

Best Practices for Talent Management in Emerging Markets

The four areas of improvement for your successful Global Talent Management



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Summary: The successful international development and the transfer of the brand image of a European multinational in emerging markets depends largely on its ability to mobilize the right resources in the right places, in order to ensure its local sustainability. **Problem:** corporates often remain too "European", candidates for expat assignments are scarcer when it comes to move to less attractive countries and HR teams are not enough present on the local grounds in order to offer local solutions and so, expatriate managers sometimes find themselves left alone in their resources management.

But something is "reassuring" about this: the ability to strategically internationalize the management is not only a problem in many European companies but also in companies from emerging countries. The lack of "global talent" is a reality for all global companies. We should transform this situation into an opportunity, and prove that the "old continent" is able to apply its values and professionalism in its talent management in emerging markets! Identify and train international high potentials to become our future "ambassadors" in the unknown land.

XAVANTES has identified several areas of improvement to help you quickly reach the ultimate goal: to be present in emerging countries employing local leaders with global leadership and corporate understanding, that will make your internationalization ambitions a success.

I. Introduction :

The decision for a company to go "conquer" new markets such as emerging markets has an impact on all its' departments, including the purchasing department (Which supplier to choose, what product to buy? How?), production (What to produce and where?), R & D or sales (where to sell and how?). But beyond the "what" and the "how", stands the "WHO" as the cornerstone of the success of any international strategy. Because the challenge is not only to be one of the first in the emerging countries, or the most innovative, but the real challenge in today's economy is to be able to select the best talent from the local resources available for the local AND global development of your company.

With these facts in mind, we can better realize the highly strategic role of HRD, finally recognized and accepted as accelerators or initiators of the international business. According to a BearingPoint study realized in February 2009 in France, 83% of the French companies consider that the Global Talent Management is a major issue for them, but only very few, only 28% of them have established a global career management as such.

According to a McKinsey study (2008), 88% of Chinese companies and 83% of Indian companies believe that they can't grow more internationally if they fail to identify the right high potentials who are necessary for this process. The problem is not only a European problem. All global companies are becoming aware of the importance of their global talent management strategy, which should reflect their overall international development strategy and serve it best.

To help implement this strategy, XAVANTES identified 4 areas of improvement which should be addressed as a priority by European multinationals:

- **Global coherence of talent management practices and company values**
- **Common global evaluation and training processes**
- **The management of cultural diversity**
- **A real talent rotation.**

2. A first approach

Statement : Talents are getting scarce

Two basic trends are undermining the major projects of International HRDs: on the one hand, their demand for talent in emerging markets increases, and on the other, those talents are getting scarce locally, a "war for talent" is observed that engages major groups, trying to be the first to find and recruit the talented local leaders they often need for the replacement of their expatriates. This unfavorable situation in local recruitment is due to both social and commercial reasons. International growth, the gradual transformation of the business (less industrial production and more services, less motivated staff) or the massive investment in some sectors which are most popular (such as IT) lead to increased demand for talent while changing demographics, the "brain drain" to other more attractive countries and the relationship between the new generation at work (less ambitious - work / life balance different) contribute to the depletion of what we call "high potentials" or "talents".

The HRD have the choice between relying on expatriates, who do not know the local context very well, and recruiting local leaders right from the start, who do not always know enough about the company and its internal networks.

The art of managing talent in emerging countries is the ability to find the right balance between these options and to prepare the strategy for a transition to a third solution: building teams of Global Talent, trained by the company AND to the local context, ready to be employed in different geographical areas, prepared for expatriate assignments and having the qualities to succeed in different environments. This challenging work is often taken over by Internal Universities or Leadership Programs. We will return to this in more detail in this article.

What are the reasons for the difficulties European companies are facing to find the right talent for their operations in Emerging Markets ?

One thing is certain: an expatriate assigned to an emerging country rarely fails due to a lack of technical and commercial skills. They generally fail because they lack certain personal qualities which they would have needed, including interpersonal skills. What is required above all from a global leader curiosity and interest with regard to different cultures and the teams he might manage, including the new environment that surrounds him. The ability to communicate, mobilize resources and to work under pressure are also very important qualities, as much as the dynamism and the facility to adopt a positive attitude. The perfect global leader is adapting his management style to local values of the country in which he is assigned. Broadly speaking, it is considered more important for a global leader to know how to manage multicultural international teams, rather than having himself traveled and performed rotations abroad. In a recent DDI study, Global Leaders Survey (2009), half of the respondents placed the ability to understand the cultural nuances (and to adapt the management style accordingly) in their top 3, while describing the qualities required to be a good leader multinational. These leaders are not easy to find in emerging countries, which have not always had the time and opportunities to train their leaders in the appropriate way, unless they sent them abroad.

To increase performance: Implement an efficient talent management

There are many resource management processes that already exist internally in European multinationals, but when it comes to apply them abroad, exceptions become the rule ! Internal processes are often forgotten when it comes to finding local talent and expatriates and the HRD become opportunistic because of nearly no availability of resources who would support the mission. In addition, there is a lack of written processes, and local leaders, far away from the corporate, often reinvent the wheel in their own way, and their companies risk to lose considerable time and credibility.

Talent Management can be defined in general as a management process of its own, driven by operational managers AND HR teams in order to identify the concrete needs in talent, and to identify, acquire, enable them to develop, and ultimately, to manage both the international and corporate process. The Global Talent Management must be fully integrated in the corporate culture and adapt to its requirements. The (trans)formation of operational managers in Global Leaders and the internationalization of HR positions are a prerequisite to a successful talent management.

Recent studies on the subject show that organizations practicing a global talent management can see their financial results improve in the medium and long term. Thus, companies that implement effective global talent management will see 15% of annual revenues more than the others, spend 10% less and reduce costs of managing HR and spend 36% less for the recruitment, and finally generate 20% additional net margin.

Plannification and adjustment of resources is getting more and more important for your success in emerging markets

As stated above, the talent management is a highly strategic issue which is of concern not only for HR. Before you go and "hunt" for talent in-house and externally for your operations in emerging countries, it is necessary to undertake a comprehensive analysis and define the roles in order to be able to quantify precisely the needs on the long term. Where is your company heading? Which are the core markets we look at? Whom will you need, when and where? Expatriate or local? If expatriate, for how many years? When can a replacement by a local resource take place? The analysis of future positions and the respective resource planning must take into account the possible need for adjustments according to the company's strategy, and the fact that other external factors may influence the recruitment market (crisis, early retirement) and that there might be some difficulties in supplying some key positions (increased demand and scarcity of skills).

Two proven methods: an ad-hoc recruitment whenever a very important position is vacant, and on the other hand, on the longer run, a selection of a multitude of different talents that are identified inside and outside of the company as part of a "virtual talent pool" of the company, talents which are not hired immediately, but are likely to be hired for certain positions in the future. This second trend is particularly prized by major groups that are actually able to offer enough interesting roles to their "pool."



3. The 4 areas of improvement identified by XAVANTES :

The "talent war" abroad presents real challenges to the corporate. The corporate HRD have little visibility on the "demand" for global talent. The risk of not having enough international talent, or having too much and having to lay off later on exists, and in both cases, is expensive to the company. The senior operational managers and the corporate staff are qualified, but sometimes not prepared for the international challenges of the future, either because they do not have enough international experience, or because they are unable of - or willing to - judge the potential of talents in their teams.

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In other cases, they simply do not want to "lose" their team members by putting them in a process dedicated to select corporate talent.

How can HRDs implement concrete actions that will in the medium term help them to identify talent and to train them throughout their career abroad? Xavantes has identified four areas of improvement by studying best practices around the world:

3.1. Global coherence of talent management practices and company values

Your image is at stake! Many companies do not realize this important key point. A company willing to succeed in emerging countries should be coherent and consistent in its' corporate management practices and promote its values, its history, its' strengths at best ! It should convey its' image and protect it in emerging countries, countries that are difficult to access, where expatriates manage start-ups (even though they are a multinationals), especially at the beginning of the activity. Providing them with all the necessary tools and know-how to allow a strong anchor of values and business processes is an important asset to be implemented even before the arrival of the first representatives of the company. This exercise becomes problematic if the candidate for the country is not from the company but was hired on the spot!

The action plan needed:

A. Respect for the values and processes: First make sure that all values and processes of the company are respected in all countries where the company is present. It is up to the corporate to set the overall image it wishes to reflect of the company. The selected high potentials are the company ambassadors in the world and reflect the values to which it is attached. They will be judged on their ability to manage a local team while ensuring consistency with the overall strategic corporate objectives. This also applies to the wage policies which reflect certain values of the company as well (variable premiums ...), and which will have to be defined in the local wage structure. The local subsidiaries will have the task to implement this structure, taking into account country specificities.

B. Respect the selection process: As the world becomes the playground of headhunters, it is imperative to ensure that the "international" talents always correspond perfectly to the company needs !

We must remain realistic about the skills of those talents (the English language skills, the qualifications, experience, management, culture, can be problematic in some countries). Numerous managers in European companies are skeptic about accepting an international resource in their teams fearing that they might not correspond to the same quality criteria as the "nationals". It has to be proved that the same selection criteria apply for all resources in the recruitment process and during their evolution. Too often opportunism wins and no real talent management can be observed. Assessment Centers and annual evaluation processes for all future leaders of the company in international markets are a solution.

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Each company aiming to expand in Emerging Markets must also train its future resources to integrate specific values with a view to be used internationally to ensure that they in turn will also respect these principles.

C. Simplify / Internationalize: Ensure that the corporate leaders are getting more “internationalized” also. At corporate level, there is too often only a low percentage of leaders from other continents. The working language in France is still and always French, which does not improve international communication at the headquarters. It seems to be very useful in those cases to start to organize multicultural working groups in order to identify talents internally and then use them for the corporate at an international level. The way of showing the willingness to internationalize the teams, for example with “hiring quotas for non Europeans”, can attract talents ! At the same time, companies must remember to simplify processes ! Corporate “habits” and company abbreviations are not always an imperative; they are not easily transferable or understandable and make life very difficult for international resources!

D. Be clear: *Clear objectives for the local managers:* all local resources must be analyzed in terms of their employability at the global corporate level and should be considered as a “global resource”, even if their leaving the country at a certain time to another location would be problematic! A talent must be global according to global corporate standards, well defined and clear.

Clear objectives for the talents: “I am considered as an international talent, what does this mean for my career ?” Companies should give examples of success and make the process understandable also to other cultures!

3.2. Common global evaluation and training processes

Identifying a talent is only the first step in a process in which a company will have to ensure the development of this same potential, his regular performance evaluation, and above all to retain it- if it really turns out to be the “rare gem” !

Action Plan:

A. Diagnosis: By country or by profession, what skills are available internally, externally, what are the problems and opportunities in each country, for every job?

B. Training: It is the GLOBAL talent selection and training, based on specific criteria, which will allow consistent management practices and respect of the company values on a global level. For this reason more and more companies have established “Leadership Programs” to identify and train at the global level, talent (experienced or not) they will need tomorrow (examples: programs’ Marco Polo “and” Future Star “of Microsoft, Telecom Talents” and “Gingko” FT / Orange, or the “Summer School of Total). Schlumberger, meanwhile, like IBM, Microsoft or Infosys, maintains a database of identified talent, their profile, skills, training courses and their wishes in order to manage its “talent pool”.

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Another approach consists in training talents directly in locally and globally implemented Internal Universities, in order to prepare them at best for the tasks ahead. This is a way of conveying not only the management practices and requirements, but also of updating the talent in relation to technical knowledge.

New technologies like internet and intranet and 3D modeling can also be at the service of such trainings, through e-learning or webinars.

C. Sponsorship / Buddy Systems: It is recommended that a global talent should be considered as such only after an initial placement in a country of selection, or after a successful collaboration with a local mentor. This can be done through collaboration on projects, short immersion phases in the country, etc.

D. Monitoring / Coaching: What are the estimated costs of an “unsuccessful” expat assignment in an emerging country? How many errors can an “ambassador” of a multinational company in an emerging country do before causing troubles to the company worldwide? The examples are numerous; expatriates often feel abandoned and often fail. Monitoring is essential. Hence the importance of establishing a coaching system and / or mentoring system to ensure they have all the necessary support in their new duties. The role of expatriates is special since they face the difficulties of adapting to a new culture not only in their workplace, but also in their personal lives. Thus the reasons for failure of an expatriation are more to be found in issues of personal and especially emotional maturity of the manager, or the adjustment to the environment, the adaptation of his spouse or other family problems, than in a lack of technical skills or in a difficulty in adapting to a new post abroad. To minimize the risks, specific actions can be implemented: cultural trainings, preparation of daily life in the country, preparatory visits, language courses, role plays etc..

Assessment Tools: To provide the best career management, it is necessary to develop tools such as annual assessments and evaluation interviews, international mobility rules, or as we have seen above, a leadership program for detection and monitoring of talent. But these tools are nothing without the right performance measurement procedures of the career management policy.

There is a need to develop key skills, technical and managerial, whose performance will be assessed through indicators. Some examples: indicators on the mobility of talent, turn over in the managers’ teams, the ability to promote women, retention of employees, respect for the values of the company and so on.

3.3. The management of cultural diversity

Each country has its own legal, social and tax regulation, its own work and business culture and a particular leadership style. It must be a top priority for companies to take a detailed knowledge of the similarities and differences from one country to another in order to be able to create real teams which perform locally and are integrated globally. They must find a compromise between "think globally and act locally."

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Among the most common mistakes made in the management of cultural diversity are: the failure to accept that these differences exist, the direct translation of bonuses and salaries without adapting to local conditions, the disrespect of local working conditions (working time, absences, holidays etc.), the use of standard contracts and benefits ("benefits") that do not fit to the legal framework of the country, and finally, the most important error: the opinion that the attitude towards work, leadership, women in work or bonuses for performance are global common values.

One solution is to define the core values that the company would like to represent, as seen in point 1, and strive to uphold it in all countries in which it operates. It should always be possible to adapt values, but they should not be totally ignored.

Action Plan:

A. Diagnosis: What different nationalities exist within the company, what are the geographical interests of the employees, what are the cultural and religious differences...

B. Benchmark: To gather maximum information on international practices abroad in order to be able to adapt its policy of talent management accordingly, companies such as British Telecom, have begun to regularly benchmark specific issues (eg work culture, working hours, wages, types of intangible rewards, bonuses, working women, labor etc.).

C. Manage information: An example for an efficient information management is AREVA, which has taken the initiative to bring together all local HR information of individual local school systems, academics and non-academics, as well as existing local recruiting tools of all their future host countries.

D. Feedback: Others, like Siemens, invite expatriates, locals, operational managers, as well as special guests, to prepare reports on the "local lessons learned" at specific country workshops. Expatriates are a great source of information that is too often neglected. Their contribution allows to value their input and knowledge and to gather as much data as possible to manage the company at local level.

3.4. A real talent rotation :

In the era of today's globalization, no one denies the fact that companies search for high potentials primarily in order to make them their international leaders in a distant future. It has to be insured that these talents are mobile at the time of recruitment, whether they are to be assigned to a limited geographical area (South Asia, for example) or to be assigned globally. Ideally, the headquarters staff should be managed in the same way as all other countries where the company is present, with the same rights and duties.

Talent rotation allows companies to bring in talents where they are needed and to identify regions where they can be found. Rotations are also useful to build a network and country know-how internally. The talents which have been employed in some countries can become

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internal “country consultants” at other occasions. Singapore Technologies Engineering requests each of their newly identified global talents to make two rotations abroad: a technical mission and a mission of Business Development. During these two phases of observation in target countries, these future leaders can collect market information and establish an efficient network of contacts. They become "country experts", for one country or geographical area.

General Electric, meanwhile, have set up Leadership Programs to develop internal and external talent in a consistent way, appropriate to future needs. These programs are organized by profession, geographic and professional experience, which allows them later on to staff a new position quickly by tapping in the pool of the respective zone , profession, experience. GE places a Chinese leader in India, or an Argentine leader in Brazil, on the assumption that a talent of America Latin fits more easily than a European to another in Latin American country. This system works only if the number of employees trained in these programs is strategically limited and if the needs for future development of the company are correctly anticipated. This is an important challenge in today's economy.

A system of talent rotation of talents can only work properly, if all the administrative challenges that it entails are fully managed. It is also crucial to anticipate the replacement of current leaders and to capture their knowledge and know-how that otherwise would be lost. One solution is to choose the successor right at the start of a new rotation, and make him/her work along with the current manager and thus trained him/her right from the start.

4. Conclusion :

- The first and most important prerequisite to establish a comprehensive global talent management policy, unique and tailored to the values of the company: HRDs must first be absolutely convinced of its merits, and fully support it.
- Also, HRDs must prove that the talents they have selected and the development programs they have implemented meet the strategic company objectives (the best measure of performance).
- It is necessary to establish an open exchange with the local HR departments to adopt their “best practices” on a global level and then ensure their application in all countries.
- The HRD should also achieve real diversity in a global operation, which implies consistent management practices and compensation policies, integrating the global values in accordance with the company's image, and manage to attract, motivate and retain talent. For this, a very good understanding of all the factors related to talent management and of legal constraints and cultural “do’s and don’ts” is essential.

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- The animation of a “talent pool” of internal and external future leaders facilitates the mission of HRD in choosing the person most suitable for a position.
- The marketing activities at - and the sourcing from - local schools, universities and research centers in the target countries go into this direction.
- Specific training and related tools for performance measuring of these trainings are the next step and ensure the talent development and an effective leadership transfer.
- Most importantly, the effectiveness of a talent management policy depends on the capacity of HRDs to listen and adapt to talents locally, whether it concerns the information they have gathered during their missions, or to listen and understand their problems on the spot, in order to provide the most appropriate solution and prevent failures.

The "war for talent" can be a real opportunity for Europe!

Provided that it is capable of tackling the challenge to maintain and transfer the assets of its leadership in terms of training, quality requirements and rigor, which constitute the pillars of our culture. Foreign groups which are trying to develop the European market, are struggling to find true leaders in their ranks, adapted to our culture. When they arrive, they encounter the same difficulties that European multinationals encounter abroad when it comes to motivate local talents and make them evolve. We should learn from this and try to develop new markets by mobilizing the best talent locally and internationally in our own ranks ! To do this, European companies first have to become real global players with global talents trained to the corporate culture ! In the future, this might be our major competitive advantage

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