms because such views often can mean that people 'lose face', which is not acceptable to East Asian cultures (McGreal, 1995). The intensified competition resulting from the enhanced globalisation of the Asian market created high demand for qualified bankers and professionals. In competing for human talent, compensation has been increasingly used as an effective means to recruit, motivate and retain much needed professionals. According to some salary surveys, financial institutions witnessed the biggest salary increases among all industries in most Asian economies during the period 2005 to 2007. Interestingly, HSBC adopted an ethnocentric approach to its rewards practices. Its grading structure, salary adjustment and bonus scheme were inherited from its head offices. For example, to encourage employees to have a direct interest in the bank, an employee share option saving plan was offered to employees in most countries. Global

bonus schemes designed to align employees more closely with the achievement of long-term strategic objectives were introduced in Asia. The implementation of standardised rewards practice might imply that the head office was concerned with consistent HRM approaches across its overseas operations, and that it was interested in having the ability to compare performance across countries. However, the connection between global rewards schemes and local performance evaluation involved lengthy delays and consequently failed to keep employees highly motivated. P.T.O. Due to their large size and extensive networks, most MNCs can leverage their training resources across the Asian region. In HSBC, training programmes were organised by regional training teams and launched by local offices. Typically, managers with 1 to 2 years company service would attend fundamental management skills training and those with 3 to 5 years company service would attend advanced courses. Some managers might go through job shadowing of their counterparts in other Asian countries (Poon and Rowley, 2008). In addition, similar to other financial institutions, HSBC launched online training programmes and learning resource centres which enabled geographically dispersed staff to gain access to learning materials and packages. The use of more flexible training and development methods provided wider choice and better access to development opportunities for employees. None-the-less, the high level of training investment could at times generate negative returns whenever the trainees 'job-hopped', were 'poached' or became misaligned with organisational objectives. Moreover, these changes pressurised HR departments and practitioners to manage increased diversity and utilise different systems to cope with employees' increasingly diverse needs and demands (Rowley and Poon, 2008).

Questions :

(a) Will HSBC's HRM policies and practices become more uniform as business expands in Asia ? Or will HSBC adopt distinct HRM policies and practices in different Asian economies ?

(b) Discuss the advantages and disadvantages of the following HRM policies and practices : (i) global talent management process; (ii) standardised rewards practice, and (iii) high level of training investment.

(c) What alternative HRM policies and practices would you recommend to HSBC for its operations in East Asia ?

Details

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