TALENT STRATEGIES UPDATE

2009-3

International Association for Corporate & Professional Recruitment

The International Outlook

Recently we asked IACPR colleagues from around the globe to give us an update on how the latest economic trends are influencing recruitment and what they see down the road. Their insights into the attraction and retention of top talent in various parts of the world help clarify the impact the economic downturn has had - and the key challenges on the horizon.

Report from Europe

Chris Geary, Managing Director, Ashley Harvey Associates Limited, and Global Coordinator, International Executive Search Federation (IESF) network

ASHLEY HARVEY ASSOCIATES

IESF
International Executive Search Federation

The European market remained bullish until the fourth quarter of 2008, at which point all external hiring was frozen. Companies in markets not making redundancies sat still and reassessed their internal talent practices through the first two quarters of 2009.

This focused them more on their internal talent pool and intelligently using succession planning. Industries such as the professional service industries reduced and redeployed headcounts to other parts of the world where there was still a growth prospect through the recession. From the second quarter, companies began to carefully fill vital positions, however exhausting all methods to recruit before going outside their own business.

In many cases, companies have managed their talent through the crisis by offering employees reductions in pay in lieu of unemployment, which has generally been effective due to the levels of unemployment in many market places.

Europe is a single market (generally) from an employment perspective, at least as far as fundamental eligibility criteria go, so aside from the restrictions of language, local talent is readily available, particularly with the levels of redundancies that companies have made in Europe. However, scientific and environmental industries have appeared least effected, and top talent for these industries is still in short supply throughout Europe.

The Eastern European countries suffered more from an overheated economic environment in the run up to the downturn, so businesses in these environments were caught with recently expanded workforces that became unsustainable with forward

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business in mind. Either side of the downturn, the emerging European countries struggled to afford executives from the developed markets in Europe; so to attract talent they had to search in depth where they could find migrant populations from the exoduses of the last decades that might consider returning for an innovative package offering.

Global organizations are actively seeking ways to eliminate expat programs. Managers who took positions outside their home markets are now being brought back to take top jobs in their home countries. Companies are considering the rotation of their resources to allow learning and cross-cultural development without the cost of the traditional expatriate rates.

Packages that are being offered to expatriates are becoming more frugal - where they do exist - with more restriction on living and travel allowances. Within Europe, expat programs are generally not offered, and some senior managers are operating across country borders by commuting. With the downturn in Europe, there has conversely been the phenomenon that increasing numbers of candidates who have been seeking international roles and are happy to accept local (less highly compensated) terms.

We have seen more companies pooling talent in the current market and scouting on a longer term basis. They are engaging for research on the talent market and introductions to talent that they can pipeline for their businesses. More time is being spent on succession and ongoing strong leadership, fast-tracking top performers to cover the gaps from a lighter workforce. Training and education spending from companies overall has shown a downward trend as more focus is dedicated to cutting cost and future strategies. Although some global players are moving towards centralizing their recruitment internationally in a particular hub, this is difficult to administer globally at a local level; local managers will generally still work with their preferred supplier, although the senior echelons would like to see a movement towards global talent suppliers.

Going forward, the greatest challenge will be for businesses in Europe to manage their talent according to the "new world order." It seems likely that the smaller, now more nimble executive teams emerging from the downturn will not return to their former headcount. Europe will continue to flourish as a professional services and consultancy hub; however, as businesses drive down their cost bases and grow their operations, there will be redeployment of workforces that see their jobs migrate further afield.

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Chris Geary

At an executive level, top managers increasingly need international experience to manage today's businesses. Companies must manage executive compensation while still holding onto their top executives, who are seduced by globalization, new opportunities and progression and who want to continue their career advancement. Overall, companies need to remember that all markets in the world are becoming increasingly sophisticated and so is the demand for an ever higher caliber of manager to operate in them successfully.

Report from the Asia/Pacific Region

Mark Geary, Managing Director, Asianet Consultants, and Joint President, International Executive Search Federation (IESF) network

AsiaNet Consultants

IESF

International Executive Search Federation

The major talent management changes we've seen across the region are two-fold. First, companies are eliminating expats who were on the very high-cost, "old- style" expatriate packages. These "old-style" packages are being replaced by all cash deals, although companies are still paying for removal costs.

"In addition, a number of managerial weaknesses at the senior-level have been exposed, as executives have been forced to respond with solutions in a crisis rather than just push product out the door, the management style that characterized 2006 and 2007."

Mark Geary

Second, instead of terminating staff, companies want to retain the talent they have already recruited and invested in, so they have been asking staff to take a 15% pay cut instead of making a 15% jobs cut. This has been well accepted.

Companies have also eliminated many training programs. However, this has allowed the up and coming staff to get promoted much sooner than they expected. In addition, a number of managerial weaknesses at the senior-level have been exposed, as executives have been forced to respond with solutions in a crisis rather than just push product out the door, the management style that characterized 2006 and 2007. Companies are taking the opportunity to restructure by using fewer but better people. Over the past six months we have seen clients replacing senior managers with more capable replacements.

Looking to the future, the USA and Europe will need to accept the reality that their manufacturing industry has too high a cost base, in particular labor cost. More and more companies will start to source components or relocate production to the emerging countries. China has a rapidly growing pool of Asian management talent that has gained experience in Western companies operating in Asia, as well as from secondments to USA and Europe. Both China and India have a large pool of technically qualified engineers and scientists. Asian Universities are now teaching business management using faculty from overseas, and executive MBA programs are growing in popularity. The USA and Europe will have access to a well-prepared pool of senior talent on the ground in Asia as we move forward.

Report from Mexico

Fernando Espinosa, Senior Managing Partner, Qualifind, Inc. and member of IRC network

Today's labor market in Mexico has different economies co-existing with each other. One is a large group of the population still moving within the "agrarian" and "industrial" economies, but there is a growing number of companies and professionals that are either already in or moving to the "knowledge" and / or the "conceptual age" economies.

During 2009, the worldwide economic turndown has had a big impact on Mexico's internal market and talent management force. Due to a 10% decrease in GDP and the consequences of a major disease (Swine flu), hundreds of management professionals (along with thousands of employees) at all levels in all industries and services areas have lost their jobs. Some of them are looking to insert themselves in the informal economy to weather the storm; others are trying to transition their technical and emotional skill sets to a stronger, more recession-proof and more knowledge-based industry; others are engaging in consulting or are going back to school.

Multinational companies are curbing the costs of expat programs by cutting assignments short and restructuring expat compensation packages. In Mexico, some multinationals are filling their positions with non-married expat employees over those with families - and when expats are called home, their replacements are starting to be local hires whose total compensation runs well below what US, European or Asian expats command.

In this new economy, education and skills enhancement have become increasingly important to companies investing in Mexico. Big companies are now developing closer links with universities, and this alliance has encouraged faster uptake of new technology. Proximity to relevant university research facilities and their alumni is becoming a key driver for leading companies in their site selection or expansion initiatives. With the constant changes taking place in production technology and the regular introduction of new products, lifelong learning, continuous improvement systems and technologies have become critical investments for companies doing business in Mexico.

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>
> *Fernando Espinoza*

Mexico has made significant strides towards macroeconomic stability and establishing sound foundations for continuous growth since the "lost decade" of the eighties. Notable enablers in this area have been the extensive net of preferential agreements stretching from North America to Asia and Europe, together with the emergence of a stronger middle class and a promising poverty reduction trend recently observed in Mexico.

Despite these favorable developments, Mexico does not seem to have fulfilled its competitive potential and continues to suffer from the structural flaws in its factor markets and the quality of its institutions and education system. These will need to be addressed for the country to follow a sustainable growth path.

Mexico has already developed many pockets of excellence and high productivity associated with multinational corporations operating in high-tech and higher mid-tech industries. Also, Mexico has well established domestic conglomerates operating in mature industries. Many of these are no longer the traditional *maquiladora* operations, because they employ a diverse set of professionals and have in-house design and engineering. Yet these pockets of excellence are often enclaves with few links to the rest of the economy. This is Mexico's growth paradox - the promise of higher productivity, value added contributions and increased wages - a promise that remains unrealized.

While the first generation of NAFTA-related reforms was based on low-cost labor, the second knowledge-based generation will be based on lower cost skilled labor. A skilled workforce with high school diplomas and engineers will need to become a competitive advantage. Improving R&D links with the USA and Canada in venture capital and innovation and an exchange of researchers and engineers are at the center of knowledge-based (NAFTA Plus) agenda

Report from Brazil

Hamilton Teixeira, Managing Partner, DRH Talent Search, and member of IRC network

Brazil, part of the BRIC's (Brazil, Russia, India and China) is Latin America's largest market, fifth-most populous country (194 million), with the seventh-largest oil reserves, and tenth-largest economy in GDP terms in the world.

Luiz Inacio Lula da Silva, the most popular president in Brazil's history, is constitutionally ineligible to stand for a third consecutive term in 2010, and his party lacks a strong successor. Regardless of who wins the next presidential ballot, the transition will be peaceful and will further consolidate democracy and prudent macroeconomic policies.

Mainly due to the downturn in overall goods sales and a hold on general investments since fourth quarter 2008, the executive search business experienced a sharp drop in the first semester of 2009, though there are already some signs of life in this area.

The outlook for Brazil's economy is positive. Over the medium-term, both private and public consumption will continue to grow faster than GDP, posing pressures on domestic production capacity. More investment will be needed to keep up with both increasing domestic demand and infrastructure.

From last quarter 2008 until first quarter 2009, the Brazilian industrial sector alone cut 580,000 jobs. Except for the sugar cane sector, which has strong seasonality between November and July, the dismissals had always surpassed admissions, and it is foreseen that in August, finally, admissions will be higher than dismissals. Some sectors have suffered more than others, and available information shows that 40% of the companies either modified wages or diminished working hours; 25% redesigned their organizational structure; 33% formulated contingency plans; and 30% still want to reduce their personnel.

In the present crisis, some important segments and also big companies - Vale do Rio Doce (mining), GM, Embraer (aviation), etc. - remained profitable, and the economy growth rates are now back to better levels. Perhaps Brazil has learned to deal with economic crises, after having faced so many of them, of internal or external nature, throughout the last three decades.

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Hamilton Teixeira

We believe that companies, at the end of the crisis, will probably have more advanced practices on how to manage people. Hopefully this learning will contribute to organizational evolution, as during and after a crisis the concern with talent retention recurs. In the same way, there is a growing complaint about the supposed lack of talent. Perhaps more realistic is the fact that there is, and during a crisis this is aggravated, a disequilibrium between the demand for idealized talent by the companies, and the available abilities presented by candidates.

As executive searchers, we see that companies, frequently - in the urge to solve immediate problems - push the requirements of a given position too far and, consequently, the demand on candidates' performance. But we constantly meet professionals with rich organizational and academic experience who are in search of new challenges. But, frequently, the desire for change, often due to an inaccurate vision of their careers, leads to poorly thought out moves.

With each crisis, the competition increases and diminishes the room for mistakes. If the hiring is to fill a strategic position, a hiring mistake is not an option, and can be the difference between growth and decrease, or even the survival of the company.

Report from South Africa

Leonie Fischer, Principal, Leonie Fischer and Associates, and member International Executive Search Federation (IESF) network

In South Africa, we are seeing an influx of expatriates from the neighboring countries (due to political unrest in Zimbabwe and the limited job opportunities in Mozambique, Swaziland and Lesotho). The results are more skilled labor - like engineers - especially from Zimbabwe, provided

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The Association of Executive Search Consultants

Your connection to the best in executive search worldwide companies are prepared to employ expatriates; greater unemployment across South Africa (in the past year, 55,000 unskilled / skilled employees have lost their jobs due to retrenchment); and increased socio-economic pressure (such as HIV / Aids and crime).

Companies tend to retain their 'key talent' when retrenching, although the mining and manufacturing industries are exceptions, where skilled employees are losing their jobs due to forced retrenchments. "Scarce skills" employees tend to hold on to their positions for job security, and we find less specialized skill available in the recruitment pool. As a result, employers are becoming more critical of who they employ, resulting in continuously reviewed job specs and the recruitment process dragging on for three to six months on average. Older persons with limited academic credentials but a depth of experience are available but not employable due to the stricter corporate demands to get a combination of both highly qualified and experienced employees.

The bulk of multinationals covering disciplines from FMCG to manufacturing, engineering and automotive have placed a moratorium on recruitment since July 2009. Multinationals that have the financial capacity to expand are entering South Africa and spending billions on Greenfield Projects. These Greenfield Projects are typically established with an executive team consisting of expatriates, but local companies are relying on the local pool of talent to draw from.

The biggest challenge we continue to experience is the skills shortage and the continued brain drain of highly skilled medical, engineering, financial and specialist skills. The brain drain is mostly as a result of the continued deterioration of government services (education, social welfare, medical and police services) and stringent employment equity - affirmative action -- and broad-based Black economic policies.

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Leonie Fischer

From a socio-economic point of view, the African region faces growing challenges in health (HIV / Aids, malaria and TB); education, with primary and secondary education levels deteriorating due to a shortage of experienced teachers and school management; and slow economic growth due to the inability to create jobs for lower skilled workers.