



Market expansion strategies that work

An HR guide for finding and hiring the talent you need to grow globally



Why your market expansion should start with HR

Discover

- Find the right local talent
- Tailor the recruitment experience
- Extend an attractive offer in the local market
- International recruiting challenges

Grow

- Hire skilled workers for long-term growth
- Hire local workers directly
- Hire with an employer of record
- Hire international contractors

Engage

- Onboard workers in a new market
- Draft employment contracts
- Provide local HR support
- Maximize worker productivity in new markets

Why market expansion should start with HR

What is a business without its people?

Not a lot, according to a Deloitte 2023 Global Human Capital Trends survey: 81% of business executives say the business agenda and the people agenda have never been more intertwined.¹ More than ever, your hiring strategy is synonymous with business strategy. And as companies pursue international expansion as a strategic initiative, whether to reach new customer or talent bases, or increase market share and revenue, the role of HR becomes critical.

A market expansion strategy includes analyzing a potential market, monitoring competitors, and conducting research about your product and services. But key to getting started in a new country is recruiting the right workers in the right countries at the right time. HR manages the hiring process, from employment contracts to compensation packages. They onboard and train these new employees to help grow the business and its offerings around the world. HR helps drive global growth because growth hinges on people. And HR empowers those people to succeed.

To help your HR team create a plan that will work for your organization, this guide will walk you through all the components of creating your own market expansion strategy.

HR strategies for new market expansion

People are an integral part of global growth. According to Brand Finance review in November of 2022, intangible assets such as ideas, technologies, brand attributes and other value created by workers made up 90% of U.S. corporate assets in 2022.² Other developed markets showed similar numbers, though they were lower in emerging markets.

HR teams empower businesses to achieve success through a talented international workforce. Whether you need local workers to oversee your product and services in that region, or you need specialized talent for enhancing your offerings, HR is the key. They can find the right talent in your target market by following these expansion strategies.

¹ Sue Cantrell, Zac Shaw, Michael Griffiths, Reem Janho, Kraig Eaton, David Mallon, Nic Scoble-Williams, Yves Van Durme, and Shannon Poynton, Elevating the focus on human risk, Deloitte Insights, January 9, 2023.

² Brand Finance, Global Intangible Finance Tracking™ 2022, November 2022.

DISCOVER

Find the right local talent

Every country has unique talent markets for you to find the perfect fit for your operations. Perhaps you need cost-efficient tech talent to develop new software or programs, in which case you might look to Columbia, Poland or Vietnam.³ Or maybe you need a local sales team to establish a customer base for your products and services. Before you can effectively build a team, you need to understand the local hiring landscape.

- What is the average level of education?
- Are there degrees that these people specialize in more than other regions?
- Do these workers have experience with international operations?
- What is the unemployment rate for the workers you need?

These questions will help you assess the availability of the positions you need to fill. Having a firm grasp of the country's workforce will enhance your reputation and success as you discover qualified workers.

Talent pools will vary depending on the different market you are expanding into. India is well known for their specialty in IT and customer service positions. Whereas China⁴ or Mexico⁵ are more established as countries for manufacturing labor. These positions play a critical role in the success of your global expansion. Understanding the local markets will ensure you're looking in the right places for the right talent to meet strategic business outcomes.

Tailor the recruitment experience

A customized experience for each job posting will take more time and effort, but the reward is well worth it. Taking the time to fully understand the unique cultural nuances of a country and its labor market will increase your likelihood of hiring more qualified workers. SHRM found in a 2022 survey that 79% of employers use AI or automation for their recruitment strategies.⁶ Taking a more personalized approach could make all the difference in making your company stand out.

Start with localizing the job description instead of simply translating the existing content to a new language. Doing this will ensure any jargon or country-specific terms are correctly communicated to your candidates. A job description is often a person's first impression of your organization, so ensuring proper communication establishes the foundation for successful recruitment. Compensation and benefit offerings should reflect government requirements for the country, as well as attractive supplemental advantages.

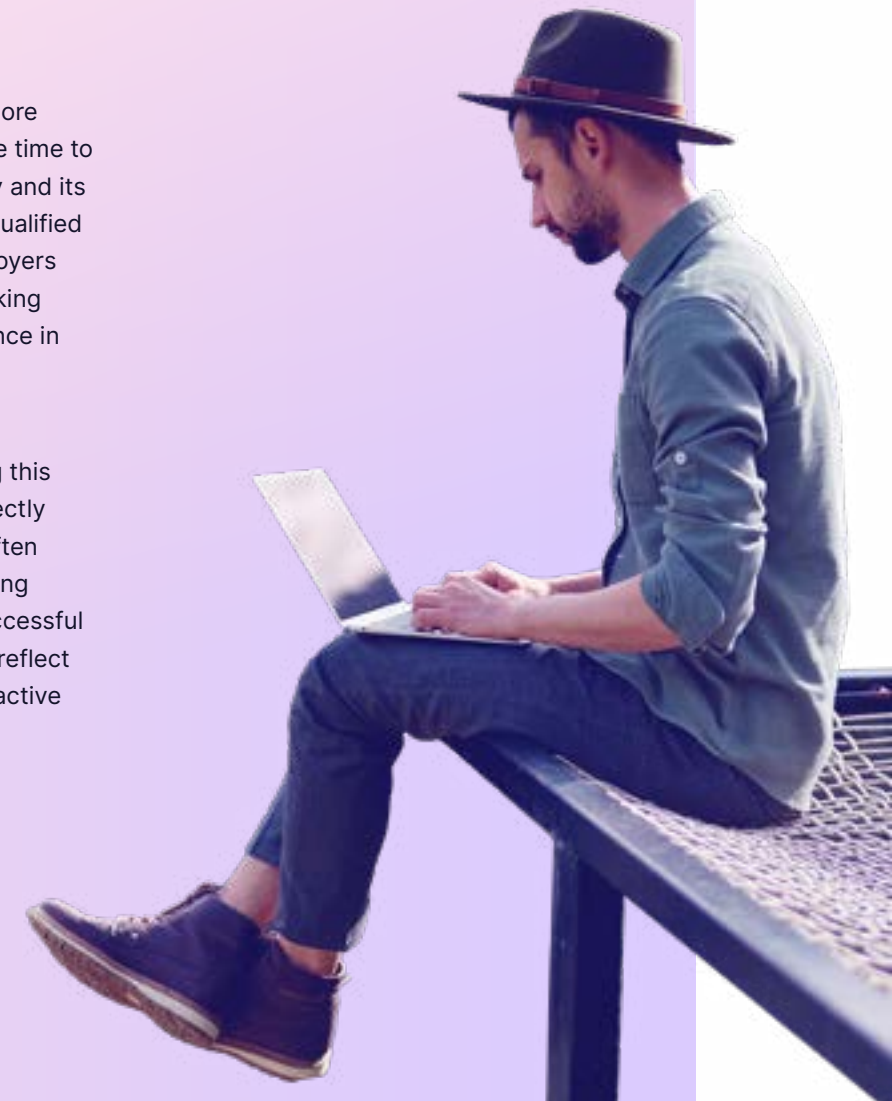
When you're ready to interview candidates, be sure to account for local time zones, language barriers, technological gaps and cultural differences. Depending on how many candidates you have for an open position, this can quickly become a massive hurdle—especially if you have multiple positions you're trying to fill. And that doesn't even include the actual skill assessments to determine if a candidate is qualified to help you meet your business objectives. Understanding a worker's country and culture will help you answer their questions and resolve specific concerns to recruit more effectively.

³ <https://www.forbes.com/sites/forbestechcouncil/2023/10/18/to-find-global-tech-talent-look-to-emerging-markets/?sh=50a704d25ea5>

⁴ <https://www.britannica.com/place/China/Manufacturing>

⁵ <https://www.ivemsa.com/manufacturing-in-mexico/mexican-labor-force/#:~:text=Mexico%20is%20the%203rd%20largest,medical%20devices%20to%20the%20U.S.>

⁶ <https://www.shrm.org/about/press-room/fresh-shrm-research-explores-use-automation-ai-hr>



Tips for a customized approach

- Localize the job description
- Focus on supplemental benefits, rather than mandatory
- Highlight your plans to grow in that country or region and how they will play a role in the expansion process
- Share your organizational growth goals for reaching new markets
- Learn the culture and communication style of the local candidates
- Be as responsive as possible to establish a positive first impression

Extend an attractive job offer in the local market

Finding an ideal candidate is a challenging process. The last thing you want to do is lose a potential hire because your compensation package didn't meet the candidate's expectations. A recent survey conducted by the Manpower Group found that 75% of companies struggle to acquire the best candidates with their recruiting efforts.⁷ Talent scarcity means higher competition for qualified international workers. The job offers need to not only be competitive, but an obvious choice for a candidate.

Understanding the local salary benchmarks is a start, but it's not enough to land a candidate. Income is just one component of an attractive job offer. Benefits are often weighed equally, if not more than, the actual salary for international workers. You may need to conduct research into cultural norms, in addition to regulatory requirements.

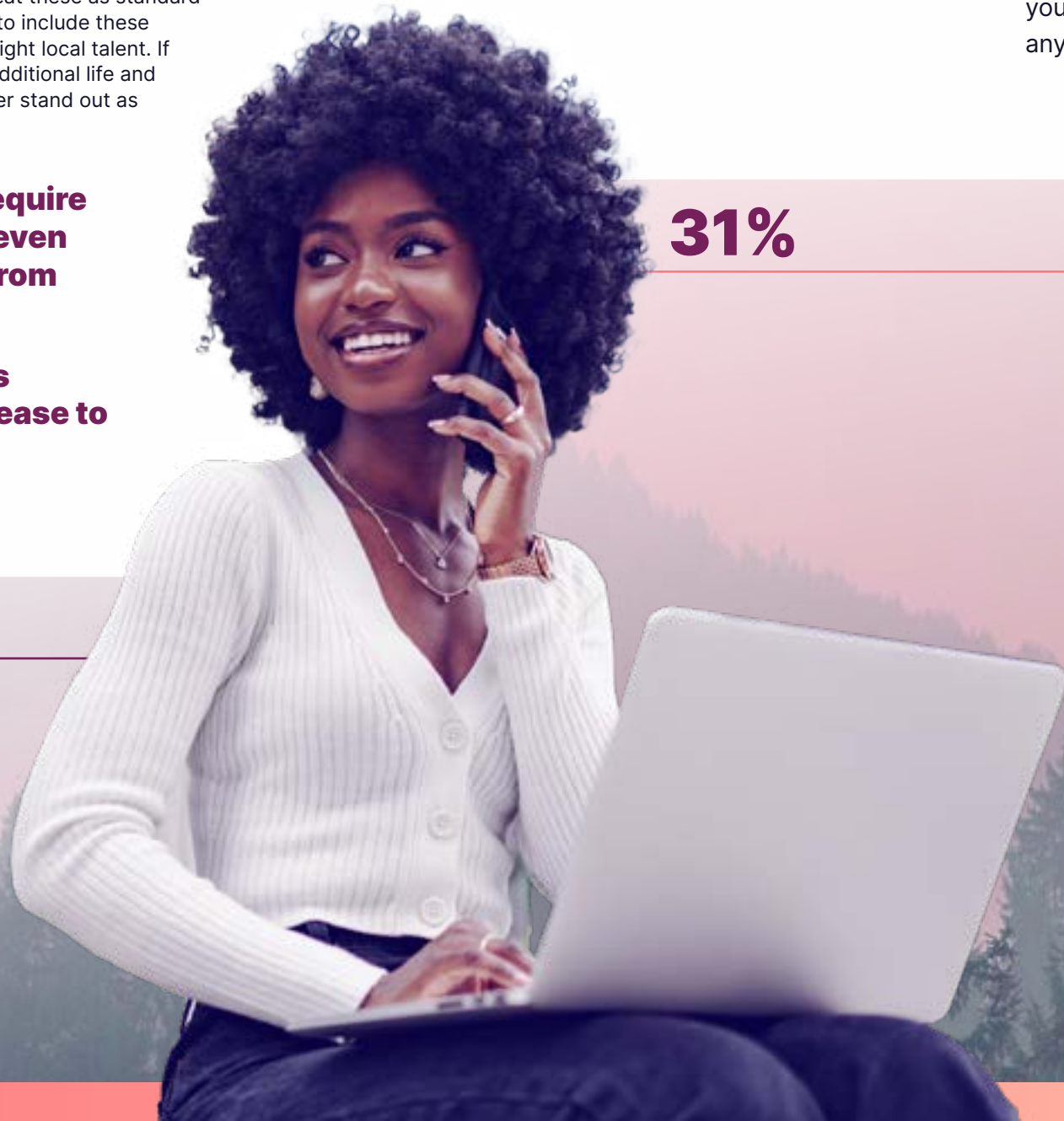
In India, for example, a statutory benefit would be things like medical insurance, maternity leave and vacation time. But a common supplemental benefit might include education reimbursement or travel stipends. Although these are not mandated by the government, many Indian workers treat these as standard compensation requirements. Failure to include these cultural benefits could cost you the right local talent. If you take it a step further, including additional life and medical coverage can make your offer stand out as a more appealing choice.

Engaged employees require a 31% pay increase to even consider taking a job from another organization

Unengaged employees require a 22% pay increase to switch jobs⁸

31%

22%



What are some challenges of recruiting in new international markets?

As with any new market strategy, there will always be limitations and obstacles as you recruit your global workforce. Understanding these challenges will help you plan for and overcome any roadblocks to ensure long-term growth.

1. Finding qualified candidates

Let's say you were looking to hire a Senior UX Designer in Sweden. Out of the 10 million people who live there, only 5 million are part of the workforce. But less than 17,000 people are actually workers that hold this title⁹—that's less than 1% of the entire Swedish workforce. And out of those candidates, only a handful will meet your specific job criteria. Purely from a logistical standpoint, recruiting qualified candidates can seem impossible. It takes years of experience and local expertise to find and attract the right fit for your business.

HR plays a critical role in understanding the local talent markets to find people that will help businesses reach their desired outcomes. Talent pools will vary depending on the country and their educational priorities, and HR teams navigate these challenges to ensure the expansion efforts are successful.

2. Cultural understanding

Like we mentioned in the job offer section, cultural understanding could make or break your recruitment strategy. Often when a candidate rejects your offer, they don't explain why. This makes it extremely difficult to fix your recruitment strategy when you don't know the problem. Even if you offer salaries well above the average benchmarks, these local expectations could cost you the qualified workers you're looking for.

⁷ <https://go.manpowergroup.com/talent-shortage>

⁸ <https://www.gallup.com/workplace/285674/improve-employee-engagement-workplace.aspx>

⁹ https://jobnet.se/en/lonestatistik/ux-designer-iwJU_gW4_SxT

3. Employment contracts

In some countries, job offers are recognized as legal contracts and cannot be rescinded once extended. If that's how seriously the world takes a job offer, how much more important is it to have a solid employment contract? In fact, in over 50% of common recruiting countries, these contracts need to be written in the worker's native language.¹⁰ These documents are the only things protecting your business from civil suits or legal penalties from local governments. A generic online template isn't going to do the job. Crafting a compliant and comprehensive employment contract can be time-consuming and burdensome to busy HR teams.

- In Germany, fixed-term employment contracts are only renewable up to three times¹¹ in a two-year timetable.
- In France, fixed-term work contracts are only allowed in special cases,¹² such as to replace a temporarily absent employee, and they must have a written contract. A fixed-term contract should not exceed 18 months, including a renewal.
- In the United Kingdom, an employee with fixed-term contracts of four or more years¹³ goes from a contract position to becoming a permanent employee.
- In Japan, if a fixed-term employee is with the same employer for five years,¹⁴ they will be considered a permanent employee.
- In Lithuania, there is a limit of 20%¹⁵ of fixed-term employment contracts allowed in the country.

4. Classification compliance

Workers are often classified in three main categories: contractors, full-time or part-time employees. HR teams are responsible for understanding the nuances between each of these categories, which can vary greatly from one country to the next, making it extremely challenging to stay compliant. Making a contractor work more hours or on multiple projects could entitle them to benefits. HR can help mitigate these challenges by using various employer types and understanding local regulations for hiring. Failure to comply could lead to lawsuits, penalties and fines. Keeping a compliant global workforce can be a major challenge for most international operations.

¹⁰ <https://www.deloitte.com/global/en/services/legal/analysis/international-employment-law-guide.html>

¹¹ <https://www.advant-beiten.com/en/blogs/fixed-term-employment-contracts-under-german-law>

¹² [https://uk.practicallaw.thomsonreuters.com/0-503-0054?transitionType=Default&contextData=\(sc.Default\)&firstPage=true](https://uk.practicallaw.thomsonreuters.com/0-503-0054?transitionType=Default&contextData=(sc.Default)&firstPage=true)

¹³ <https://www.gov.uk/fixed-term-contracts/renewing-or-ending-a-fixed-term-contract>

¹⁴ <https://ogletree.com/insights-resources/blog-posts/its-official-employers-in-japan-must-convert-some-fixed-term-employment-contracts-to-indefinite-status/>

¹⁵ <https://www.deloitte.com/lt/en/pages/legal/articles/new-labour-code-in-lithuania.html>

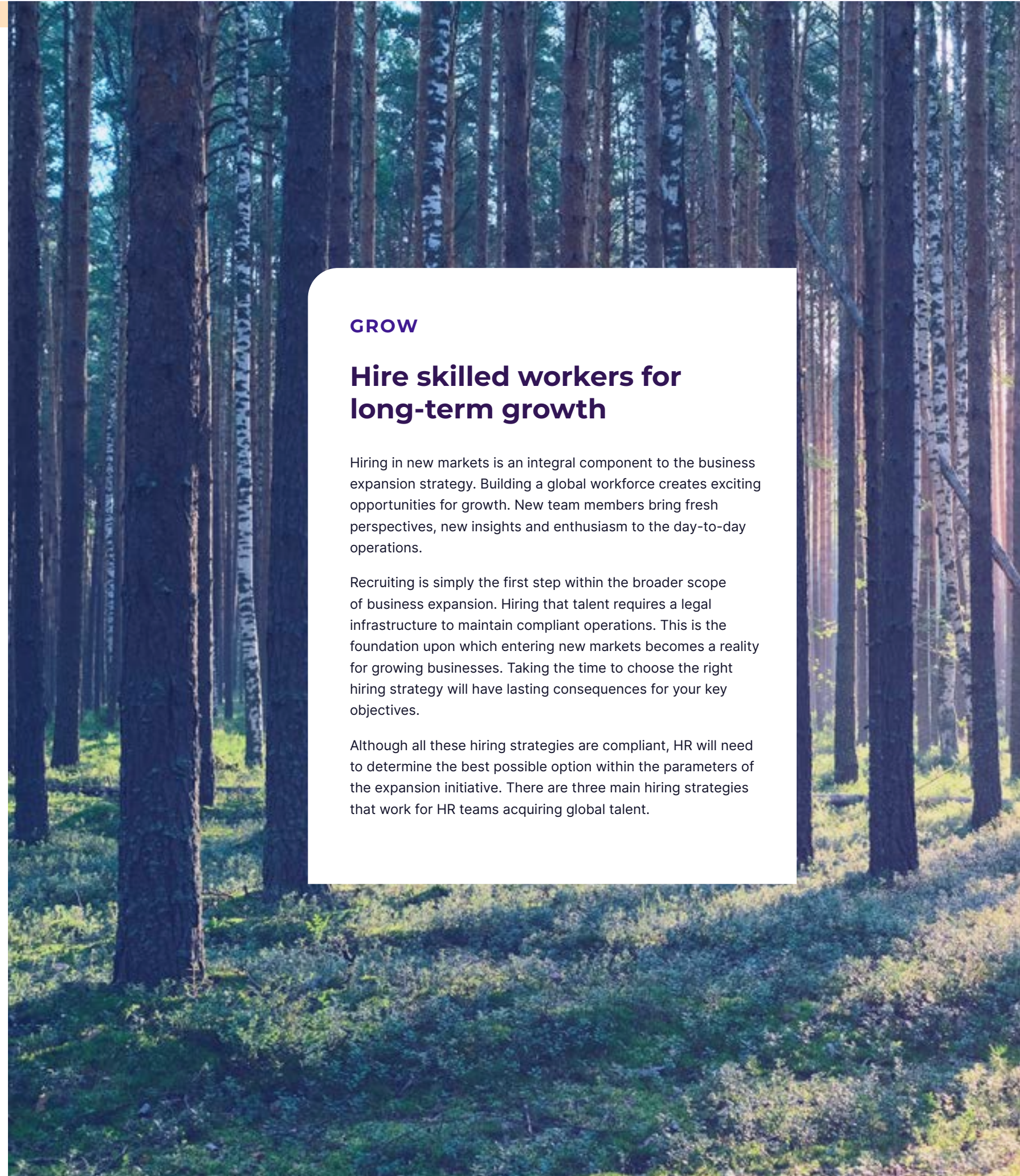
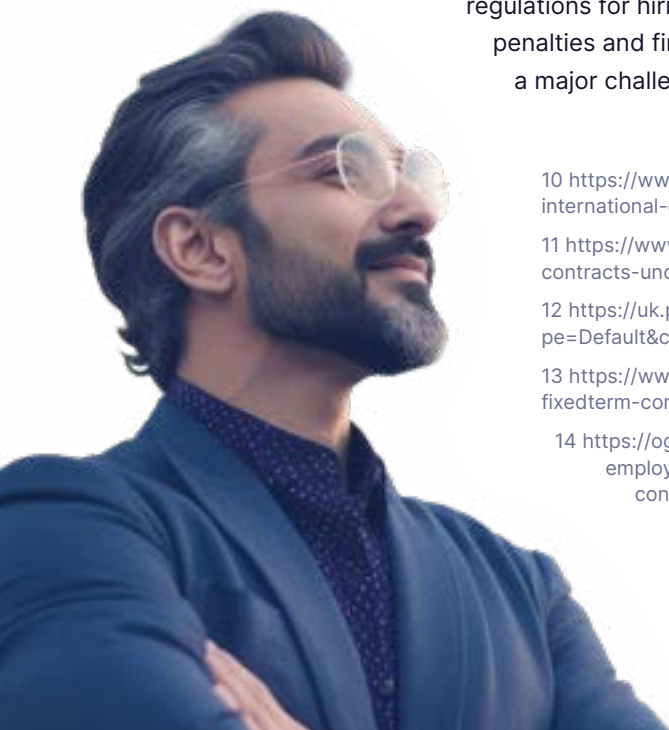
GROW

Hire skilled workers for long-term growth

Hiring in new markets is an integral component to the business expansion strategy. Building a global workforce creates exciting opportunities for growth. New team members bring fresh perspectives, new insights and enthusiasm to the day-to-day operations.

Recruiting is simply the first step within the broader scope of business expansion. Hiring that talent requires a legal infrastructure to maintain compliant operations. This is the foundation upon which entering new markets becomes a reality for growing businesses. Taking the time to choose the right hiring strategy will have lasting consequences for your key objectives.

Although all these hiring strategies are compliant, HR will need to determine the best possible option within the parameters of the expansion initiative. There are three main hiring strategies that work for HR teams acquiring global talent.



Hire local workers directly

In order to hire workers directly in a foreign country, you first must have a local legal entity to do so. Establishing a legal entity in a foreign country takes time and expertise, but it's a great long-term strategy for building a global workforce. An entity gives you full control over hiring, compensation, terminations and compliance.

When creating a foreign entity, strategize your plan for employee compensation and benefits. Since you will be responsible for all employment operations, this is something you need to have in place while the entity is being established.

Structuring your entity correctly will ensure you don't have multiple countries competing for tax revenue. This strategy may take more time and effort upfront, but it is often more successful for large headcounts or stable, long-term growth.

If this is the strategy that aligns most with your growth goals, you'll still want to work with experts to set up your entity. It's a long and complicated process that will only be more expensive if it's not done right the first time. Creating a tax-efficient structure requires extensive experience with a country's local laws and requirements.

Indicators that hiring directly might be the right strategy for you

- The market is stable and you want to expand your operations in that region
- You have a large employee headcount
- You want to take advantage of your own tax strategy and benefits
- You have the time and resources to set up the entity

What are the challenges of setting up a foreign entity?

Long-term strategies require more time, effort and cost, but they are also often the most rewarding endeavors. If this is the right strategy for your business, don't let the complexity or timelines deter you from making the right decision for your international growth. These challenges also can be mitigated by working with incorporation specialists.

1. Complexity

Setting up a legal entity as a foreign company was not designed to be an easy process. The complexities of incorporation ensure business dealings are legitimate and legal. There are often dozens of steps involved in the incorporation process, and it can take as long as a year to set everything up correctly, depending on the response times of government agencies.

2. Compliance

Setting up a legal entity is just the start. Once it's established, there are post-incorporation requirements as well, for both corporate and HR activities, including payroll, benefits, data protection, accounting, taxes and more. Corporate annual compliance should also be conducted, which largely deals with financial audits.

3. Management

The more places you operate, the more difficult it will be to manage the various corporate entity requirements, as well as HR requirements for each country. You will need to consider the changing regulations of each country, and sometimes even within states or provinces.

Hire with an employer of record

An employer of record (EOR) helps you hire people in foreign countries quickly and compliantly, without having to set up a legal entity. These providers already have established entities in-country, and therefore assume all the cost and risk of employment requirements. When you partner with an EOR, they hire local workers on your behalf, taking on the legal and administrative responsibilities, while you manage your team's day-to-day contributions and performance.

Indicators that partnering with an EOR might be the right strategy for you

- You are doing some initial research and want to test the new market
- You want to hire fast in low volume countries
- You need local HR expertise and support for your international workers

If this strategy best matches your hiring goals, finding a qualified EOR partner you can trust is crucial. It's important that you have a transparent and honest relationship with your EOR partner. That starts with establishing expectations and ensuring they meet all your global growth needs.



Questions to vet your EOR partner

Local presence:

- Can you support all the countries we plan to expand into?
- Do you fully own your entities, or do you partner with third-party entities in some regions?
- Do you provide dedicated client support in each of the countries and time zones of our operations?

Scale:

- Can you help our team establish legal entities in countries where our operations are more stable?
- What is your implementation and account support system for clients?
- Is your system SOC II or ISO certified? Is your company GDPR compliant?

Expertise:

- Can you support hiring contractors, part-time and full-time employees?
- Is there a limit to how long a country allows companies to work through an EOR?
- How does the EOR ensure data privacy and security?
- Can you help with local laws, taxes and compliance?

Technology:

- Does the EOR provide a platform to streamline and simplify employee onboarding and management?
- What features and capabilities are included in the employment management platform?

Hire independent contractors

A popular hiring strategy for businesses expanding into new markets is to hire independent contractors. These workers provide specific and specialized services to clients as a non-employee, and usually operate on a project or fixed-term basis. Because they are self-employed, they have more control over their schedule and communication preferences. They are also responsible for paying their own taxes and don't receive any employee benefits. In many cases, these workers have multiple contracts at any given time.

Indicators that hiring independent contractors might be the right strategy for you

- You only need help with a specific project
- You have a limited hiring budget and don't want to pay benefits or taxes
- The contractor is meant to supplement your existing team
- You don't want to manage performance or growth
- You're unsure if a project warrants a full-time position



What are the challenges of hiring independent contractors?

Understanding how each country defines an independent contractor will be critical for your success. Generally, anyone who works for multiple employers for short periods is classified as a contractor. Though these workers require the least oversight and cost, they also come with the biggest risks.

1. Classification

Companies that misclassify their workers as independent contractors put themselves at serious risk. Even something as simple as hours spent on a project could result in a contractor suing for benefits and additional compensation. Local governments often side with workers, and you may be responsible for paying out benefits and compensation for the entire duration of the contractor's prior employment.

To put things into perspective, here are just some examples of the cost of misclassification:

- In France, you could face a €225,000 fine and up to two years in prison for employers who conceal employee working hours. Independent contractor misclassification would be a €150,000 fine.¹⁶
- In Spain, you could receive a fine ranging from €3,750 to €12,000 per reclassified contingent worker for failure to register them before Social Security.¹⁷
- In Australia, a misclassification could result in a penalty of up to AUD 82,500 per violation, plus additional compensation to the worker.¹⁸

2. Management

You can assign tasks and deadlines to a contractor, but you must be careful about any management or performance meetings. Too much oversight could justify the argument that the contractor was treated more like an employee than a freelancer, prompting misclassification risk.

Managing administrative tasks for a contractor, like payment, can quickly become complex if you have many contractors with differing requirements in different countries.

Some might want to be paid weekly, whereas others will require monthly payouts. The contractors will also need to be paid in their local currency and this could lead to disorganized and confusing record keeping.

Some companies choose to work with a contractor management partner. These providers handle all the complexities and administrative hassles of working with multiple independent contractors in different countries. They streamline the process so HR can focus on other important expansion initiatives.

3. Retention

Let's say you have a wonderfully positive experience with a contractor. They meet all their deadlines, they do high quality work, and they are a good fit in the team. This is an ideal candidate to help you meet your business expansion objectives. But if you are unable to retain these individuals based on their employment status, it can negatively impact your growth in that new market. Sometimes the challenge of contractors is the inability to retain top talent for long-term growth.

Some countries even have limits on how long a worker can operate as a contractor for any one company. In Australia, if you engage with fixed-term contractors where the term of the contact is for more than two years, you will need to change their employment status to full- or part-time if you want to continue to engage with that worker.¹⁹

¹⁶ <https://iclg.com/practice-areas/employment-and-labour-laws-and-regulations/france>

¹⁷ <https://resourcehub.bakermckenzie.com/en/resources/contingent-worker-misclassification-risk-comparison/emea/spain/topics/contingent-worker-misclassification-risk-map>

¹⁸ <https://resourcehub.bakermckenzie.com/en/resources/contingent-worker-misclassification-risk-comparison/asia-pacific/australia/topics/contingent-worker-misclassification-risk-map>

¹⁹ <https://justitia.com.au/upcoming-restrictions-to-fixed-term-contracts-what-you-need-to-know/>

ENGAGE

Onboard workers in a new market

HR teams that implement a successful onboarding strategy increase their long-term stability and growth in new markets. Employee retention and productivity are key components directly affected by your ability to train these new workers. Global workers often feel underserved by training and feel less likely to have opportunities to work on purposeful projects.²⁰ Effective onboarding enables new recruits to swiftly adjust to their roles, obtain requisite skills and knowledge, and integrate with both the social dynamics and performance expectations within the organization.

According to an RSM survey, 68% of middle market businesses are struggling to attract experienced talent.²¹ With talent shortages all over the world, it's important to prioritize creating a positive first impression when someone is brought on board. From the moment a job offer is accepted until the new hire reaches full productivity, the onboarding experience lays the groundwork for your expansion efforts. HR teams outline the market plan and enable these new workers to thrive in their roles.

After recruiting and hiring top-tier talent, your HR team can finally inform and execute the overall business objectives with your new workforce. The onboarding process should be engaging, but it is also an opportunity to help your workers adjust to their roles in the expansion strategy.

Localize employment contracts

Employment contracts are legal statements of record between a business and its employees. It's a document that protects both employers and workers, as long as it contains all key terms and conditions for employment. HR departments might be tempted to use a generic template online, but compliant contracts are tailored to the specific labor laws of the country.

In many countries, such as those within the European Union, these contracts are mandatory to comply with employment laws. These written employment contracts in Europe must include detailed terms and conditions, such as working hours, notice periods and benefits, as well as any terms required from local collective bargaining agreements.²² Some questions you should ask to craft a compliant contract might include:

- Are termination requirements different for this country?
- Should you use a fixed-term contract?
- Does your expat need an international employment contract?
- Are there any Collective Bargaining Agreements to be aware of?
- Do you need to include any payroll considerations?
- Are you allowed to include a noncompete clause?
- Is there a difference between an offer letter and the employment contract?

Having a structured and compliant employment contract is the foundation for a successful onboarding process.

20 Microsoft, Will AI fix work? (2023 Work Trend Index: Annual report), May 9, 2023; Ed Frauenheim, "Purpose at work: Soaring over gaps with incredible company culture," Great Place to Work, June 2, 2022; Naina Dhingra, Andrew Samo, Bill Schaninger, and Matt Schrimper, "Help your employees find purpose—or watch them leave," McKinsey & Company, April 5, 2021; Matt Gonzales, "The plight of frontline workers," Society for Human Resource Management, January 14, 2023.

21 https://rsmus.com/insights/services/managed-services/whats-driving-the-middle-market-talent-gap.html?cmpid=ppc:0822-research-report-whats-driving-the-talent-gap:bb01&gad_source=1&gclid=Cj0KCQiAoeGuBhCBARIsAGfKY7wwVetaBEfqfGRQhIRcd6tbEPQw0Lu4ODwfzGBtRsyAwaPTcwnU_FgaAjasEALw_wcB

Provide local HR support

The more time and attention an HR team gives their new workers, the faster they will be able to contribute to the key business outcomes. A key component in the onboarding process is having someone available in your worker's local language and time zone to answer questions or concerns. When you designate specific HR support to these new workers, they can quickly adjust to their new roles and contribute to the organization's growth.

In addition to having a representative provide support, HR teams are also responsible for streamlining the technology aspect of the workforce. This will enable workers to communicate time off requests, access compensation information, view personal documentation, and track performance.



Maximize worker productivity in new markets

Only 5% of company executives feel that they are investing enough in helping their workforce learn new skills to keep up with the evolving economic landscape.²³ With advancements in AI and automation technology, it's more important than ever to provide opportunities for workers during global expansion. The needs of the business may evolve over time, and having a dynamic workforce will create long-term stability in new markets.

Some international employment contracts will include a probationary period to ensure both parties are satisfied with their results. Measuring performance is the only way to ensure you get the maximum ROI on your new hire. Setting goals and establishing key performance indicators will help you track the progress and integration of your international employees. These metrics will vary depending on the job position, your overall business objectives, and the expectations discussed during the interview and hiring process.

22 <https://www.eurodev.com/blog/employment-contracts-in-europe>

23 Michael Griffiths and Robin Jones, "The skills-based organization," Deloitte, November 2, 2022.

An experienced HR partner for market expansion

Safeguard Global helps organizations expand into new markets with comprehensive international HR solutions. With decades of experience and operations in 170+ countries, we can help you implement market expansion strategy with a range of solutions, including recruiting, hiring and onboarding workers around the world, as well as setup and compliance management for your foreign entities.

Our experienced global teams understand the complexities of operating across multiple countries and help our clients effectively navigate the nuances of local laws and regulations.

If recruiting, hiring and onboarding on your own is challenging, reach out to one of our global solutions advisors to discuss what strategy will work best for your growth initiatives.

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