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How multinationals can attract the talent they need

Competition for talent in emerging markets is heating up. Global companies should groom local highfliers—and actively encourage more managers to leave home.

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The problem
Talent is getting scarcer and pricier in emerging markets as fleet-footed local businesses grab the best people. Home-based executives seem reluctant to fill the gap.

Why it matters
Companies that can't attract, retain, and excite tomorrow's leaders will find it harder to achieve global ambitions.

What to do about it
Create opportunities for highfliers in emerging markets to lead, even if they haven't served long apprenticeships in a developed economy.

Launch programs to improve understanding, generate trust, and break down cultural barriers.

Actively manage your brand as an employer, which may require building a relationship with employees' families or tapping into broader causes that workers embrace.

Help managers posted abroad familiarize themselves with new markets while maintaining their connections and influence back home.

Global organizations appear to be well armed in the war for talent. They can tap sources of suitably qualified people around the world and attract them with stimulating jobs in different countries, the promise of powerful positions early on, and a share of the rewards earned by deploying world-class people to build global businesses. However, these traditional sources of strength are coming under pressure from intensifying competition for talent in emerging markets.

- Talent in emerging economies is scarce, expensive, and hard to retain. In China, for example, barely two million local managers have the managerial and English-language skills multinationals need.[1] One leading bank reports paying top people in Brazil, China, and India almost double what it pays their peers in the United Kingdom. And a recent McKinsey survey in China found that senior managers in global organizations switch companies at a rate of 30 to 40 percent a year—five times the global average.

- Fast-moving, ambitious local companies are competing more strongly: in 2006, the top-ten ideal employers in China included only two locals—China Mobile and Bank of China (BOC)—among the well-known global names. By 2010, seven of the top ten were Chinese companies. As one executive told us, "local competitors' brands are now stronger, and they can offer more senior roles."

- Executives from developed markets, by no means eagerly seizing plum jobs abroad, appear disinclined to move: a recent Manpower report suggests that in Canada, France, Germany, the United Kingdom, and the United States, the proportion of staff ready to relocate for a job has declined substantially,[2] perhaps partly because people prefer to stay close to home in uncertain times.

How can global organizations best renew and redeploy their strengths to address these challenges? Our experience suggests they should start by getting their business and talent strategies better aligned as

[1] China and German Statistical Yearbook 2005; McKinsey Global Institute; University of Frankfurt survey.

[2] *Migration for Work Survey*, ManpowerGroup, 2011.

they rebalance toward emerging markets. This is a perennial challenge, made more acute by extending farther afield. But the core principles for estimating the skills a company will need in each location to achieve its business goals, and for planning ahead to meet those needs, are similar enough across geographies not to be our focus here. Rather, we focus on two additional questions. How can global organizations attract, retain, and excite the kinds of people required to execute a winning business strategy in emerging markets? And what can these companies do to persuade more executives trained in home markets to develop businesses in emerging ones, thereby broadening the senior-leadership team's experience base?

Becoming more attractive to locals

A big historic advantage global companies have over local competitors is the ability to offer recruits opportunities to work elsewhere in the world. A small number of executives, in fact, have moved from leading positions in emerging markets to a global-leadership role, including Ajay Banga, president and CEO of MasterCard Worldwide; Indra Nooyi, chairman and CEO of PepsiCo; and Harish Manwani, COO of Unilever.

But big global companies need a lot more role models like these if they are to persuade highly talented local people to join and stay. A recent McKinsey survey of senior multinational executives from India found that few companies were providing opportunities overseas in line with the aspirations and capabilities of ambitious managers.[3] We've also heard this concern voiced in many interviews. A senior executive at a global company in Asia told us, "In our top-100-executive meetings, we spend more than half of our time speaking about Asia. But if I look around the room I hardly see anybody with an Asian background." Another put the problem more bluntly: "Leaders tend to promote and hire in their own image."

The makeup of most multinational boards provides further evidence: in the United States, less than 10 percent of directors of

[3] A February 2012 McKinsey survey, with 118 respondents, of 17 multinational companies' operations in India.

the largest 200 companies are non-US nationals, up from 6 percent in 2005 but still low considering the global interests of such companies. Western ones can start working on these numbers by refining their approach to developing top talent in emerging markets. Many also need to rethink their brands to win in a fast-changing talent marketplace.

Prepare your highfliers for top roles

There's no silver bullet for developing or retaining emerging-market talent. Examples such as the ones below present different paths, but each company will need to find its own.

Global-development experiences at Bertelsmann. The German media giant tries to develop—and retain—top managers through specialized training programs. In India, for example, its high-potential employees can apply for an INSEAD Global Executive MBA; over the three years this benefit has been available, motivation and retention rates among alumni of the program have sharply increased for less than it would have cost to give them salary hikes. In addition, Bertelsmann's CEO program brings local-market employees to the corporate center, where they gain exposure to the range of functional and geographical issues they can expect to encounter as leaders. Having spent a couple of years at the center, recruits then compete for senior roles in local or regional markets. They return with a solid understanding of the organization and its strategy, as well as an extended network based on trust gained from working intensively with leaders across the company.

Breaking cultural barriers at Goldman Sachs. The global bank is one of many firms that have designed special programs to tackle cultural and linguistic barriers impeding local executives from taking jobs at the global level. In 2009, for example, Goldman Sachs launched a program in Japan to help local employees interact more comfortably and effectively with their counterparts around the world, with a focus on improving cross-cultural communication skills. The firm has extended this "culture dojo," named after Japan's martial-arts training halls, to China and South Korea and plans to launch programs in Bangalore and Singapore.[4]

[4]Michiyo Nakamoto, "Cross-cultural conversations," *Financial Times*, January 11, 2012.

Local-leadership development at Diageo. Nick Blazquez, the drinks company Diageo's president for Africa, questions whether leadership training today must include experience in a developed economy. "I used to think that to optimize the impact, a general manager should work in a developed market for a period of time, because that's where you see well-developed competencies. But I'm just not seeing that now. If I think about marketing competencies, for example, some of Diageo's most innovative marketing solutions are in Africa." In fact, he notes, "we in Africa have developed some of Diageo's leading digital-marketing programs. So I don't think that there's a need anymore for somebody to have worked in a developed market for them to be a really good manager. That said, I do feel that a good leader of a global organization would be better equipped having experienced both developed and developing markets." For global companies in a similar position, acknowledging that local highfliers can drive global innovation without first serving a long apprenticeship in a developed economy could unlock massive reserves of creative energy.

Enhance your brand as an employer

While there's no substitute for development programs that will help emerging-market recruits rise, global organizations need to strengthen other aspects of their employer brands to succeed in the talent marketplace in these countries. Historically, globally recognized companies have enjoyed significant advantages: they knew they were more attractive to potential local employees than any local competitor. "We still have the attitude that someone is lucky to be hired by us," one executive told us. But today, many local fast-growing and ambitious companies have more pulling power. And multinationals based in emerging markets are conscious of the work they must do to sustain their levels of recruitment. As Santrupt Misra, Aditya Birla's HR director, says: "We are growing as a company more rapidly than people grow, so we need to develop more peer leaders. Simultaneously, we need to [maintain] a very strong employer brand so that if we do not manage to develop enough people, we can hire."

Established global companies should consider the same strategy. In any market, the basic ingredients of a strong employer brand will be competitive compensation; attractive working conditions;

managers who develop, engage, and support their staff; and good communication. One challenge for global companies is to manage the tension between being globally consistent and, at the same time, responsive to very diverse local needs. Some degree of local tailoring is often necessary—for example, to accommodate the preference for near- over long-term rewards in Russia. However, any tailoring must sit within a broadly applied set of employment principles. Tata sets out to "make it a point to understand employees' wants, not just in India, but wherever Tata operates," according to its group vice president of HR. It has a tailored employee value proposition for each of its major markets; for example, it stresses its managers' quality to employees in India, development opportunities in China, and interesting jobs in the United States.

In some markets, particularly in Asia, global organizations are extending awareness of their brands as employers by building a relationship between themselves and their employees' families. For example, Motorola and Nestlé have tried to strengthen these links in China through their family visits and family day initiatives. Aditya Birla webcasts its annual employee award ceremony to all employees and their families around their world. And in all markets, companies are likely to find that many young, aspiring managers view being part of a broader cause and contributing to their countries' overall economic development as increasingly important. Articulating a company's contribution to that development is likewise an increasingly important component of any employer brand.

Encouraging homebodies to venture abroad

Even if a global company can find, keep, and develop all the local leaders it wants, it still may need more executives from its home market to work at length in diverse emerging ones so they learn how these markets function and forge networks to support the company's future growth. To that end, some leading firms are replacing fixed short-term expatriate jobs with open-ended international roles. This not only deepens the expertise of the executives who hold them but also eliminates a problem cited by a European car executive we interviewed in South America: expat leaders become

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lame ducks toward the end of their overseas terms, progressively ignored by local managers.[5]

Developed-country operations have much to gain from executives versed in emerging-market management. "Leaders' mind-sets are very different," says Johnson & Johnson's worldwide consumer group chairman Jesse Wu. "When you're running an emerging market, you always operate under an austerity model. When you've been operating in emerging markets and come to the United States, you become aware of the little things, like how much people use color printers for internal documents. All these little things add up. Everybody's happy with emerging-market growth," but he adds that it "necessitates a lot of changes worldwide, not only in emerging markets."

Global organizations' growing need for managers willing to work for long stretches overseas is coinciding with a decrease in their willingness to go. "US talent over time seems to have become less mobile than executives from Europe, Asia, or Latin America," says Wu. "We need this to change."

Reversing the trend will take time. In firms where long-term success depends on moving across businesses, functions, and regions, that expectation should be crystal clear to all managers. Schlumberger requires managers to rotate jobs every two to three years across business units and corporate functions: the company expects that executives will spend 70 percent of their total careers working outside their home countries. Similarly, a leading mining company expects its people to have experience in at least two different geographic regions, two different businesses or functions, and even two different economic environments (high and low growth, say)

[5] For more on the challenges facing expat managers, see Jeffrey A. Joerres, "Beyond expats: Better managers for emerging markets," mckinseyquarterly.com, May 2011.

before they can move into senior-leadership roles. Of course, it's crucial to help managers abroad maintain their connections and influence back home and to provide close senior-executive mentorship—as HSBC does for participants in its International Management program, who are sent to an initial location, far from home, and can expect to rotate again after 18 to 24 months.

Making sure that new executives can contribute strongly and avoid mistakes when they arrive in new markets also is important. In 2010, IBM began sending executives to emerging markets as consultants, with the goal of investing time helping long-standing customers and other stakeholders. This way, the executives not only developed business in new geographies but also got to know the new markets and developed their personal skills. Dow Corning and FedEx have realized similar benefits by providing free services in emerging markets.

We have presented some snapshots here of how companies are getting better at attracting talent and developing leaders in emerging markets and of what it takes to cross-fertilize talent between different geographies. As the world's economic center of gravity continues to shift from developed to emerging markets, more companies will wrestle with these issues, and some definitive best practices may well appear. For now, though, the global talent market is in flux, just like the global economy.

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