

TRANSCRIPT

Hire the Right People

Michael Madsen:

Hi, I'm Michael Madsen, International Liaison Partner for BDO Canada. Welcome to Bored at the Airport with Mike. This show is about doing business globally. Whether your business has international presence, is considering an international expansion, or if you're in the middle of revising your expansion plan, then this show is for you.

Narrator:

Silicon Valley giants like Google, Apple, and Facebook all suggesting employees work from home.

Clip:

We all carry a bit of a responsibility to make sure that we're not part of this virus spreading faster.

Clip:

My life depends on me working from home these days.

Clip:

They're using video conferencing and other technology to remain connected.

Clip:

I think working from home will be a lot more of an accepted feature.

Michael Madsen:

Clearly the global talent environment has changed because of the pandemic. How do you go about hiring the right team when expanding globally?

Narrator:

Thanks to the pandemic, the hiring process across the globe went digital. Very, very digital, as recruiters and candidates scramble to adapt to a fully remote experience.

Clip:

All right, can everyone see these notes? Hold on, hold on, hold on. I got this. All right. These notes-

Narrator:

Entering a new global market isn't an easy task. Companies needs have changed. Employee's expectations have changed. Over the course of the last year many companies were confronted with the fact that hybrid and remote work models weren't going anywhere.

Clip:

They're using video conferencing and other technology to remain connected.

Narrator:

By now, you've likely heard of the great resignation, a term coined by Anthony Klotz, an organizational psychologist at Texas A&M university. In short, a record number of employees are quitting their jobs.

Why?

Clip:

It's time to find something that is going to be better for my family.

Narrator:

The global pandemic has made workers reevaluate what they are actually getting out of their jobs, or more pointedly, what they aren't. Most were not feeling valued, not being acknowledged for their hard work, or aren't sharing a sense of purpose or community with their peers or their employer.

Narrator:

Organizations witnessing this phenomena are recognizing the need to invest in employee experience and engagement programs to retain their employees and mitigate their attrition rates, especially when your company is expanding into foreign markets

Narrator:

Across almost all industries, digital transformation was accelerated by the pandemic, forcing companies of all sizes to fast track their digital plants. According to a Sage report, 24% of businesses have started using AI for their talent acquisition needs, with 56% of managers planning to adopt automated technology this year.

Narrator:

Employers and job seekers alike are now casting a global net for remote work options, as well as remotely hiring local employees in advance of a company's expansion into a foreign market. One company that fell victim to a flawed expansion hiring strategy was Groupon. Groupon, based in Chicago, is a global e-commerce marketplace, connecting subscribers with local merchants by offering activities, travel, goods and services in 15 countries.

Clip:

Grab the Groupon app and grab life by the Groupon.

Narrator:

Groupon's strategy to expand into China was to attract competitors' employees to join the company in return for large salaries. Although this strategy was successful in other countries they had previously expanded to, competitors in China United to fight back by stating officially that any employee leaving to work at Groupon would never be allowed to work at any other firm within the alliance again.

Narrator:

As a result, Groupon staffed their offices in China with mostly American employees who didn't speak Chinese. Groupon's failure to draw more heavily on local talent in its management structure limited its ability to adapt to local nuances to succeed in the Chinese market. Out of Groupon's senior management team in China, only two members were Chinese, one from mainland China and the other from Hong Kong. Groupon ultimately failed in their expansion to China and ended up merging with another Chinese daily deal website.

Narrator:

On the other hand, expansion into new markets can be done right when you hire the right people. Hiring success stories include Uber and Netflix. In China, Uber hired local leadership and was quick to adapt to the market. The local Uber China leadership team understood the importance of a more reliable payment system and implemented an alternative to credit and debit payments the Chinese population preferred, integrating both the WeChat and Alipay payment systems.

Narrator:

WeChat is an instant messaging, social media, and mobile payment app first released in 2011. It became the world's largest standalone mobile app in 2018 with over 1 billion, monthly active users, and Alipay, a mobile and online payment platform established and trusted in China since 2004.

Clip:

I am Alipay. With me, the trust between buyers and sellers is strengthened.

Narrator:

This local hire allowed Uber to quickly integrate into the culture, using a system that was known and trusted to the local consumers. When Netflix expanded to Amsterdam, the company praised the city for enabling Netflix to hire multilingual and internationally minded employees who could expertly understand consumers and cultures in all of the territories across Europe. The result: the company's international aspirations are outpacing its scale in the US.

Michael Madsen:

Joining me in this episode is Debra Moses, Partner and Global Employer Services Leader at BDO Canada. Debra has been assisting multinational companies with their global mobility workforce for over 28 years. Debra thanks for joining us today.

Debra Moses:

Oh, thank you, Mike, for inviting me.

Michael Madsen:

Clearly the global talent environment has changed because of the pandemic. What are some of the biggest changes you have seen and where do you see the hiring needs of companies going?

Debra Moses:

The necessity of remote working through the pandemic that's now led to a demand for it from employees has really changed the landscape for employers. On the one hand, employers now have a much wider talent pool to draw from and this is very welcome but, as we know, the companies are having challenges globally in acquiring skilled employees.

However, that means that a lot of companies are now having to handle hiring and paying employees in a country where they've previously haven't had any footprint. There's a strong desire to get the right employees on board as quickly as possible because of the competition of the marketplace, but there are a lot of administrative hurdles to get over to be able to do so, in any company.

Michael Madsen:

Talk to us about the stories we've just heard about. Netflix, Uber, and Groupon. What stands out to you about their expansion and hiring strategy?

Debra Moses:

For me, the key message is that it's vital to understand the local market, business environment, so that the hiring needs can be directed accordingly.

For example, if you look at the way Groupon and Uber expanded into China, the ability to understand how important local knowledge would be was going to be in the success of the business was really the differentiator. A lot of companies that I see go in without thinking of, what are the local ways of doing things? So we can't impose the Canadian way there.

Michael Madsen:

Makes total sense. Understanding today that businesses all need to be flexible and creative in finding the best people, why should businesses and employees seek local talent when expanding globally?

Debra Moses:

From a practical perspective, it can be the simplest option when expanding into a new location as there are fewer hurdles, such as having to get immigration, stuff like that. For example, bringing somebody else in from another country. In addition, locally-based employees often have on-the-ground knowledge that can be invaluable when a company is expanding into a new country for the first time.

Michael Madsen:

How do you go about hiring the right team when expanding globally?

Debra Moses:

This will likely depend on what the purpose of the expansion is. Is the company testing a new market, or is it a fully-fledged new footprint for the corporation? Often, we see companies using a combination, international assignees and local hires, with the assignees providing support and guidance to the local employees that they may not otherwise have.

Michael Madsen:

You talked about international employees and some of the impediments of cost. Are there benefits to hiring international employees as part of an expansion strategy?

Debra Moses:

Oh, definitely. Using existing employees from a group company in another country can be very beneficial as they already understand how the organization works, its culture, and its aims. This enables a new entity to start off in the right direction from the outset.

There's also the ability to utilize knowledge from these employees that have a proven track record, because you tend to use people that have shown a growth strategy with the company or anything like that. They're along with the company for the ride in growing. However, relocating or assigning international employees brings a host of additional factors to consider.

Michael Madsen:

So Debra, walk us through the steps of hiring locally in another market.

Debra Moses:

There are several options. The traditional route that we see would be to register a sub in that country so that there's a local entity that can be the employer. You would then need to work with a lawyer to draft employment contracts. Employment contracts are different in each country and need to include different things: setting up of a bank account and engaging with a local payroll provider. Your Canadian payroll provider may not necessarily be able to provide services in that other country, so all of these things need to be looked at. This brings ongoing compliance obligations and fees, but it's something very easy that most companies do. It's just understanding the steps to take.

In the last couple of years, there's been an uptick in what we call alternative structures, such as PEOs, which are Professional Employer Organizations and employer of records. However, you have to be really careful because in some countries they don't work and they're not permitted.

Michael Madsen:

How can companies overcome some of these challenges of hiring internationally?

Debra Moses:

Well, what we find is a lot of it comes down to communication. If you're not talking to the people and educating everybody, a lot of questions arise. Whether you're educating the key stakeholders at the company on the potential obligations, the risks, and costs involved or ensuring that the employees that are relocating understand the implications to them personally. Both levels need to understand exactly what's happening.

It can seem very overwhelming. However, it's vital to work with an advisor with experience in handling cross-border hires. We, at BDO, we have extensive experience in assisting companies in this situation, anything from assignment planning, cost estimates at the outset to understand whether it's worthwhile to go into that country, or even with policy design, like what's going to work in that country, what you need, and administration, to holding discussions with relocating employees so that they understand their tax implications.

Debra Moses:

So that's where companies get in trouble is if the communication isn't there if they just put the person in, and then the person is like, "Oh, I didn't know this. Why am I here?" That's when you get disgruntled employees, and we definitely don't want that.

Michael Madsen:

Debra, thanks so much for sharing your thoughts and expertise with us today.

Debra Moses:

Oh, you're very welcome.

Michael Madsen:

Our expert for this episode was Debra Moses, Partner and Global Employer Services Leader at BDO Canada.

Thanks for being part of Bored at the Airport with Mike. I'm Mike Madsen. If you liked this episode, subscribe to our podcast and connect with us on our LinkedIn group page, Bored at the Airport.

Narrator:

On our next episode.

Clip:

There's all sorts of new challenges that you have to navigate, but if you're willing and up to the challenge, I think it becomes rewarding and exciting.

Narrator:

We'll look at the story of Bumble and how the founder broke through barriers to make it big globally. Bored at the Airport with Mike is powered by BDO Canada. BDO provides tax, audit, and assurance advisory and business outsourcing services to companies across all sectors of the economy.

Narrator:

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Narrator:

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