



Emerging Markets: HR Leaders' Biggest Challenge

A COMPLEX SET OF CHALLENGES

Emerging markets present the modern HR leader with a complex set of challenges, causing a shift in the way companies build talent pools in their local markets. For the first time, some multinationals are seeing more than 50 percent of their workforces based outside their corporate home country. Knowing how to navigate and leverage that international workforce is paramount.

Historically, new markets were typically managed by expats sent on a mission from the corporate center. Today, HR leaders recognize the value of developing local talent for leadership roles. As a result, the expat's role is geared more towards developing skills and identifying a successor. The responsibility to grow on-the-ground talent is viewed as both a business and leadership imperative.

The commitment to developing local leadership talent has to be balanced with the need to offer career development opportunities to high-potential executives in such a way that they can gain exposure to different parts of the business and carry their skills and knowledge of the company into local markets.



Mobility is increasingly essential for anyone aspiring to a senior leadership role in a global organization, but it serves another, equally important function — as a means of ensuring a healthy flow of ideas and learning across borders, as well as to and from the corporate center. Companies are increasingly giving stints in the business’s “home” country to local emerging market talent; a virtuous circle that strengthens the company’s DNA.

The ability of HR leaders, and those they appoint, to navigate sensitively the often unwritten rules of young, sometimes volatile markets is critical. While ensuring that a company’s values and objectives are globally consistent and safe from reputational damage, leadership must also be flexible enough to understand variations in local needs and practices — to exercise trust and grant significant autonomy on the ground, while maintaining an appropriate degree of control at the center.

Against this backdrop, the role of strategic business partner has continued to evolve among successful HR leaders. After all, the company’s business strategy rests on the foundations of its human resources. Here, we explore how pioneering HR leaders adjust their talent management strategies to the specific but nuanced demands of emerging markets, and what they expect of those they place on the ground.

APPOINTMENTS: WHO TO SEND AND HOW TO HIRE THE BEST

Always send your best people. Working in an emerging market should be seen as a prestige posting that rewards those capable of sophisticated thought and behavior in complex, unpredictable environments. It’s a straightforward investment in leadership development: Some companies, Unilever, for example, reinforce the message through highly competitive leadership programs aimed specifically at working in emerging markets.

Jonathan Donner, former VP, global learning and capability development at Unilever, recalls that their program was the most prestigious the company had ever run: “Everybody who was anybody was on it,” says Donner, now at the World Food Programme. “The message coming out of it was, if you want to be a successful leader in Unilever, you have to go to these markets. Culturally that became so evident we didn’t have the mobility issues many companies might have had.”

“The reality is, nothing replaces mobility.”

STEVENS SAINTE-ROSE
CHRO OF WALGREENS

HR leadership has a responsibility to answer the fast-moving demands of emerging markets with their best people, agrees Stevens Sainte-Rose, CHRO of Walgreens. “If we’re going to build global capability, we need to increase the investment in high potentials to live and work in different parts of the world, to get them to have truly different perspectives.”

“The reality is, nothing replaces mobility,” adds Sainte-Rose, and indeed some companies operate rotational policies in order to embed mobility — and the personal qualities that develop alongside it — into the career structure and company DNA.

The overarching demand that preoccupies HR leadership when a company enters an emerging market is to place a role model with a track record of talent development. Nurturing new talent on the ground is non-negotiable: “If you’re coming out of a country in three to four years and you have not developed your local successor, then you have failed at your role,” says Nicole van Ingen, Royal Dutch Shell EVP, talent diversity and inclusion. “Talent development is as strong a target as the business target.”

The quality of the expat is crucial, therefore. Never send someone simply looking for an adventure, says Bala Purushothaman, vice president HR, global beauty, Procter & Gamble, and do not treat the posting as a siding where under-performers can be hived off. Many failures in emerging market assignments, says Maersk CHRO Lucien Alziari, come when someone who is failing in their home market gets sent to a different one instead. “It never ends well.”

Sending your best people also shows that you’re in it for the long haul, adds van Ingen. “We often move a few senior roles into emerging markets to show that we’re building a business here.”

The characteristics of emerging markets, and sectors within them, vary immensely, but the traits and attributes of those who succeed in them are noticeably consistent across all territories. Cultural sensitivity, emotional intelligence, leadership agility, resilience, open-mindedness and a whole-hearted embracing of new experiences are evident, coming together to form a global mindset. “A dead giveaway for people who do not have that is that they generalize the world,” notes Sainte-Rose. “Those who really understand the world will not generalize.”

That global mindset is led by curiosity, says Donner, which demands “leaders who are incredibly curious about the world around them, the culture around them, the demographics around them. It isn’t just working with NGOs and governments — it’s also looking at interest groups, cultural trends, art, music, science, educational institutions as part of your leadership perspective mix.”

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“Leaders are easy to spot,” says Tony van Kralingen, former director, group human resources and supply chain at SABMiller. “They have incredible business acumen, sound emotional intelligence and the ability to generate followership and belief.”

Alziari adds that the successful expat will have a high level of cultural adaptability and will use it to succeed in first-time situations. In a previous role, he recalls an executive who had been running Eastern Europe and was returning to the U.S. The office there was fretting that he was unfamiliar with the newest products in development.

“We said, yes, but he’s seen the fall of the Berlin Wall instead.”

LIVING IN VERSUS WORKING IN A MARKET

Emerging markets are both proving ground and calling card for rising leaders, says Donner. “When we had succession discussions at Unilever, one of the first questions we had was: Which developing market has she or he worked in?”

By worked, Donner means lived: a fully immersed, on-the-ground assignment of several years, family and all. There is, agrees Ronald Schellekens, group human resources director at Vodafone, “a huge difference between having lived and worked internationally versus always having lived in one country.”

An up-close engagement with a challenging new market “teaches humility because you discover that all countries have fantastic things and not-so-fantastic things. Your culture is not superior, it’s simply different,” says Schellekens. “And obviously you get a little more versatile around dealing with different cultures.”

Schellekens extends that demand for empathy and experience to his own HR team: people who understand the upheaval of an international move because they have done it themselves. “I put a huge premium on HR folks who have done international assignments, who have lived and worked somewhere and experienced different cultural complexities.”

Living in a different market in a foreign country is such a life-changing experience, adds Alziari, that he goes as far as to say, “I think it would be tough to be head of HR in a global company without having had a significant amount of international exposure.”

But long-term overseas assignments are hugely expensive. So the really tricky part, says Schellekens, is in “convincing the executive committee to see that cost as a real investment in leadership development. Obviously, we need to ensure that we select the right talent with clear forward potential for these assignments.”

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LUCIEN ALZIARI
MAERSK CHRO

That means taking steps to protect that costly investment from going up in smoke should the assignment fail to live up to its promise, or worse collapse. There are different schools of thought among HR professionals about whether it is realistic or even acceptable to insist on such postings — despite the preference for immersive mobility and the benefits that accrue alongside it, it is important to accommodate those for whom an international move is not viable for personal reasons.

Thus, while Alziari at Maersk would “strongly encourage” people to have the experience of living in a different country, he adds, “I also don’t think companies should put in rules like that because sometimes that works for people from a family perspective and sometimes it doesn’t — we should avoid rules that inadvertently prevent some of our talent developing as they should.”

If a move is to be made, it’s vital that the family is at least as excited as the executive, says Schellekens. “The spouse is so influential over these assignments becoming a success. We’re adamant that when someone goes on an international assignment, it’s a family thing. You have to be there with your family, eat the food, see what’s happening, go to the festivals and enjoy the culture — otherwise you can’t be effective.”

“Live out of your comfort zone ... it will leave its signature on you for the rest of your life.”

NICOLE VAN INGEN
EVP, TALENT DIVERSITY
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Some emerging market locations will be tougher than others, accepts Shell’s van Ingen, and thus it’s also important to demonstrate to the executive that there is a defined career route back to the mother ship from the emerging market.

Van Ingen believes that it is possible for a global leader not to have lived in multiple cultures, but she counsels that colleagues should ideally work in a location early in their careers and “completely out of their comfort zone ... it will leave its signature on you for the rest of your life.”

Doing this at a younger age, when people tend to have fewer commitments, generally means that the talent in question is more mobile, more flexible and more adventurous than later in their career. And, importantly, all sides get the benefit of that exposure for longer. So it is important for HR to impress upon high-potentials early on that mobility is a career advantage.

HOW TO BUILD THE BUSINESS AND GROW TALENT

As executives depart an emerging market they will be judged on their legacy — as will the HR leaders who put them there. First, how robust is the business they leave behind, and second, how far have they grown the talent pool locally? These mutually nourishing demands combine to build a legacy of developing a sustainable, locally populated business.

Entering an emerging market is as costly as it is challenging: Investment has to be heavily front-loaded ahead of any growth in order to put a business into a position of activating that growth. Companies should also resist the urge to scale back during times of slow-down in volatile economies, says Purushothaman, “because when the growth comes back you aren’t ready for it.”

“You need quick decisions to deal with anything from currency crises to security situations to market volatility.”

BALA PURUSHOTHAMAN
VICE PRESIDENT HR,
GLOBAL BEAUTY
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A company will typically start sub-scale, with the aim of creating a local infrastructure that can support an at-scale business. The swifter this is achieved, with a strong local presence, the better the caliber of local candidates.

“Scale makes a huge difference,” says Schellekens. “When you have an at-scale presence in emerging markets, it makes the talent strategy much easier than at sub-scale.” When Vodafone entered India, he recalls, the company did not struggle to recruit because it had “the clout to attract people.”

In a market’s early phase, Maersk’s Alziari argues, “you have to overinvest in the jobs that will have the biggest impact in growing scale.” That may well mean departing from the typical salary benchmark. In those critical first stages, securing the talent you want often demands some flexibility around established compensation structures.

Indeed the ability to let go of traditional corporate expectations and behaviors — yet doggedly preserving a company’s core business and cultural ethos — is a vital leadership quality across emerging markets.

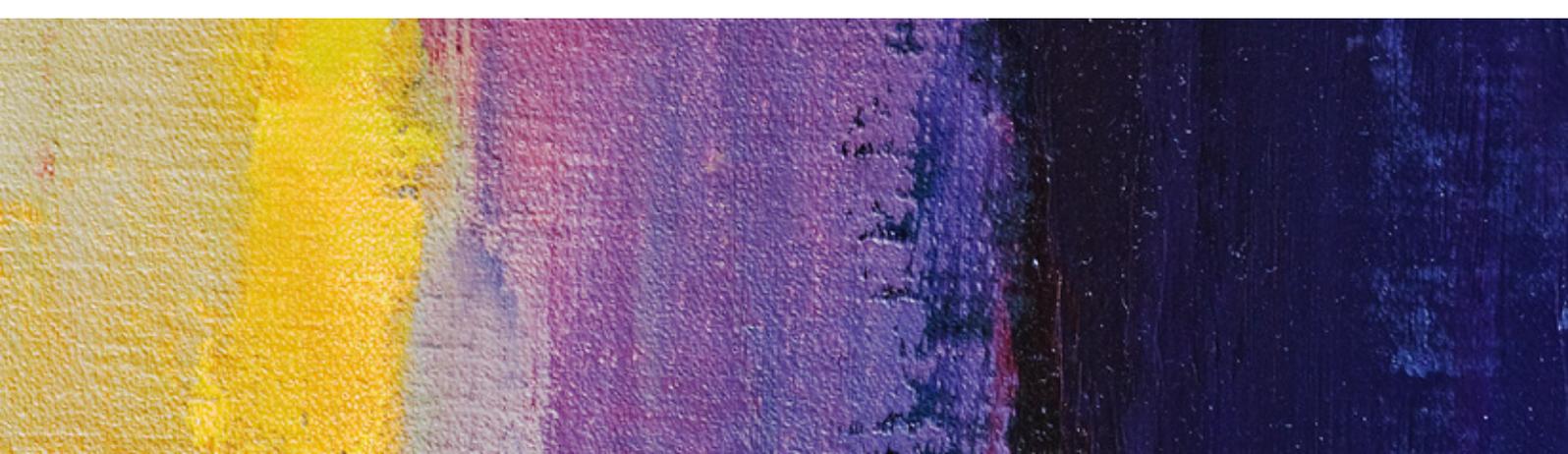
This applies both on the ground and to a business’s HR group. The latter should have the ability to stand back and identify what is common to all markets, while recognizing that rigidity might exclude emerging market candidates who could be highly effective in a local market, but who might not necessarily marry up to the corporate ideal. Adaptability is all, whether identifying talent or taking commercial decisions.

A leadership model might, as Schellekens says, become more of a cultural, behavioral framework that predicts and measures success as a leader as well as a cross-cultural operator: “a global system, but set up with a lot of room for localness.”

“There’s a tendency when you go into difficult markets to clamp down and get more specific,” says Donner. “We’ve obviously come up against some very complex social issues — dealing with gender issues in the Middle East, for example. But it’s about resilience ... We’re seeing that our best leaders are much more flexible and adaptable than people who have a template that they bring from one market to another.”

“Our best leaders are much more flexible and adaptable.”

JONATHAN DONNER
FORMER VP, GLOBAL LEARNING
AND CAPABILITY DEVELOPMENT
UNILEVER



That flexibility also affects discussions about how far to decentralize, says van Ingen at Shell. “With a very mature market there is no reason we would allow any deviation from our group processes and practices,” says van Ingen. “Yet commercially it’s very unwise to say, ‘OK, I will just copy and paste that to a China or to an Iraq,’ for example. You might be overwhelming a very small kind of entrepreneurial organization.” Start, she counsels, with getting the most important elements right to establish a footprint, then plan long-term toward more global standardization.

The unpredictable nature of many emerging markets demands autonomy on the ground, emphasizes Purushothaman at Procter & Gamble. “You need quick decisions to deal with anything from currency crises to security situations to market volatility.”

It is in these kinds of situations that companies are striving to grow local, culturally attuned pools of talent, and to develop their more global leadership potential. “When I worked for Shell, for example, we decided it was going to be a virtual multi-location headquarters for our downstream division: We moved the headquarters of two of our global businesses into the offices in Kuala Lumpur and Singapore,” said Schellekens. “Therefore, we created big jobs and a sustainable development path for people in Asia. You have to be courageous enough to locate the most senior roles in your new growth regions, otherwise you will never grow the ‘local talent pipeline.’”

Some companies partner with local colleges to foster talent, long before they even hire it. “[At Coca-Cola] we partnered with Hyderabad University to create a retail academy to help build knowledge around commercial businesses,” recalls Sainte-Rose. “Folks that come out of that university have more pedigree on the commercialization of business.” More work like this needs to be done, he adds, in the African countries.

Despite all their many challenges, developing markets are immensely optimistic, says Donner. They haven’t been shaped over the years by the systems and experience that has kind of sanded the rest of us down. They’re ready to take on new challenges and if we can get this right, we can really unlock a lot of energy, because developing market leaders aren’t inherently cynical.

“They want to try almost anything ... they’re just ready for it.”

CONCLUSION

Successful HR practice in emerging markets understands that inflexible adherence to the “home” leadership model wastes local talent or misses out on it entirely. It also leaves leaders who are attempting to build a sustainable emerging market business exposed and underpowered. A cultural shift is under way, casting aside a one-size-fits-all system in favor of an approach that recognizes and builds on strengths rather than identifying weakness.

As Donner concludes: “We’re in that moment where great HR departments are going to soar and mediocre ones are going to flop.”

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Tony van Kralingen, former director, group human resources and supply chain at SABMiller

Ronald Schellekens, group human resources director at Vodafone

Nicole van Ingen, EVP, talent diversity and inclusion at Royal Dutch Shell

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