



GLOBAL TALENT



GLOBAL TALENT

One of the impacts of globalisation has been an increasingly borderless approach to labour and talent. Indeed, innovative companies that operate on a truly global scale have started to reconfigure the way they deal with their people – and how they achieve the fine balance between global leadership and local control.

Meanwhile, new rivals from emerging markets are quickly expanding, not only at home but also into developed markets. In the process, they are acquiring new ways of finding and tapping into skilled staff from all corners of the world.

In this report, which is produced by UK Trade & Investment in co-operation with the Economist Intelligence Unit, we review current trends in the globalisation of talent and the associated implications for companies worldwide.

Some of the trends emerging from this paper include the following:

- The flow of talent is evolving into a multidirectional phenomenon, where corporate borders act as a more important boundary than national borders. Already, major companies such as IBM have relocated key operations to emerging markets; it now runs its global procurement out of Shenzhen. Future changes may well be fuelled by ongoing economic growth within emerging markets. Indeed, in an online poll, 76 per cent of respondents agreed that, in the wake of the credit crisis, emerging markets now present the best opportunity to build a career in the medium term.
- Staff cuts may be necessary in the short term, but talent pressures are unlikely to disappear. The current economic downturn means that many companies, especially within developed markets, will probably need to cut back on staffing in the short and medium term. But highly skilled workers in today's globalised environment will move to markets where the most opportunities open up. Longer term, companies are unlikely to face any less pressure for talent than they do today, so HR bosses will need to work hard on their talent management strategies.



- Emerging market champions have new ideas about how best to exploit talent. Rather than relying primarily on trusted expats to run overseas operations, firms from Brazil, Russia, India and China (the so-called BRIC countries), as well as from other emerging markets, are more willing to bring in local managers – whether in Europe, Latin America or elsewhere. Acquisitions in these markets simply add to the available talent pool.
- Both individuals and companies are using technology to support this globalisation of talent. Young professionals around the world are more global in their outlook and want their employers to support their desire to work internationally. They already tap into increasingly international networks of contacts, supported in part by online social networking tools. Companies are also using technology to help, for example by virtually linking promising executives in emerging markets with more experienced mentors elsewhere.
- Expansion abroad still holds many challenges. Thinking globally but acting locally is not a new idea, but firms continue to struggle to find the right balance in choosing what to control centrally and what to let local operations handle. This is not the only problem that has been around for a while: cultural adjustments are still as hard to make as ever, with little substitute for first-hand experience.

A NEW ERA

In July 2006 a group of American college graduates arrived in Mysore. They were not visiting the southern Indian city to see the famous Hindu temples. The 126 graduates were the first batch of hires from US universities made by Infosys, the Indian technology services giant. Their arrival in India for the start of a six-month training programme was also one of a growing number of signs of a new era in the globalisation of talent.

Talk of “global talent” once referred to the western executives from Europe and the USA sent overseas to establish representative offices in new markets or to manage the factories in their firm’s supply chain. Today, however, this largely one-way flow of talent has become a multidirectional movement in which national borders are no longer barriers to recruitment and deployment of skilled workers.

“We spend a lot of time looking at different countries to try to understand what the talent pool in each market is,” says Kari Barbar, Head of Workforce and Diversity Programs at IBM. “One country may be good at having a call centre, while another might not have the infrastructure to support it and would require too much investment.”

Several factors have contributed to this borderless approach to talent. Not only has the rapid growth of emerging market companies – frequently outside their own national boundaries – fuelled an appetite for talent in new parts of the world, but also many of these companies have in recent years snapped up established US and European brands, giving them access to new pools of labour within their expanded organisations.

Meanwhile, the move of established global companies into new forms of business and new markets gives them access to labour and skills. As Siemens, the German electronics and electrical engineering company, expands its renewable energy business, its operations in Denmark – a leader in alternative energy models—provide a base from which to tap into local skills and knowledge about these forms of energy.

For Vodafone, the UK-based mobile telecoms company, the convergence of mobile, broadband and internet technologies is driving a need to look globally for skills. Acquisitions of companies such as New Zealand’s ihug, a telecoms and internet company, and the Spanish and Italian assets of Tele2, the fixed-line telecoms and broadband services provider, has allowed it to boost its skill base in new areas of communications technology.

At the same time, companies from mature economies are relying more heavily on newly industrialised countries to fuel continued growth. As the economic downturn in Europe and the USA worsens, this trend will accelerate as private sector attention focuses on regions such as the Middle East, China and India, where growth rates, while slowing, still look healthy compared to those of countries such as the USA and UK.

“Talent flows to where the money is and the business is,” says Keith Dugdale, Director of Global Recruitment at KPMG. “And what we’ll certainly see in the next 18 months when the recession bites in the USA and UK is a net outflow of talent from those countries to emerging markets.”

Although the prospect of global economic slowdown may provide a temporary respite from the labour crunch in developed markets, long-term demographic trends will contribute to reshape the world’s talent pool. With birth rates falling and baby boomers retiring in western Europe as well as in countries such as Russia, Japan, Australia and New Zealand, companies will need to look to new regions such as Latin America, Africa and Asia to supply their need for workers.

CASE STUDY

IBM’s cross-border mentoring

As multinational companies recognise the growing importance of emerging markets to their profitability, the question is how to identify and develop future leaders when, in many of those markets, experience is in short supply and much of the workforce consists of young people at an early stage in their careers. At IBM, the solution has been to roll out cross-border mentoring programmes in which both mentor and mentee meet virtually.

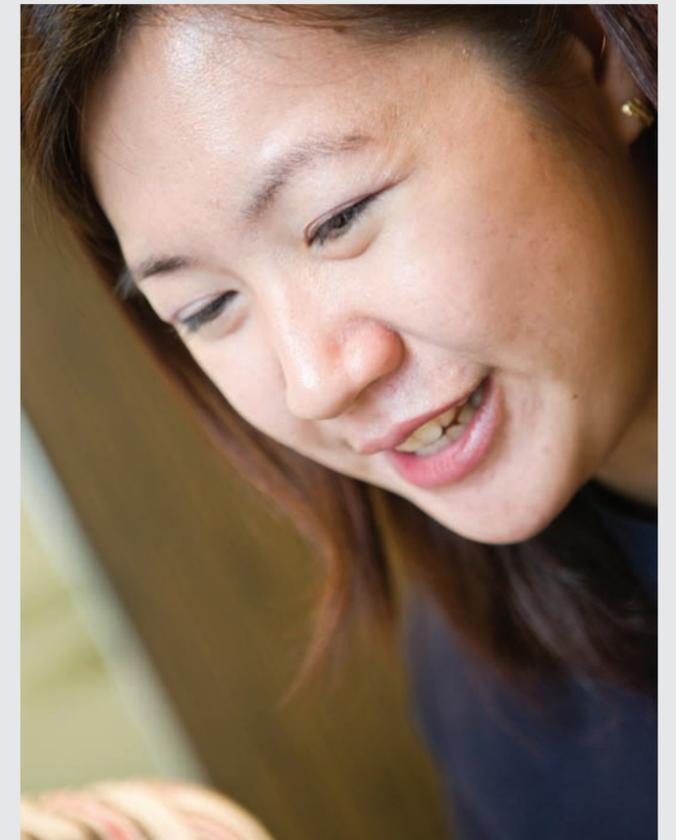
“In the USA, if you became a new manager you could go down the hall and grab ten people who could potentially be a coach,” explains Kari Barbar, Head of Workforce and Diversity Programs at IBM. “But the growth markets are growing so fast that they don’t have these mentors and coaches.”

The idea behind the global mentoring programme, which is initially being rolled out in South Africa, is to capitalise on the knowledge and experience of senior IBM executives in the company’s US operations by having them mentor less-experienced employees – but at a distance. The programme works by establishing a pattern of regular phone calls between mentor and mentee as well as via web-based technology. “Virtual mentoring enables us to reach more employees in more countries, and it exposes people to many more cultures,” says Mary Ann Bopp, Manager of the mentoring scheme and a mentor in the South African programme. “Technology removes the lines that divide us.”

In addition, monthly interactive briefing calls with C-level IBM executives cover topics such as strategy, financial modelling, developments in certain industries and new IT trends such as cloud computing. “These briefings enriched the conversations I had with my mentee and encouraged us to cover a lot of ground,” says Ms Bopp. As well as being able to bring to the mentoring relationship her experience of working in HR, Ms Bopp’s background in accounting helped, too. “Not only did my mentee want leadership and management advice, but he also wanted to better understand the business,” she says. “I could help him develop business acumen and understand the financial implications of the decisions he was making.”

Moreover, it is not only the mentees who benefit from the programme. Bringing senior US executives into contact with junior colleagues based overseas helps to spread valuable knowledge of how business is conducted in emerging markets without having to send executives on expensive familiarisation trips. “This programme is a great learning experience for the mentors as well,” says Ms Bopp. “I quickly grew to appreciate what it would be like to manage a team in another country – especially one like South Africa, with enormous growth coupled with infrastructure challenges.”

One challenge for those running the programme – which is being expanded into other emerging markets next year – is making the right matches and ensuring that the relationships continue to thrive. To do so, IBM conducts periodic surveys of mentors and mentees as well as a final survey when the programme period is up. And the company has found that many of the relationships continue beyond the programme. “I still check in with my mentee at least once a quarter,” confirms Ms Bopp.



NEW MANAGEMENT MODELS EMERGE

As they become global organisations, companies from the BRIC countries and other emerging markets are changing the way talent is managed in overseas markets. And the new companies have been reluctant to adopt the traditional expatriate model long deployed by western multinationals.

Instead, many are turning to the talent available in the markets in which they have invested, as China's Haier has done in the USA where, rather than sending in Chinese executives to run its operations, the white goods maker relies on local managers.

"In Asia, there's a lot of focus from companies on how to become global and they're not so much interested in how US companies did it," explains Brian Wilkerson, Head of Workforce and Diversity Programs. "They're trying to create their own model."

Emerging multinationals are not only, like Infosys, recruiting employees from mature markets: they are also benefiting from access to new pools of skilled executives in the companies they have acquired. Cemex, the Mexico-based cement maker that has bought companies in Latin America as well as in Spain, the UK and Australia, retains key talent from the firms it acquires, using a well-developed system through which post-merger integration teams are sent to work with newly purchased companies.

However, strategies vary across emerging economies. "The management of Korean companies has been very insular, and they've paid a very big price for that," says Kannan Ramaswamy, a Management Professor at Thunderbird School of Global Management. "Whereas, for some reason, the Chinese have been open-minded in allowing western talent to come and help them out."

While newly emerging multinationals build their overseas workforces, at home these companies are also proving a powerful presence in the employment arena. Overseas firms operating in countries such as India or Brazil have found that they are no longer the only option for skilled job seekers. Many local multinationals are starting to provide the kind of international development opportunities, salaries and benefits that appeal to ambitious job candidates who might once have only considered working for a foreign company.

In turn, as firms from mature economies look to emerging markets for future growth, they are battling to win talent in those markets. "It's suddenly become a global market," says Nandita Gurjar, Head of HR at Infosys. "Companies from across the world are hiring from the pool of talent in China and India, so no longer do we face competition just from the domestic market, but now it's more from the global market."

One indication of this was the relocation by IBM of its global procurement operations to Shenzhen in 2006, accompanied by the company's Chief Procurement Officer, John Paterson. The shift to southern China represented the first time the headquarters of a corporate-wide IBM business unit had been moved outside the USA.

As well as helping to build relationships with new suppliers, the move was, according to Mr Paterson at the time of the announcement, "about making efficient and effective use of skills everywhere in the world".

At the same time, companies in countries where skills shortages are growing, are seeking to hire from outside their own borders. In Russia – where a sharp fall in birth rates is expected to have a negative impact on the economy in the coming years – companies are looking overseas to fill some of their employment gaps, particularly in the energy and natural resources sector. In a recent Economist Intelligence Unit report, 75 per cent of respondents in that sector said that they were likely to hire staff from abroad.



While shifts in the corporate and demographic landscape are creating a need for more global workforces, another factor contributing to the change is the entry of a new generation of employees into the talent market: Generation Y.

Gen Y workers tend to be far more global in their outlook than previous generations. KPMG's Director of Global Recruitment, Keith Dugdale cites the example of a conversation he had with a Singapore-educated Indian student at a conference in Dubai. The student expressed a desire to work in the UK or the USA. "I asked her how she would find out about those opportunities," he explains. "She said: 'I'll just get on my network in the UK, USA and China and ask people what they think of KPMG.' It's staggering, and it's truly global."

And if younger people are able to draw on an impressive international network in their job searches, they also have high expectations of the kind of global career moves potential employers can offer them. "They've often travelled, studied or worked abroad, and one of the things they want most in their early careers is international opportunities," says Mr Dugdale.

Speaking the language

If executives, particularly younger ones, are becoming more adept at moving from market to market, it is also true that cultural adjustments remain hard to make. And it is not only working hours or business practices that may be different. Some of the changes to which globally mobile businesspeople must adapt are more subtle.

One example is the "code switching" that takes place when people move from one language to another. "Human beings use tone of voice, the degree of eye contact and gesture to build trust with each other," explains Sunita Singh Maclaren, founder of World Wise, a consultancy that offers advice, information and training for companies entering new markets. This all changes, she explains, when they start speaking another language.

Pre-departure briefings, language training and induction courses on arrival can help, as can technologies that connect people in different markets virtually via phone, email, instant messaging and video conferencing. However, Ms Singh Maclaren argues that there is no substitute for first-hand experience of new markets. "Senior executives say that they go to China three times a year. But they go to the same hotels, eat in the fancy restaurants and sit in the boardroom – and have zero idea of what's happening in smaller communities."

"Everyone is looking for the CliffsNotes [student study guides] version of globalisation, but human societies are incredibly complex," Ms Singh Maclaren adds. "There really is no shortcut – companies need to have programmes that help leaders delve deeply into the cultural metaphors by which people define themselves. And converting that to business capital requires a lot of on-the-ground work."

A GLOBAL APPROACH TO MANAGEMENT



If companies can agree on the need to embrace a borderless talent model, they face difficult questions about how to manage their global workforce, the most important being whether to manage it from the strategic centre of their organisations or to devolve responsibility to local business units.

The answer for many companies is “both”. At Vodafone, only the top 60 to 70 roles in the company are reviewed at a “Global Development Board” each year, while regional CEOs are responsible for succession planning and deciding how they want to develop and deploy talent during the year.

Yet the balance is often hard to strike. Infosys hands over much of its talent management to local leaders. “But we struggle with it all the time,” admits Ms Gurjar. “How centralised or decentralised should we be and what should be controlled and what should be let go?”

Infosys is not alone in facing this dilemma, according to Mr Wilkerson of Watson Wyatt Worldwide. “Over the past year I’ve seen a lot of companies challenging the global structures that they have,” he says. “In many cases resourcing levels are being set at a higher level, while the strategies of how you recruit them and manage them are pretty decentralised.”

Also being overturned is the old pattern of employee development whereby companies bring high-performing employees to training centres for instruction in their home countries.

The opening in October, for example, of a new facility in Bangalore, India, brought to three the number of centres in Cisco’s Global Talent Acceleration Programme, a scheme designed to foster the next generation of local engineering and sales talent in global markets. The company has similar facilities in Jordan and South Africa.

If the management and development of the workforce is becoming more geographically dispersed in global companies, so is the profile of their leaders. When the Brazilian firm, Coteminas, merged with Springs of the USA to form Springs Global, the textile home furnishings company retained its American brand profile. However, its Chairman and Chief Executive, Josué Christiano Gomes da Silva, is Brazilian.

“The leaders of global companies have historically been from the UK and USA, and soon it’s going to be China, Brazil, India or Russia,” says Mr Dugdale. “And that reflects the realities of the changed world.”

Even so, while the talent world may have changed to become increasingly borderless, companies must also contend with the fact that labour regulations remain local, and can vary widely.

While the UK has a flexible labour market, and the USA, with its entrepreneurial spirit, tolerates employment uncertainty relatively well, European countries – notably Italy, Belgium and France – tend to be more rigid, both in terms of labour legislation and working culture.

When in 2006 France – known for its burdensome labour regulations – attempted to reduce youth unemployment by introducing flexible contracts for those under 26 years of age, the Government was forced to back down after a series of demonstrations and strikes.

At the same time, governments have responded in different ways to global labour flows. While within the European Union, states must open their markets to members, they have yet to decide whether to maintain restrictions on workers from new EU states. In addition, as global recession sparks rising unemployment, the question for companies is to what extent governments around the world will maintain open borders when it comes to labour.

Taking research to the researchers

As the number of engineering graduates falls in the home markets of many European and US multinationals, many companies are establishing research and development capabilities in countries such as India and China, where a steady supply of young engineers flows out of universities every year. Among those to tap into this rich vein of emerging market talent are companies such as General Electric, Dow Chemical and Microsoft.

GE Global Research now has some 3,000 researchers across the world, many of whom are based in facilities outside the USA, such as the John F. Welch Technology Centre in Bangalore, India, and a research centre in Shanghai, China.

For Dow Chemical, India has become an important market in which to establish research centres. It has established an engineering centre in Chennai, a service centre in Mumbai staffed by more than 500 employees and, most recently, a research and development centre in Pune, to be completed by January 2009 and staffed with scientists, about 80 per cent of whom will come from the region.

Meanwhile, Microsoft has been capitalising on technical talent pools in China and India. Employing about 50 scientists and support staff in Bangalore, Microsoft Research India was established in 2005, while in Beijing the company’s Asia-Pacific research arm employs more than 350 researchers and engineers.

While locating such centres in emerging markets helps companies to find new sources of talented technicians and scientists, Sunita Singh Maclaren, founder of World Wise, believes this can also help them learn about unfamiliar markets. “Companies should think about it in terms of capturing local intelligence to build a whole new portfolio brand for different consumers,” she says.

CONCLUSION



As powerful multinationals have emerged from developing countries and companies in mature economies look to new markets to expand their businesses, companies need to consider:

1. an increasingly global approach to their talent management strategies, whether that means hiring from regions not previously seen as sources of employees or establishing training and research centres abroad,
2. the need to provide the kind of international career opportunities that will attract ambitious young executives who expect to be globally mobile,
3. new models of talent management in which the right balance needs to be struck between control from the corporate heart of the company and devolution of responsibility to local business units, and

4. a long-term approach to talent management that takes account of the fact that global demographic shifts will continue to fuel competition for skilled employees.

As recession starts to affect many countries the growing number of job losses is what is hitting the headlines. However, while the current round of lay-offs may provide a temporary easing of the talent crunch, long-term population shifts, patterns of migration, changing employee expectations and continued growth in emerging markets point to a world in which companies need to cross a growing number of cultural and national boundaries to build and maintain the workforces essential to their profitability.

UK Trade & Investment

UK Trade & Investment is the government organisation that helps UK-based companies succeed in the global economy.

We also help overseas companies bring their high quality investment to the UK's dynamic economy – acknowledged as Europe's best place from which to succeed in global business.

UK Trade & Investment offers expertise and contacts through its extensive network of specialists in the UK, and in British embassies and other diplomatic offices around the world. We provide companies with the tools they require to be competitive on the world stage.

For further information please visit www.uktradeinvest.gov.uk or telephone +44 (0)20 7215 8000.

The Economist Intelligence Unit

The Economist Intelligence Unit is the business information arm of The Economist Group, publisher of *The Economist*. Through our global network of 700 analysts, we continuously assess and forecast political, economic and business conditions in nearly 200 countries. As the world's leading provider of country intelligence, we help executives make better business decisions by providing timely, reliable and impartial analysis on worldwide market trends and business strategies.

While every effort has been taken to verify the accuracy of this information, neither the Economist Intelligence Unit Ltd nor UK Trade & Investment (including its parent Departments: the Department for Business, Enterprise & Regulatory Reform, and the Foreign & Commonwealth Office) can accept any responsibility or liability for reliance by any person on this report, or any of the information, opinions or conclusions set out in the report.

Published January 2009 by
UK Trade & Investment
© Crown Copyright URN URN 09/596

The paper in this document is made from 50 per cent genuine waste pulp and 50 per cent ECF pulp from sustainable forests. The inks are vegetable oil-based and contain resins from plants/trees and the laminate on the cover is sustainable, compostable and can be recycled.

Fast track to the world^{UK}