CHAPTER I. INTRODUCTION

Background of the Study

Taiwan, a small island with a population of some 22 million, has always depended heavily on exports and imports. Because the economy of Taiwan is so closely related to international circumstances that we cannot disregard the inevitably strong thrust of globalization. As commodities, labor, capital and other resources flow swiftly on this flat world, Taiwanese enterprises have to actively participate in worldwide economic activities, especially the local financial segment.

Comparing to Taiwanese manufacturers who have already joined the world battle long time ago, financial institutions in Taiwan are far behind the progress (天下一千大調查, 2004). After Taiwan finally succeeded in joining the World Trade Organization (WTO) in 2002, local financial segment has to face the consequentially intense competitions from large-scale foreign consortiums. The opening of market is not necessarily a crisis, since Taiwanese financial companies could also benefit from the bilateral negotiation under the framework of WTO, thus they could also go international with lower barriers in other countries. Moreover, in order to respond to the possible impact from joining WTO, Taiwanese government has initiated a series of reform since 2000 to facilitate a sound financial environment and the consolidation among small banks. It is expected to see more competitive Taiwanese banks stand out above the rest to play a part in the global arena soon.

In sum, there are several drives for the acceleration of internationalization of local banks. First, the government plans on taking a chain of measures to encourage local banks to look beyond the national border after entering WTO (金融市場套案計畫, 2006). Second, the industrial structure has changed. Many Taiwanese manufacturers have moved outward to countries with lower cost labors or with larger consumer market. Taiwanese banks have to respond to the financial needs of these customers aboard. Therefore, following their major

customers' move is another reason for Taiwanese banks to be internationalized (Bowers, Gibb & Wong, 2003).

According to the latest statistics by Financial Supervisory Commission, Executive Yuan (2007) the output value of financial service industry in Taiwan contributes around 11% to the total gross domestic product (GDP) which plays an extremely vital role to the country's prosperity. Therefore, Taiwanese banks are about to compete in the international arena, more concerns should be paid to this issue.

Statement of the Problem

Due to the trend of internationalization, these local banks will face international human resources management (IHRM) issues, which are more complex than the domestic way of managing human resources. It is crucial to staff overseas branches with the right talents to assure successful operations in foreign countries, especially those middle managers that are important facilitators and practitioners of organizational change (Huy, 2001; Kanter, 2004). Therefore, the problem facing local banks that are on their roads of internationalization is how to appropriately deal with global staffing issue, including the kinds of middle managers recruited, the selection criteria, and the approaches of training them.

However, comparing to those foreign banks who have already reached out their hands to the global market long time ago, Taiwanese banks are still novices at international experiences. In order to survive in the highly competitive international battleground, Taiwanese banks should develop comprehensive and proactive IHRM policies and procedures. It would be beneficial for local banks to learn from the developmental experience of foreign banks who have internationalized earlier.

Purposes of the Study

Based on previous statements, the main purpose of this research is to discover how foreign banks with years of international experience conduct their global staffing practices. Hopefully such information can come into play as a reference when local banks make strategic and proactive HR planning. The specific purposes of this study are listed below:

1. To know how these foreign banks institute HR strategies around the globe.
2. To investigate how experienced foreign banks staff their overseas branches, including practices of recruitment, selection and training of middle managers.
3. To identify the staffing difficulties facing these foreign banks if any and the way they overcome such problems.
4. To provide suggestions regarding international human resources management for Taiwanese banks' reference.

Derived from research purposes, there are several research questions to be answered in this study:

1. Who is responsible for the institution of HR policies in overseas branches?
2. What are the sources of middle managers these foreign banks choose for overseas branches? What are the recruitment methods, selection criteria, and training measures for middle managers adopted by experienced foreign banks?
3. Have they encountered any obstacles when conducting global staffing? How did they overcome these difficulties?
4. Is there any particular experience worth learning by local banks who intend to expand beyond the local market?

Delimitation and Limitation

Delimitation

This research concentrates on three HR functions only, including recruitment, selection, and training. In addition, the delimitation of training encompasses training before assuming the post and subsequent training for the duration of the post.

Furthermore, it is the mid-level management in foreign banks that is concerned with, while senior executives and entry-level management are excluded.

Limitation

There are several limitations need to be aware of due to above research delimitation as follows:

First, it is obvious that other HR functions aside from staffing such as performance management, compensation and benefits, and labor relations are excluded from the research scope; neither does the training for repatriation. These topics cannot be addressed in this research under limited time and resources.

Second, what this research tends to do is to provide suggestion and reference rather than to make HR decisions for Taiwanese banks, because each organization faces its unique external environment and has its own “administrative heritage --- its existing configuration of assets, its traditional distribution of responsibility, and its historical norms, values, and management style”(Bartlett & Ghoshal, 1988, p.56). More specifically, the five foreign banks being interviewed are all European entities with history more than a hundred years. Their HR practices shouldn’t be generalized to other foreign banks. Any local bank intending to apply the research results of this study has to make appropriate adjustments according to its external and internal contexts.

Definition of Terms

Staffing

According to Dowling & Welch (2004, p.4), “staffing” incorporates activities of recruitment, selection, and placement. In this research, the scope of global staffing is extended to training of middle managers in overseas branches of interviewed foreign banks.

Middle Managers

Middle managers in this research refer to those at the management level yet with no power of final decision-making.

Multinational Corporations (MNCs)

A multinational corporation (MNC) is any company that engages in business functions beyond its domestic borders (Cullen & Parboteeah, 2005, p.676).