



German American  
Chambers of Commerce  
Deutsch-Amerikanische  
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# Successful Recruiting for German Subsidiaries in the US



## Recruiting for German Subsidiaries in the US

Building a strong local team is a critical success factor for German companies that are establishing a new US subsidiary. As part of their overall market entry strategy companies should develop a staffing plan that takes into consideration the significant cultural and regulatory differences in both the recruiting process and the underlying employment markets in Germany and the United States. These plans should naturally contain reasonable timelines and budgets, but also clearly-defined responsibilities for each position and guidelines for how each new team member will work together with local colleagues and with functional counterparts at the German headquarters. Equally important, however, is to ensure that all HR decision-makers involved in the recruitment process are well-informed about local resources, best practices and employment market regulations.

Before wrapping up your hiring plan – or becoming overwhelmed by the process – read our list of five tips below. We recommend enlisting the support of an experienced local recruiting partner to help guide you through the process of building your initial US team.

### Five Tips for Successful Hiring for Your New US Subsidiary

1. Plan Early, but Don't Start the Recruiting Process Too Soon
2. Budget Appropriately and Competitively - It's Not Just about the Salary
3. Put on 'American Glasses' when Evaluating Candidates for Your Open Positions
4. Develop Onboarding Plans and Professional Development Paths for New Hires
5. Inform Yourself of the Local Regulatory Environment to Avoid Costly Pitfalls

Whether you decide to work with an external recruiter or run the talent acquisition process internally, the tips presented on the following pages will help you to be prepared for the road ahead.

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## GACC Midwest Supports Your Recruiting Process

GACC Midwest is well-positioned to assist your company throughout the recruitment process, from developing a market-appropriate job description to identifying and evaluating top candidates to conducting reference checks and advising on compensation packages. Our specialty is recruiting talented professionals with relevant international and industry-specific experience, many of whom are bilingual.

Our experienced, bilingual team not only helps you attract qualified talent for your new US subsidiary, but also provides valuable information and resources related to local employment market regulations and best practices. Furthermore, our clients benefit from connections to GACC Midwest's extensive membership network of professional service providers such as employment law attorneys and employee benefits providers.

### Our Services

- Consultation to discuss your needs and define the position and ideal candidate profile
- Creation of a market-appropriate job description
- Candidate sourcing: GACC Talent Network, far-reaching contact network, job postings and direct outreach
- Pre-selection of qualified candidates via resume screening and first-round phone interviews
- Presentation of candidate profiles and coordination of final interviews
- Ongoing consultation regarding reference checks, employment matters, compensation packages, etc.
- 3-month guarantee in case of candidate resignation or termination

### Testimonial

*"GACC Midwest's Recruiting Services team supported us in finding a Business Development Manager for our newly established US subsidiary. Their work was very professional and we are highly satisfied with the outcome. We would welcome the chance to work with GACC Midwest Recruiting Services regarding future recruiting needs."*

Reiner Föry, President, sitronic North America Corp

# Five Tips for Successful Hiring for Your New US Subsidiary

## 1. Plan Early, but Don't Start the Recruiting Process Too Soon

Companies entering the US market should develop short-, medium- and long-term staffing plans that forecast the talent needs of the organization under a range of plausible growth scenarios. Most importantly at the onset, the company should have a well-developed idea of the duties and responsibilities of the first role(s) to be filled, the target candidate profile(s) and the working relationship between the first US hire(s) and the German headquarters.

The timing of the recruitment process is critical. While the entire recruitment cycle generally takes around three months, this varies and in some cases can run very quickly. Many companies entering the US market wish to start the recruitment process as early as possible and often begin searching for employees before they have founded the new US legal entity or put into place other key business infrastructure. This approach can cause problems given the flexible American labor market, which allows professionals to switch roles easily and quickly. Even if they are interested in a role, most active job seekers in the US will not wait patiently for a prospective employer to finish building the infrastructure for the new subsidiary before he/she can be legally hired and begin working, but rather will simply move on to the next opportunity.

Plan to start the recruitment process for your open position(s) after or immediately before the legal entity is established. You should also have a physical location in place and have arranged for employee benefits providers before beginning the recruitment process. It is also important to budget appropriate time resources for managing the recruiting process- if candidates do not see timely progress with their application, they will often lose interest and move on to other opportunities.

## 2. Budget Appropriately and Competitively - It's Not Just about the Salary

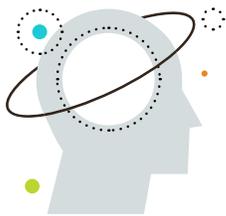
Offering a competitive base salary is naturally an important factor to attract and retain talented professionals. Keep in mind that prevailing salaries vary widely across the US based on local cost-of-living differences. There are several free digital resources you can use to determine local prevailing salaries/wages.

Bonus plans are an effective way to incentivize employees and to generate goodwill that leads to longer employment tenures. Different models prevalent in the US include employee profit sharing, holiday bonuses or performance bonuses linked to the achievement of defined goals. For Sales professionals, commissions tied directly to revenue generation are generally expected. However, for foreign-based companies entering the US there is often much important work to be done to establish the local market presence that does not directly generate revenue in the short-term. As such, it is a best practice to define the bonus potential for Sales professionals in their first year of employment based on a range of key goals and then shift to a commission-based bonus plan in subsequent years.

There are also other personnel costs that you need to budget for, including employee benefits and so-called 'Payroll Taxes' that are paid directly to the government such as Social Security and Medicare contributions. In all, companies should budget an additional 25-40% for personnel costs over the employee's planned salary. Most American professionals obtain their health insurance via their employer and many potential employees (especially for more senior-level roles) will expect to receive a company-sponsored retirement plan (401K or IRA). To attract top talent, you will thus need to be prepared to offer both of these benefits. Health insurance and retirement plans are generally administered on the employer's behalf by external service providers. We therefore recommend selecting a benefits partner who can advise you on these complicated matters before you begin the recruitment process.



# Stop the head-spin.



## Can it get more complicated?

Employee benefit solutions are already complex, not to mention trying to keep up with the ever-changing regulatory requirements. Whether it's choosing an affordable benefits offering that is right for your organization or ensuring you've met the fiduciary responsibilities, Alliant Employee Benefits is here to help. We stop the head-spin and give you a clear path forward.

## Call an Alliant Benefits Advisor to find out how.

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### 3. Put on 'American Glasses' when Evaluating Candidates for Your Positions

One of the most significant cultural differences we encounter in our recruiting work is how Germans and Americans view candidates' career paths. Given Germany's relatively rigid labor market, employment relationships tend to last significantly longer in Germany than in the US and both employees and employers place a high value on 'loyalty'. German employers also often invest significant resources in training their employees and expect long tenures from their employees in return. A job applicant with multiple position changes listed on their resume is thus frequently viewed by German hiring managers with suspicion as being unstable and risky and such candidates are often not even granted an interview because of this.

In contrast, the American employment market broadly operates on an 'Employment at Will' basis, meaning that either the employer or employee may terminate the employment relationship at any time for almost any reason. This flexible labor market inherently leads Americans to have more frequent position changes over the course of their careers than do their German counterparts. Professionals who stay too long in one role may be perceived as unambitious and not interested in expanding his/her value as an employee by gaining additional experiences and skill sets in different industries and work environments. As 'Employment at Will' also allows companies to easily lay off employees for reasons unrelated to their work performance (e.g. as a cost-cutting measure due to a drop in sales revenues or to eliminate redundancies after a merger/acquisition), many talented and valuable employees have job changes listed on their resumes that are outside of their control.

We encourage German-based companies hiring in the US to keep these differences in mind when evaluating potential candidates and to not discount them off-hand due to fears that they are 'job-hoppers'. Rather, approach their applications with an open mind and strive to understand the reasons for each position change as part of the interview process. This will expand the talent pool to select from and help to prevent the possibility that the best person for the job is not even considered.

One means to obtain valuable insight into a potential employee's professional history is to conduct so-called 'reference checks' (these are used in lieu of German-style 'Zeugnisse', which do not exist in the US). Please be aware, however, that candidates provide their own professional references and many former employers will only confirm dates of employment and will refuse to provide qualitative feedback about a former employee's performance. As candidates select their own references, they will likely not select former colleagues or supervisors who would provide negative feedback. It is thus important to learn to 'read between the lines' during reference checks and pay attention to nuance and things left unsaid. An experienced recruiting partner can be of significant value in this regard.



## 4. Develop Onboarding Plans and Professional Development Paths

When considering a new employment opportunity, candidates not only need to understand the nature of a potential new role at the onset but also frequently wish to know how their role will develop over time and help them to grow professionally (for instance, by assuming duties in new areas or taking on team leadership responsibilities). This is particularly important for potential candidates who are not actively seeking a new position but who are open to exploring exciting opportunities. Due to the inherent risk involved in leaving one's current company to join a new market entrant, potential candidates often ask about growth potential early on in the recruitment process before even deciding whether or not to apply for the position.

While it is naturally difficult for companies to anticipate exactly how their business will develop following their entry into the US market, it is nevertheless important to provide candidates with a general understanding of their professional growth potential at your company over time. To this end, it is helpful to provide candidates with information related to the company's overall growth plans for the US market and how the new local team factors into each stage. Furthermore, if you intend to provide formalized training to new employees (internally or externally), you should mention this during the interview process.

Beyond providing candidates with information about how they can develop professionally with your company over time, be sure to also have in place a detailed onboarding plan to prepare new employees for their roles and avoid a chaotic start. This is especially important for the first employees at new US subsidiaries as there are no existing local colleagues to provide training and mentorship. Many companies are reluctant to require candidates or new employees to travel to the German headquarters as they assume that this would negatively impact their ability to hire qualified team members. Per our experience, however, most candidates welcome this opportunity to learn about products, services, and/or production processes and to gain insight into the company culture and way of doing business. We thus recommend that you do not hesitate to make this important and attractive training part of your hiring or onboarding process.

## 5. Inform Yourself of the Local Regulatory Environment to Avoid Costly Pitfalls

It is imperative that you familiarize yourself with employment laws and regulations prior to hiring your first US employees to remain in compliance and mitigate risk. Not only are many regulations different between the US and Germany, but many states also have unique regulations that you should be aware of. To highlight one example, the state of California recently banned companies from asking candidates about their salary history during the interview process, while this practice remains common in most other states. To make matters even more complicated, certain municipalities have also banned this practice even though it is still legal in the rest of the state where these cities are located. We strongly recommend that you retain the services of a legal professional with expertise in employment law to advise you on relevant matters. On the following pages you will find a broad overview of important regulatory considerations that you should be aware of, although this list is by no means exhaustive.



# Employment Law Challenges in the U.S. – Implement a Compliance Program Before You Begin Operations

The U.S. provides a great opportunity for investment. However, companies operating in the U.S. must be aware of, plan for and implement an employment compliance program to comply with U.S., state and local laws. The most important issues range from hiring the best employees to creating the appropriate legal relationship with the employees, implementing policies and avoiding risks of lawsuits, government investigations, and your company capturing headlines in papers for the wrong reasons.

## 1. The Role of Governments and Courts

Employees' and companies' rights and obligations are created in a multi-tiered system of legislatures, governmental agencies and courts. U.S., state and local governments enact statutes and create governmental agencies that issue regulations, investigate claims and enforce rights and obligations. U.S. and state judges interpret and enforce laws. In addition, unlike civil law systems, judges determine on a case-by-case basis common law rights and responsibilities.

## 2. Types of and Documenting Employment Relationships

Employees in the U.S. are either an at-will or contractual. Every state is an at-will state and has contractual, statutory and common law exceptions to the at-will relationship. At-will employees may voluntarily resign with or without notice, with or without reason, and at any time. Companies may end the at-will relationship at any time, with or without notice, and for any lawful reason. The U.S., states and cities do not require companies to have a contract with employees.

Companies document the relationship with an offer letter or one or more employment contracts. Offer letters do not create contractual relationships, but may include contractual promises. Employment contracts document the relationship and may include the term of employment, reasons to terminate, protections of companies' intellectual property and limits the employees' rights to compete. Most companies distribute employee handbooks, which may or may not contain contractual promises and list benefits and policies.

Individuals in companies may be independent contractors or employed by a temporary employment agency. Independent contractors are not employees, pay their own U.S. and state employment taxes, and do not receive unemployment and workers' compensation.

## 3. Hiring and Onboarding Employees

Companies must comply with different laws when advertising for employees, interviewing candidates, conducting pre-employment background checks, testing for drug/alcohol use, and onboarding new employees. Companies may not treat candidates differently due to their protected characteristics, such as age, race, religion, disability and national origin. Employment applications and interviews should not include inquiries about disabilities under certain circumstances, previous salaries, arrests and convictions. Employment offers are contingent on a background check, job-related physical examinations and drug/alcohol testing in compliance with the U.S. Fair Credit Reporting Act. When onboarding, immigration laws require the completion of the I-9 Form to document an employee's authorization to work. New employees receive training about important policies, such as anti-harassment.

#### 4. Benefits

The U.S. has no national health insurance. Companies may or may not offer health insurance coverage, or employees may purchase insurance directly from an insurance carrier or through state-run exchanges. Employees may choose COBRA continuation health insurance after employment ends. The U.S. provides Social Security pension benefits, Companies may offer a defined benefit or defined contribution (401k) plan.

#### 5. Working Hours

The U.S. and most states do not limit the number of hours employees may work. Instead, non-exempt employees receive overtime pay when working more than a certain number of hours. Some states have One Day Rest in Seven laws, requiring that employees do not work seven days in a row, unless the state gives permission. States require paid or unpaid breaks after working a number of hours to use for lunch or other reasons. Companies provide paid and unpaid time off for certain purposes, including family and medical, military, funeral and marriage leave.

#### 6. Classification of Employees and Overtime Pay

Employees are either exempt or non-exempt from receiving overtime pay when working more than a certain amount of hours. Non-exempt employees are paid either hourly or and salary, and they receive an overtime rate of pay set by U.S. and state laws. Exempt employees receive a salary and perform certain duties. They are managers, administrators, professionals, and outside salespersons. They do not receive overtime pay.

#### 7. Personnel Records

Personnel records include employment applications, the I-9 immigration form, and forms for federal and state employment taxes, benefit selections, performance management and evaluations, and changes in status. Employees may authorize deductions from their pay. Laws require companies to maintain these documents for a number of years and in separate files, depending upon the type of document. Some states require companies to grant access to personnel files to its current and former employees.

#### 8. Risk Management

Every employment decision creates risk. The U.S., states, cities and judges have created laws giving employees rights with which companies must comply. Laws prohibit decisions based upon employees' protected characteristics. Laws prohibit companies from retaliating against employees who engage in protected activities, such as creating a union, filing for government benefits, and complaining to managers or to the government about company's actions. Judges give employees contractual rights based upon oral or written promises and will award employees monetary damages suffered by company's actions.

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- How can we combine the best aspects of the U.S. and German cultures?
- While keeping expenses reasonable, how can we retain key employees?
- What compensation structures and levels are appropriate in our industry?
- What benefits have the best Return on Investment?
- Is our team capable of identifying and solving new challenges?
- How can we address succession and retirement issues?

*“When Industry Experience Matters”*

**Please feel free to contact us anytime:**

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## About GACC Midwest

The German American Chamber of Commerce® of the Midwest (GACC Midwest), headquartered in Chicago with a branch office in Detroit, was founded in 1963. GACC Midwest is an integral part of the German Chamber Network (AHKs) with 140 offices in 92 countries around the globe. Our continuing mission is to further, promote, and assist in the expansion of bilateral trade and investment between Germany and the United States, especially the Midwest. Our organization combines elements of a trade commission, a membership association, and a professional consultancy - quite a unique concept in international trade promotion.

GACC Midwest's territory covers 14 US states: the 13 states of the Midwest (Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, & Wisconsin) and Colorado, comprising together approximately one quarter of the nation's geographical area, its population, and its GDP. GACC Midwest is part of the German American Chambers of Commerce (GACCs) with its three main offices in Atlanta, Chicago and New York as well as branches in Detroit, Houston, Philadelphia and San Francisco. With 2,500 members and an extensive national and international network, the GACCs offer a broad spectrum of activities and services. Other German American organizations and chapters are affiliated with the GACCs.

Find more information and white papers about all things German-American business at [www.gaccmidwest.org](http://www.gaccmidwest.org).





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