

Rethinking cross-border talent management

A close look at how and why emerging market MNCs manage their senior talent for international growth leads the authors to question the conventional wisdom on talent management practices

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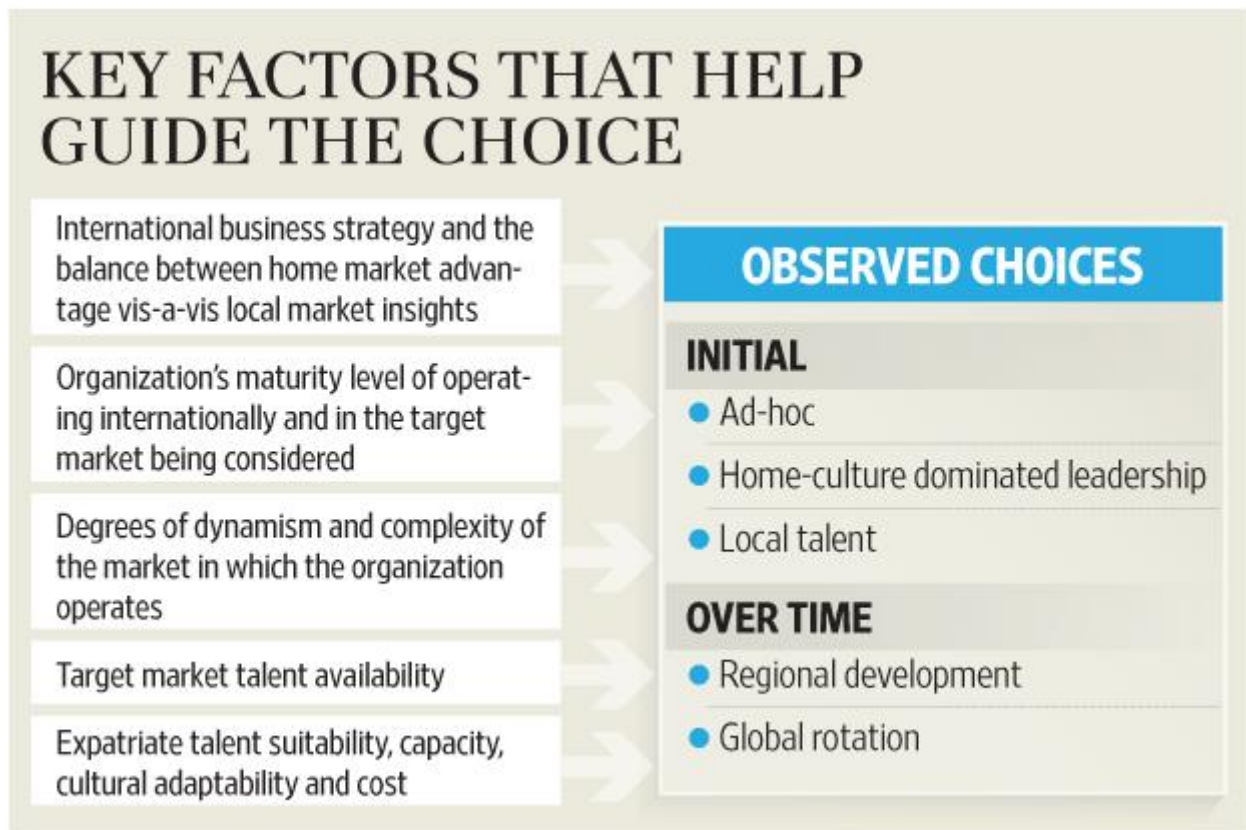
It would be interesting to see how well the key takeaways mentioned above fit into MNCs from other emerging markets, and Western MNCs expanding within emerging markets. We see a potential here for future research. Photo: iStock

With emerging market-born multinational corporations (MNCs) increasingly joining their developed market counterparts in the global fray across a range of sectors, getting the right cross-border senior talent management approach remains an important issue. But the conventional wisdom tends to look on global rotation policies practised by many developed world MNCs as aspirational best practice and tends to look down on use of home market talent.

While there is plenty of conventional wisdom on the practices relating to international talent management of MNCs from developed markets, little has been done to understand these practices for emerging market MNCs.

We studied a sample of 14 Indian-origin MNCs across a variety of sectors, including information technology, pharmaceuticals, consumer and industrial. All these companies satisfied the following

criteria: they were publicly traded, had more than 25% sales outside India with operations in more than four countries, and had annual revenue exceeding \$500 million.



Our key questions were: Where does the top talent come from? Where does the top talent go next in terms of posting, and when? Why do organizations choose a particular approach? And how do organizations enhance their effectiveness in managing senior talent across borders?

We sought to understand how these MNCs managed their senior talent across borders, and thereafter offer insights and implications for MNCs in other emerging markets, as well as MNCs originating from the West.

A classification of cross-border talent

We classified the senior cross-border talent management approaches used generally by organisations into five categories:

Ad hoc: A one-time custom solution for the position in hand. It generally signifies a solution designed for a specific problem or task, and is non-generalizable or not intended to be merely replicated in other situations.

Home market or country of origin: Talent hired from the country where the organization is headquartered.

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Local talent: Hiring talent from the country that the firm is planning to enter or expand to.

Regional development: Talent is chosen or groomed into the role as he/she has done well in a similar or neighbouring market.

Global rotation: Talent is regularly rotated across borders, the typical practice is to rotate people every two to three years across a very broad range of countries across the globe, in an attempt to create what is called a global plug-in and play cadre.

The above five approaches can be considered along a continuum starting from ad hoc and proceeding all the way to global rotation.

Key factors that help in choosing the talent management approach

Based on our interaction with organizations, and observation and experience as consultants, we have distilled five underlying factors that seem to have a significant bearing in choosing the appropriate talent management approach from the above-mentioned choices (see chart). In order, these are first, the international business strategy and the balance between home market advantage vis-à-vis the role of local market insights/capability; second, an organization's maturity level of operating internationally and in the target market; third, the degrees of dynamism and complexity of the market; fourth, target market talent availability; and fifth, expatriate talent suitability, which comprises capability of talent under consideration, his/her cultural adaptability, acceptability and cost of availability.

An objective understanding of these factors and their dynamics can also help organizations understand how to move along the continuum of talent management approaches that we mention above.

The following cases illustrate the relevance of our proposed framework in helping to understand the underlying rationale for why the observed players have chosen their range of cross-border talent management approaches. It is especially interesting to note the contrast in their approaches, and we argue that this is because of their unique contextual realities and business needs.

As shown in the above examples, these players may prima facie be wrongly perceived as preferring home market talent or local talent. However, most of them, in reality, have a well thought-out plan that is in line with their strategic context. We must also keep in mind that these firms are still maturing as MNCs, and even after a decade or so, their underlying processes and policies are dynamic and evolving.

While most of our research has been India-centric, we have also seen many Chinese, Korean and Japanese MNCs tending to favour a home-market-talent approach. Some, like the Chinese MNC Huawei, appear to choose a variety of approaches, including home market and local talent, based on their business priorities and local market needs.

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This strengthens our belief that the five-factor framework can help with decision-making on cross-border postings in a more holistic context; and provide a useful tool kit to evaluate which cross-border talent approach would be best suited for the business environment. While our point of view stems from a sample of Indian-born MNCs, our findings lead us to question the prevailing conventional wisdom.

Home market talent sourcing

Use of home market or country of origin talent is often regarded as an inferior approach for cross-border talent management, lacking in sophistication and doomed to fail. However, our observations suggest that, all players need not at all times avoid the home-market dominated leadership, because the success of this approach depends on context specific factors such as home market advantage versus local insights, the ability of home market managers to cope with target market needs and heterogeneities, as well as their acceptability in the target market.

For the Indian IT MNCs in our sample, this home market talent approach appears to have served them well for over two decades, with no apparent adverse impact on performance or valuation. Also it is worth noting, that since Indian executives are making it to the C-suites of established Western MNCs, they should also be well suited to drive the ambitions of Indian MNCs.

Global rotation may be limiting

The practice by many Western MNCs of a regular two to three years global rotation approach is often regarded as aspirational best practice and a mark of sophistication. On the contrary, our observations suggest that, especially for emerging markets, having suitably longer stints for business unit heads ranging over five years allows for a better and stronger understanding of the local market and relationship building—which go a long way in most emerging markets. The shorter one to three years' rotations should instead be focused on hi-potential middle management talent. As one IT major pointed out, "We find that longer-term postings (typically five to six years) work very well—not only for the business and the individual—but also for their family life, which is equally important to us in a more holistic work-life balance context. As long as the business unit and the individual running it are performing well, we are happy to maintain status quo and now no longer look at a longer stint as a negative or question mark..."

Talent strategies should follow business

Firms should avoid following a particular talent management approach merely out of imitation or aspiration. Instead, an organisation's cross-border talent approach should be well grounded in the context of the strength of its people, business and local market priorities, and corporate strategy.

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Global and local business needs

Finally, rather than focusing on “where the talent comes from” and “moves to next”, what matters more is how effectively MNCs can integrate local and global issues, and align these issues with the strategic context of their organisation and the nature of their business.

It would be interesting to see how well the key takeaways mentioned above fit into MNCs from other emerging markets, and Western MNCs expanding within emerging markets. We see a potential here for future research.

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