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## *The Increased Importance of Finding Global Talent*

### **Globalization is Here to Stay**

Globalization is a phenomenon that has transformed the way business is conducted. Multinational corporations have various parts of their operations and organizations spread out across different locations around the world. “Offshoring” has become common not only in manufacturing but also service industries. Although soaring unemployment rates resulting from the global financial crisis have sparked cries for more protectionist measures, offshoring will continue to be prevalent. The rationale is simple – in order to survive, companies will continue to seek the lowest cost and most efficient means to provide goods and services. Regardless of where production occurs, an organization’s human capital plays a very large role in ensuring that goods and services are produced in the most cost effective and efficient manner. Therefore, a company looking to fill positions in a foreign country must have a good understanding of the local labor market or hire an outside consultant who does.

### **The Global Financial Crisis**

The global financial crisis proved how intertwined the world’s markets have become. What began as the burst of the “housing bubble” and subprime mortgage crisis in the United States led to a worldwide economic meltdown. We are all familiar with the resulting effects – downsizing and lay-offs, lack of credit, bankruptcies and corporate reorganizations, bailouts, increased regulation, etc. With the tightening of the purse strings, companies did reduce foreign direct investment significantly in 2008 according to the *World Investment Report 2009* prepared by the United Nations Conference

on Trade and Development. This does not mean that companies will abandon the globalization of their operations and entrench themselves in their home countries. The increased focus on cost cutting measures that has resulted from the financial crisis is likely to lead more companies into emerging markets with lower labor costs. Another recent trend that points to a continued increase in the globalization of operations and movement of human talent is the sale of divisions or brands to foreign investors or companies in order to raise cash. There are also markets that have continued to grow during the global economic crisis. The International Labour Office reported in its publication *Global Employment Trends* (January, 2009) that growth slowed, but remained positive, in Latin America and the Caribbean (all of Central and South America) and East Asia (includes China and Korea) in 2008. Therefore, one can expect companies hoping to take advantage of that growth to enter into or expand their presence in those emerging markets.

### **A Truly Global Labor Market**

The low cost labor provided by countries with emerging markets is not limited to low skill level positions. A June 2005 report prepared by the McKinsey Global Institute entitled *The Emerging Global Labor Market* drove home this point with the following quote, “Any job that is not confined to a particular location has the potential to be globally resourced or performed anywhere in world.” Although many people focus on China and India, the McKinsey report found that many other countries such as the Philippines, Poland, Hungary, Russia and the Czech Republic also have workforces with a multitude of qualified

applicants for professional and service sector positions. The McKinsey Global Institute also found that the available talent pool of “suitable young professional talent” is increasing at 5.5% annually in emerging markets versus 1% per year in developed nations. In addition, many foreign born professionals who were educated in the United States are now returning to their home countries to work. Therefore, companies will increasingly be forced to conduct worldwide searches in order to find qualified candidates with the right mix of skills and experience.

### **International Strategies**

Companies must develop their own unique strategy for entering or expanding their operations in foreign markets. One critical decision each company faces is whether to relocate a manager from its homebase or hire a manager from the local labor market to oversee those operations. Increasingly, the decision is made to hire from the local labor market. Many times that can mean a decrease in labor costs without a sacrifice in skill level due to the increasing number of qualified applicants. Another positive gained by hiring from the local labor market is the candidate will have a deeper understanding of the culture and business customs of the local country, which can be invaluable. As mentioned above, many professionals educated and trained in the United States are moving back to their home countries. This trend is also occurring in the developed nations of Europe. These individuals will be prime candidates for companies that are expanding into their home countries.

So how can a company find the right person to manage its foreign operations “on the ground”? Obviously, if the company already has internal resources who are intimately familiar with the culture, the education, qualifications and skills of the workers, the typical pay structure and level, working environment and other expectations, it is ahead of the curve. If that is not the case, the company should consider hiring an outside search firm that has true “global reach” to find exactly the right candidate wherever she may be. An outside consultant with knowledge of the local market and also access to potential candidates who have emigrated from that country abroad will

give the company access to a much larger and deeper talent pool. Many companies may be tempted to educate their internal resources on the local market rather than hiring an outside search firm, but that approach is likely to lead to frustration during the search process and ultimately the wrong hire. It is critical to find the right candidate for an international position, or the benefits gained by moving into a new market will be quickly offset by the problems caused by a “bad hire.” It is important to establish foreign operations the right way, and the manager on the ground is a critical component.

Despite, and because of, the global financial crisis, the global search for talent will intensify. As companies search for lower cost alternatives, they will continue to move operations into new markets around the world. The global talent pool is expanding, and candidates will emerge from new markets. Companies that limit themselves to searching for talent in their domestic markets only will be left behind in the global hunt for talent. Companies located in countries with aging populations like the United States and the United Kingdom will be forced to search for management and executive talent in other markets around the world. The growing global talent pool is certainly a positive development, but it can also be daunting and overwhelming if a company does not have the resources to fully explore it. If hiring managers and internal decision makers do not understand the differences in qualifications and skill sets between international candidates, they can easily make a mistake which could doom the success of their company’s foreign operations. Therefore, it is, and will become increasingly more, important for companies to avail themselves of resources that can help them not only navigate the global talent pool, but also “find people who make a difference” for their organizations wherever they may be.

—Rick Carter

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