



Dynamic talent for dynamic markets

THE LEADERSHIP CHALLENGE

SpencerStuart

About Spencer Stuart

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 55 offices in 30 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments. For more information on Spencer Stuart, please visit www.spencerstuart.com.

Spencer Stuart conducts a wide range of assignments for leaders and senior executives in a variety of markets around the world, including many countries now referred to as “dynamic markets”.

In our discussions with Dr. Lyal White, Director at the Centre for Dynamic Markets at GIBS, he explained that dynamic markets is more of a descriptive term as opposed to merely another category of countries. In other words, the term dynamic markets describes the inner-workings of markets and the factors and players that shape and drive them. This goes beyond size, growth and demographics and emphasises that when looking at this rich diversity of countries it is important to go beyond single-factor theories to understand their institutions and institutional performance.

Dynamic markets are powerful dynamos of economic and social change and are making a significant contribution to global economic growth. Dynamic markets offer growth potential for both homegrown and foreign multinational companies, but they are complex environments which present business leaders with unique talent management challenges.

Our aim in this article is to highlight some of the skills required to lead companies in these markets and to identify some of the key challenges that business leaders face.

Dynamic markets: a brief overview

Although countries that fit the definition of a dynamic market vary in size, they typically have strong institutions, have impact and influence in their region, and often develop innovative national policy frameworks that are business-friendly and attract foreign investment.

Dynamic markets are defined by a broad set of indicators which include the strong prospect of economic growth; recent significant political, social and cultural change; and signs of innovation and sustainability. These criteria set them apart from the classic emerging markets which tend to be defined primarily on the basis of geography or macro-economic indicators. According to Dr. White, “Dynamic markets have key stabilising elements such as institutional capacity and strong businesses that have an impact beyond the focus on the bottom line.”

In addition, many of these countries have been through political or social changes which have resulted in public policy decisions favouring business enterprise and encouraging the creation of improved governance structures. They have also attracted substantial foreign investment (and in most cases) strengthened their democratic institutions. According to the research, dynamic markets include China, Singapore, Indonesia, Chile, Argentina, South Africa, Turkey, Kenya, Nigeria, India, Brazil and Vietnam.

Dynamic markets are defined not only by the strength of their political and social economies, but also by the quality of their local companies.

Dynamic companies

The companies that are indigenous to dynamic markets are increasingly becoming regional and even global players and are described in the book *Talent Management in Emerging Markets*, edited by Professor Steve Bluen, as “the new pistons behind the engines of global economic growth”.

Companies which have their roots in these dynamic markets include some well-known brands such as: Hauwei, Alibaba and ICBC in China; Concha y Toro and LAN Airlines in Chile; Vale, Petrobras and Embraer in Brazil; Koç Holding in Turkey; SABMiller, Aspen, MTN, Shoprite, Sasol and Standard Bank in South Africa; Arcor and Los Grobo in Argentina; Zenith International Bank and Ecobank in Nigeria; Kenya Airways in Kenya; and Mittal, Bharti Airtel and Tata Group in India. Although these companies are of vastly different size and scale they are all either regional or global players that have grown out of challenging business environments.

These companies generally have high and ambitious growth rates. Operating in complex and highly competitive markets, they rely on leaders who have the ability to navigate the business through fast-paced and complex environments. Leaders need to be able to contend with ambiguity in countries where infrastructural issues are real impediments to growth and where they are confronted with issues of governance, commercial sustainability, political influence, increased customer sophistication and a growing middle class. In such environments, companies need dynamic, socially intelligent and emotionally aware leaders with strong learning agility.

It is important to develop a better understanding of these companies and the people who lead them, the kind of general management and leadership talent that make these leaders successful, and the corporate cultures that enable them to attract and retain talent. In our experience, these companies tend to challenge the traditional norms of doing business and require leaders and managers with particular skill-sets.

Leadership and general management requirements

The general management and leadership skills required to make these companies successful are becoming clearer as we get a better understanding of how these individuals perform in very specific business environments. We see the growing importance of ensuring that leadership skills are aligned with the social, economic, political and business cultures that play out in these markets. In fact, when we look at the research done by McCall and Hollenbeck in 2002 (Developing Global Executives, Harvard Business Press) we see that cultural agility was recognized over a decade ago as a key attribute of successful global executives. Today it is an absolute necessity.

How then do we differentiate between the business acumen and leadership capabilities required in the more established market economies such as the USA and most European countries and those required in the dynamic markets?

At Spencer Stuart, the most common capabilities that we look for in “best-in-class” executives running companies or business units in the developed nations are:

- > Strategic thinking
- > Driving for results
- > Leading change
- > Leading people
- > Collaborating and influencing
- > Building capacity

However, when appointing executives to lead businesses based in dynamic markets, whether expats or local appointees, we look for other attributes such as:

- > Cultural agility and adaptability
- > Managing different kinds of complexity
- > Building local talent pipelines
- > Political connectivity and external stakeholder management
- > Managing regulatory challenges
- > Entrepreneurship

The following diagram illustrates these two sets of leadership capabilities:



In addition to the business management skills required in developed markets, leaders in dynamic markets must also have additional capabilities to be truly effective.

Functional expertise

Many of the functional leadership roles in dynamic market companies, such as those in human resources, finance, marketing, risk and information technology, require specific skills and experience.

Chief financial officers who are successful in dynamic markets often have experience in start-up operations, putting new systems and policies in place in challenging environments. They tend to have experience in M&A and are well versed in the complexities of ongoing currency fluctuations, highly divergent tax laws in multiple countries, and working with regulatory authorities that have different agendas.

Chief information officers need to have a good understanding of the challenges of setting up successful information technology networks in countries where bandwidth is a major issue. Cross-border connectivity, regulatory issues and the cost of setting up information management systems can be crippling in many dynamic markets.

Chief marketing officers face a completely different set of challenges in dynamic markets from those in more mature markets. Consumer behaviour is affected by a complex mixture of social and cultural factors which need to be studied carefully. Marketing executives more than almost any other group need to possess a high degree of cultural fluency. A recent Spencer Stuart study identifies five essential elements that need to be present in a successful global marketer: humility, sensitivity, intellectual curiosity, agility (intellectual, cultural, social and emotional) and the ability to communicate effectively in any environment.

The challenges faced by HR specialists are similarly complex. HR executives need to be on top of their game across the full gamut of talent management issues addressed in this article. Multinationals seeking to roll out global HR policies will find that these increasingly clash with localisation issues. Governments in the developing world want to see their people being given leadership opportunities in global businesses and HR plays an important role in making this happen.

The management of financial and reputational risk is particularly critical in dynamic markets. The chief risk officer is closely involved in a wide range of strategic issues, from choosing the right business partners to the question of bribery and corruption. Fully integrated, enterprise-wide risk management has to be pursued aggressively; however, when properly implemented it will often clash with local expectations of how business should be conducted. Different standards and protocols may apply between markets, calling for difficult decisions over how to achieve global compliance and manage reputational risk.

Each of these functional heads will report to a general manager, either at the local or regional level, who has the challenging task of ensuring operational effectiveness while aligning the imperatives outlined above with strategic directives. They need to drive profits in highly competitive environments where the local business culture does not always support their goals. It is their ability to manage this level of complexity that sets them apart from their peers in developed markets.

Despite the fact that business leaders in the dynamic markets often work for highly structured companies that, in essence, may not be seen as entrepreneurial entities, they do need to have strong entrepreneurial flair and be prepared to develop a culture of innovation and adaptability in order to compete in these markets.

Challenges posed by the socio-political environment

Private sector organisations in the dynamic markets are increasingly being drawn into socio-political issues which have an impact on how they structure their businesses and the partners with whom they do business.

Business leaders in these markets need to be able to deal with complexity and high levels of social and business interconnectivity. The multi-disciplinary challenges these leaders face every day are riddled with complexity and uncertainty; they need to be able to navigate a range of social and environmental issues directly affecting their business and their licence to operate. Since the financial crisis, business leaders, especially bankers, in many developed economies have found themselves dealing much more closely with politicians, but this is nothing compared with the depth and intensity to be found in some dynamic markets, where political leadership is often closely engaged with the business elite in positive and negative ways.

In South Africa, for example, private sector companies increasingly have representatives from government agencies or public sector stakeholders serving on their boards. Companies need to find business partners that have a majority diversity ownership in order to qualify for government and in some cases large private sector tenders. The larger multinationals with operations in South Africa deal intensively with the government on a broad range of policy and legislative issues all the time.

It goes without saying that the ability to read the political landscape and make the right calls in these politically complex markets may be the difference between success and failure for businesses. For example, across the world, local political leaders are demanding a larger share and even a controlling stake in the operations of multinationals based in those countries.

In China, the lines between the private sector and government are not clear, if they are defined at all. In addition the business culture is very different. For example, the key to achieving sustained success in China is to focus not only on strategic execution, as many companies do, but also on building a strong and unique culture. This is a critical leadership issue. Companies that are able to simultaneously address strategy and culture are far more likely to achieve their goals and go beyond short-term results to cultivate organizational capabilities that will help them thrive in the future. It is interesting to note that company culture in China appears to be far more relational than in other countries. Social connections come before results and there is a significantly greater emphasis on maintaining harmony inside the organisation. China stands out as an exception to a global benchmark which shows that most companies around the world consistently place results as their top cultural priority.

Business leaders in dynamic markets are continually bombarded by issues that can derail their planning. For example, wildcat strikes and the intimidation of workforces by militant unions; sudden fluctuations in currency exchange values; technology and communication breakdowns; logistical challenges, national security issues in some markets and the ever-present safety risks for executives and their families.

The integration of business activities with local social and environmental imperatives addresses sustainability head on. The conservation of scarce resources is now at the forefront of many leaders' minds. For example, the latest integrated global business strategy adopted by Paul Polman, CEO of Unilever, makes a direct link between the growth of Unilever and the well-being of the environment in which it operates. Unilever is re-evaluating its total value chain in the light of its impact on the environment. In order to drive this strategy, Unilever is now identifying new kinds of leaders and managers who can help drive social change at every level of the business. Values-based businesses are going to be of great importance to the next generation of employees and customers.

Sourcing talent and the expatriate appointment

The biggest issue facing foreign-owned multinationals is the growing requirement by many governments in dynamic markets for locals to be appointed to management roles. It is therefore critical that business leaders have the ability to identify and develop local executives.

Many multinationals are moving away from the practice of appointing expatriates to senior positions in their off-shore subsidiaries. Recent conversations with multinationals operating in Africa point to the fact that some are moving away from the expatriate appointment model to one where expatriates are only brought in for a short term, either because of their specialist technical skills or in order to establish a particular corporate culture or business model with the mandate to find a local successor. This does not always work since many expatriates do not possess the cultural agility required to effect this kind of transition. Corporations are increasingly building leadership pipelines in their local operations and rotating their best people through stretch assignments across the globe as well as on short stints at head office.

Expatriate appointments can be very expensive and business performance is often driven by short-term bonus considerations with less emphasis on the long-term health of the business. We often see that cultural misalignment between the expatriate leader and local staff leads to dissatisfaction, high turnover and low morale. Getting this culture fit right cannot be over-emphasised. Spencer Stuart's research, based on many years of client feedback, shows that when senior executives fail after moving to a new company, 60 per cent of the time it is because of cultural misalignment. This issue is even more important when executives move to foreign countries where they are required to show high levels of adaptability and self-awareness.

When we talk to business leaders who have experience in South America, Africa and Asia they tell us that they place great emphasis on the need for executives to be culturally and socially aligned with the countries in which they serve, to have a keen interest in the history and politics of those countries, and to be able to operate in high- or low-contact societies.

CEOs today frequently rank the acquisition and effective deployment of talent among their most important priorities.

When appointing people to leadership positions in the dynamic markets, CEOs need to assess them against a broader and more defined framework of leadership skills in order to ensure that they are successful in their new roles.

The role of HR in providing strategic insight, talent management and the right assessment methodologies is critical in assisting their CEOs to select business leaders. Their challenge is to find leaders who are not only comfortable with social, cultural, political and operational complexity and ambiguity, but are also committed to hiring and developing high potentials from within the local markets where they serve and who can grow into effective local leaders of these operations.

About the author

Chris van Melle Kamp is a member of the firm's Board, Financial Services, Industrial, Metals & Mining, Life Sciences and Legal, Compliance & Regulatory practices. In addition to his board-level work, Chris has executed assignments across various executive functional roles, including those of CEO, financial officer, information officer, operations officer, human resources director, country manager and other specialist C-level roles. He is a member of the Human Resources Practice for the Europe, Middle East and Africa region, has executed numerous high-level searches in this sector in South Africa and Africa and is the lead consultant for Africa on Leadership Experience and Ability assessments. He has authored a number of articles and publications on Business Leadership and General Management.

Chris joined Spencer Stuart in 2002 from the Gordon Institute of Business Science (GIBS) where he was one of the four founding directors. Prior to co-founding GIBS, Chris served in the South African diplomatic service in Namibia, at the United Nations in New York, as deputy director responsible for Russia and Central Europe, as deputy ambassador in Paris and Deputy Director responsible for South America.

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