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Emerging Market Talent Strategies

Creating an effective global talent model

By Tom Morrison, Jonathan Pearce, Suzanne Kounkel, Matt Szuhaj, and Ina Gantcheva

In the past, global business and talent strategies typically ran in one direction: from north to south, from developed markets to emerging markets. But the BRIC economies (Brazil, Russia, India, and China) have since matured as global growth engines, and countries in the new tier of emerging markets, including Indonesia, Malaysia, the Philippines, South Africa, Thailand, Turkey, and Vietnam, are establishing themselves as growing economies and growing sources of talent. As a result, the "north-to-south" model is becoming outdated. Companies looking for fresh new approaches to their most pressing talent challenges should consider "south-to-south" or "south-to-north" strategies, particularly as they extend their global reach further into Asia and Africa. Eventually, the lessons learned in BRIC countries and other emerging markets could drive talent strategies around the world.

Overview

Until recently, global companies tended to have limited business strategies in emerging markets, centering on labor arbitrage, driving mature products, and locating mature business processes in the BRIC countries. As a result, many had limited expectations of workers in emerging markets. Meanwhile, employees in these regions were satisfied with the global opportunities available at the time. With wide-ranging access to low-cost talent for manufacturing and support functions, employers could reduce their focus on talent strategies, focusing instead on improving other functions that supported their business strategy. While many companies realized that long-term development and retention of employees in these markets was to their advantage, many viewed that as a secondary concern when compared with cost containment and greater supply chain efficiency.

Today, the environment has changed. The BRIC countries and newer emerging markets are becoming the new centers of gravity for the global economy, and competition for talent is becoming fiercer almost by the day. Access to talented workers is considered by some as the top indicator of a country's competitiveness. Enhancing and growing an effective talent base remains important to many traditional manufacturing leaders such as the United States, Germany, and Japan—and is rising in importance among emerging market challengers such as Vietnam and Indonesia.[1]

As emerging market consumers demand products and solutions tailored to their values and priorities, global companies are beginning to recognize the need to build a local workforce that can respond to more sophisticated local buyers. Meanwhile, knowledge workers in these markets are increasingly sophisticated and recognize the value of experience gained from working in global organizations as they seek personal and professional development.

Global companies recognize the changes afoot and sense the need to modify their existing global talent frameworks to allow for local customization. But when it comes to the degree of response warranted, answers are hard to come by. How much talent do they need? What type? How timely can the response be to new opportunities?

In the face of such uncertainty, many are deploying strategies designed to increase flexibility. With a more flexible global structure in place, companies are able to open the flow of ideas between markets and deliver localized approaches, including:

- New career paths for talent that offer real advancement opportunities, both locally and globally
- Rewards strategies that consider differing market values and retention strategies
- A strong leadership development program
- A greater openness and respect for ideas and innovations that originate in emerging markets

What's driving this trend?

While the global talent market is incredibly complex and changing all the time, a few consistent themes appear to be at work.

The lion's share of global growth is taking place in emerging markets

Emerging market economies are growing by leaps and bounds, while mature markets are often flat or declining. Income levels in emerging markets increased 96 percent from 2000 to 2010, and are expected to increase 45 percent from 2010 to 2016, driving a wave of consumerism.[2] As a result, over the next five years, GDP growth in emerging markets is expected to outpace that of mature markets by more than 50 percent.[3] Local customers seem to prefer to buy from local companies. Customers in emerging markets increasingly want to do business with companies that contribute to the local economy, provide local jobs, and take care of local workers.

EXECUTIVES SAY EXPANDING TO EMERGING MARKETS IS A TOP STRATEGIC PRIORITY[4]

- The expansion to emerging markets is of upmost priority for surveyed consumer products executives (29 percent of them indicated it is among their top three priorities), closely followed by automotive and tourism, hospitality, and leisure (25 percent each).
- The expansion is the highest priority for surveyed Asia Pacific executives: 45 percent of them indicated that it is among their top three strategic priorities.

Competition for talent is heating up

Employers in emerging markets face both established and new competition for talent. The demand for skills in marketing, finance, and HR is approaching the level of interest in traditional stalwarts such as R&D and operations (figure 1). In some cases, this is due to the growth of emerging market-based companies like Shoprite and Jollibee that are making a stronger push both locally and globally.[5] In other cases, forward-thinking global companies are already developing country-specific talent strategies and HR programs that make them more attractive to the local workforce.

These new demands in emerging markets are being met with some anxiety from executives who realize the importance of responding, but don't feel they have the tools or capabilities in place to do so effectively. Forty-four percent of executives from surveyed global companies consider global talent to be an important executive-level issue. But only 30 percent believe they have sufficient capabilities for managing global talent, and only 28 percent are actively investing to improve those capabilities.[6]

As a result, more global organizations are shifting the center of their attention and efforts in the talent arena. Johnson & Johnson recently expanded its talent management capabilities into BRIC countries in order to gain more immediate access to the people and perspectives that may help shape the company's future business strategies.[7]

Figure 1. Expected talent shortages by functional area[8]

Functional area	APAC	Americas	EMEA
China	68%	45%	33%
Operations	64%	56%	34%
Procurement and supply chain	64%	36%	19%
Risk and regulatory	63%	41%	38%
Strategy and planning	62%	46%	38%
Customer service	62%	38%	22%
Sales	60%	44%	28%
IT	59%	50%	33%
Executive leadership	58%	56%	47%
HR and talent	56%	44%	32%
Marketing	56%	43%	24%
Finance	56%	38%	24%
Average across 12 functional areas	**61%**	**45%**	**31%**

Many workers in emerging markets are becoming more discerning

In many developing countries, the growth of local employers, as well as the presence of more global companies, results in more choices for prospective employees. Plus, many talented people in emerging markets are recognizing their own value and are adopting a free-agent mentality, jumping from company to company in pursuit of what's most important to them—improved career development opportunities, stronger financial incentives, improved working conditions, or all of the above (figure 2).

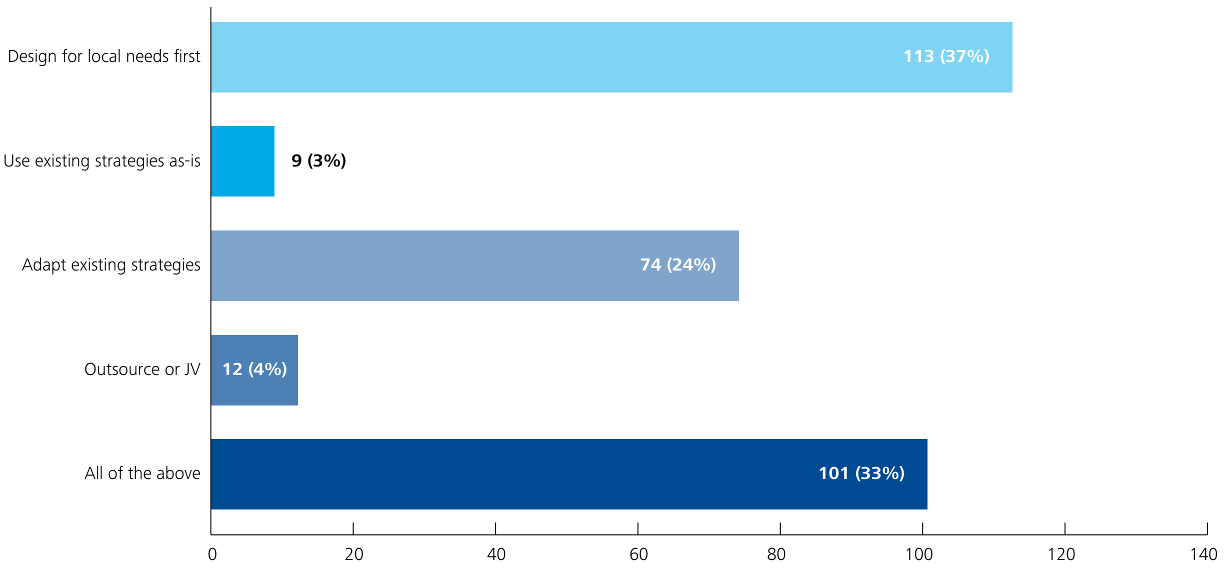
Companies are beginning to recognize the importance of directly addressing the specific requirements and preferences of local talent. In fact, when asked how best to establish talent management strategies for new geographies, 37 percent of respondents chose "design for local needs first," making it the top response (figure 3).[10] But many companies have yet to turn this breakthrough insight into meaningful action.

Figure 2. Regional insights: Top retention drivers[9]

Americas	52%	• Additional bonuses or financial incentives
	49%	• Additional compensation
	43%	• Promotion/job advancement
APAC	36%	• Promotion/job advancement
	36%	• Additional bonuses or financial incentives
	35%	• Additional compensation
EMEA	44%	• Promotion/job advancement
	41%	• Additional bonuses or financial incentives
	35%	• Additional compensation

Figure 3. Talent management in new geographies (LinkedIn poll results)[11]

How do you establish talent management strategies for new geographies?



309 votes

Lessons learned: What works and what doesn't

Global companies should carefully consider both corporate and geographic expectations when developing their talent strategies. Attempting to force-fit global HR and business standards into emerging markets without acknowledging local values and culture can make it difficult to attract and retain top local talent. At the same time, companies that develop geography-specific strategies should keep in mind the reason why many workers look to them in the first place. Respect for the global talent brand, access to global colleagues, improved resources, global mobility opportunities—these aren't just the reasons that employees are attracted to an organization. They're also the reasons they stay.

Perhaps most important, global organizations should recognize that employee priorities are dynamic, especially in the maturing workforces in emerging economies. The timely evolution of BRIC talent markets provides lessons that should inform the design and investment of talent strategies elsewhere.

While there are few hard and fast rules, here are some important considerations to inform talent strategies focused on emerging markets (figure 4).

New career paths. Talented employees need room to grow—both locally and as part of the global enterprise. Effectively managing top talent in emerging markets often requires organizational structures and career paths that are aligned to cultural values while still part of a global framework. In India, progression through job titles and rank is an important part of the culture—one that runs directly counter to the established market trend toward flatter organizations. Meanwhile, employee perspectives in BRIC countries on the importance of international assignments tend to vary considerably. Understanding how these cultural perspectives may shape career paths in newer emerging markets can have a big impact on outcomes.

Country-specific compensation and benefits. Different cultures, environments, and regulatory regimes drive different needs and employee priorities. While it may seem obvious that workers in countries with universal health care do not value employer-provided medical benefits, it may require deeper analysis to understand if those same workers are attracted to employer-provided transportation or on-site daycare. Global employers in growth economies should keep pace with rapidly changing employee priorities. For example, while pay continues to be one of the most important tools for retention in China, other factors such as benefits that support work-life balance are increasingly important.[12] Even something as seemingly minor as the timing of paycheck disbursement can be a significant differentiator. Paying employees through direct-deposit debit-card accounts has become more common in emerging markets such as Mexico.[13]

Improved leadership development. Companies in emerging markets may not have the leadership pipeline needed to drive growth. As a result, many may choose to make investments in personal growth and long-term leadership development, not just technical training. Adopting a model in which senior company executives are deployed to emerging markets may still be an effective solution for some organizations, but others are developing talent locally. For example, IBM has established a software center of excellence in India with more than 100 locations.[14] In 2011, GE set up its Global Growth & Operations (GGO) business unit in Hong Kong in order to develop business models that are cross-business in nature and globally scalable. The leadership for the GGO operation, which supports 13 different markets, is also based in Hong Kong.[15] As more companies expand into new emerging markets, the ability to develop local leaders will likely become a differentiator.

Figure 4. Evolution of talent strategies

	North to south	South to north	South to south
Career paths	• Traditional career paths either streamlined or redefined for in-country roles	• Career path progression considers global experience and offers mobility options	• Career paths adjusted to local market and cultural expectations for progress in line with business strategies
Total rewards	• Rewards programs mirrored in emerging markets with adjustments to local economic conditions	• Rewards program choices	• Rewards program strategy and delivery takes into account global strategies and local needs
Leadership and development	• Headquarter executives rotated to emerging market	• Bilateral assignments and appointments; top committees' composition reflects diverse viewpoints	• Development opportunities incorporate virtually all emerging markets
Innovation	• Innovative ideas rolled out to emerging markets	• Local emerging market practices are considered for global rollout	• Free flow of ideas and practices across markets

Respect for new ideas and innovations. In the past, many companies missed opportunities to augment R&D capabilities in established markets with those from emerging markets. This was not only discouraging emerging markets workers; it also left many valuable ideas and insights untapped. Some are addressing this opportunity by investing in emerging markets design centers or by moving entire operations to emerging markets from traditional strongholds. For example, Bayer MaterialScience relocated the global headquarters for its polycarbonates business to Shanghai in order to gain improved access to customers and innovative ideas.[16] Of course, that's just one way to drive "reverse innovation." At a more fundamental level, the main requirement is for business leaders and staff in established markets to be receptive to new ideas and innovations from their counterparts in emerging markets. Such a perspective will likely only grow in importance as emerging markets gain stature in the global business landscape.

Looking ahead

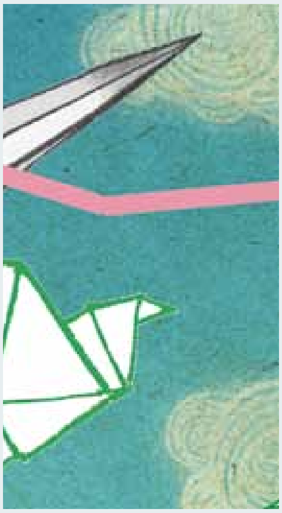
Companies attempting to impose existing talent strategies and HR programs that don't match the context of the local workforce may find themselves at an increasing disadvantage, both in the local talent market and broader business marketplace. Conversely, global companies that adapt too much to a local talent market risk diluting their global talent brand, inadvertently losing their original advantage.

Competition for talent will likely continue to increase as emerging market companies attempt to grow global market share for their products and services. While this is true for local BRIC companies, they are not the only ones that will be affected. As we mention in *Building on the BRICs*, companies in the new tier of emerging markets are expanding aggressively into adjacent emerging markets, creating additional competition for business and talent. The pressure created by the cumulative competition, new demands of the emerging markets, and companies' limited ability to respond will likely raise the level of intensity.

Using regionally oriented talent segmentation models that account for the growth potential of different markets, as well as traditional role and talent dimensions, organizations will likely be able to focus their portfolio of talent investments and programs on growth markets like the BRIC countries. From there, they can be poised to expand into the new tier of emerging market countries and others, depending on their core business strategy. For every high-potential market, global companies should have a detailed plan that forecasts changing talent requirements to support growth in these maturing geographies. Such a plan should also identify the talent acquisition, talent development, and talent mobility investments required to support growth. Global talent programs should be designed with insight into growth market dynamics as companies consider, for example, how to create a mobility program that can work in both India and Latin America.

The ground is shifting on global talent and on global business in general. BRIC has become not only a prime source of economic growth but also the center of many companies' talent strategies. For example, India's demographic dividend (the average age in India is 28, in China it is 37.6, and in Japan, closer to 44.4) will be a driver of the world's employable talent pool.[17] Hence, figuring this out now will be critical for companies in the United States and throughout the world. Finding ways to share lessons from BRIC and apply them to the needs of emerging talent markets may require a shift in how concepts and innovation are shared across geographies. In order to meet these changing needs, talent strategies for emerging markets require a global framework that applies these concepts, with flexibility to meet the needs of local markets.

My take



Parag Saigaonkar, Regional Managing Director, US India Consulting, Deloitte Consulting India Private Limited

When Deloitte Consulting LLP established an offshore subsidiary in India (US India Consulting), we did what most multinationals do: We viewed the new organization as separate and subordinate relative to our existing operations, and adopted talent management strategies and programs that were serving us well in more established economies—almost as if we were setting up an "American embassy" environment in India. This standard model was a reasonable starting point; however, we have since made significant improvements to reflect the various needs and attributes of the local market. The resulting hybrid—which continues to evolve as the market matures—helps us harness the full capabilities of local resources while boosting our brand appeal in an increasingly competitive talent marketplace.

In the United States and other Western nations, there tends to be a strong delineation between work and family. But in many emerging economies, a person's career is more than just personal—it's a family affair. Case in point: At a recent group meeting, one of our employees stood up and told the crowd that his job hadn't just changed his life, it changed the entire future of his family, and that his father was now being invited to participate in social events and other prestigious activities that were previously out of reach. To improve our engagement with families, we write letters to the parents of top performers to acknowledge their accomplishments and create a sense of shared pride. In practical terms, this informal recognition may be even more important than money.

In India, job titles and frequent promotions are important symbols of status and achievement. This presented a significant challenge, since our US organization has a flat structure with only six distinct job levels for professionals. We initially solved the problem by creating more than a dozen job levels tailored to India. However, as our India subsidiary evolved and became more important, we decided the top priority was to fully integrate it with our US operations so that employees in India could have the same career and advancement opportunities as anyone else in our firm. US India Consulting needed to be a vertical slice of the corporate pyramid, not just the bottom level. This was a major decision that affected every aspect of talent management.

The first challenge was to realign job levels in India with those in the United States. People were willing to accept this change because it increased their status within our global firm, and made it easier to advance and pursue career opportunities in other countries. To ease the transition, we made a conscious effort to address practical obstacles—for example, by continuing to use the fancier job titles in acceptance letters to help new employees qualify for mortgages.

Another important step was to enhance our learning and development programs beyond technical training. We created a leadership academy to help employees develop leadership skills and a strategic mindset, preparing them for a larger role in our global organization. We also established a communication "gym" where employees could develop advanced business communication skills by practicing presentations, getting videotaped to enable first-hand feedback and coaching, and listening to business audiotapes in English.

Blending leading practices from established and emerging markets produced a hybrid model that improves our ability to attract, develop, and retain top local talent. Looking ahead, we will continue to refine and enhance our talent management strategies and programs as the market evolves. Many of today's emerging market workers have much higher expectations than did their predecessors. In fact, one of the most important current trends is that local workers no longer view a ticket to America as the only path to achievement of goals; instead, they recognize the vast growth opportunities that exist "south to south"—either at home or in other emerging economies. Also, innovative practices that are still taking root in developed countries—such as greater inclusion of women in the workforce—should eventually be incorporated into every market.

Given current economic and demographic trends, it likely won't be long before emerging markets provide the majority of global talent. As this shift occurs, competition for talent will likely intensify. Our continued effectiveness hinges on adapting to the needs of local workers in a timely manner without sacrificing the advantages that attracted them to our global business in the first place.

Endnotes

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