



Recruiting In Emerging Markets

By Harris Karaolides *

For most of us in the executive search business, the ongoing global crisis is a major threat. It's in times like these that big, established retained search firms go out of business. And many of those who don't go out of business, in order to generate the cash flow necessary for survival, cut their fees or take on contingency assignments; thus damaging their brand and long-term growth prospects.

But then again, for some of us the ongoing global crisis is also an opportunity. Apart from the obvious usefulness a huge downturn has in weeding out the competition and allowing the rest of us a bigger piece of the pie when the market bounces back, the potential to grow, even in a weak market, exists. You just have to find it.

For multinational firms and networks with an international presence, a good place to start looking would be emerging markets outside of North America and Western Europe. According to Jyorden Misra, Founder and Managing Director of InterSearch Worldwide's partner in India, "the pink slip syndrome is evident in India in the financial services, media, retail and aviation sectors, but more worrying are the hiring freezes that occurred across many industry segments in 2009." Misra, however, says that even in such an insecure environment, the Indian market still offers many opportunities to executive recruiters

who operate in certain niche markets like microfinance and social development, as well as in sectors such as infrastructure and biotechnology.



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Over these last years, the Indian market has been evolving at a much faster rate than the developed markets due to a boom in foreign investments, an unprecedented increase in M&A deals and a large number of Indian companies acquiring a global footprint. This has brought with it global management trends and a huge interest in human capital management, and this is not something that goes away just

because of a recession. India is indeed a very promising market for executive search, even under the current difficult conditions.

Other emerging geographical markets for executive search, such as some of the "new European" countries of Central and Eastern Europe, are suffering more in 2009 since banking and the automotive industries – key sectors in this region – have been hit hard. For a search network, nevertheless, having a presence with numerous offices across the CEE region definitely helps develop business during a recession. Andras Lipcsei, Managing Director of InterSearch's Budapest office in Hungary and a member of InterSearch Worldwide's Board of Directors, explains that the number of client requests leading to cross-border business referrals among network partners within the CEE region is steadily increasing.

According to Lipcsei, the pharmaceutical and life sciences industries, as well as some subsectors of the financial industry like factoring and debt collection, show tendencies for growth. In addition, local and multinational companies in the CEE region have a lot of catching up to do regarding environmental protection, so this is another area presenting opportunities for recruiters. Lipcsei also explains that there is a healthy demand for new services in the CEE region as executive

search providers begin to diversify their services to include management audits and talent management, offsetting some of the revenue lost from the slowdown in executive search assignments that usually occurs during a recession.

Latin America, on the other hand, seems to have a proven capacity to generate and sustain high growth, even during periods of serious financial and political instability. Patricia Epperlein, current President of InterSearch Worldwide and a Brazilian native, provides an interesting fact: "Brazil was, until very recently, a country where some were rich and the rest were extremely poor, but today there is an upward migration of millions of Brazilians into a newly created middle class. Despite the global crisis this particular socioeconomic segment will continue to grow, consume and lead the country's growth."

According to UNCTAD (the UN's Conference for Trade & Development), Brazil's share in the world's direct strategic investment grew to 2.4% during the 1st Quarter of 2009 versus 1.9% for the same period the year before. Mr. Darwin Dib, Chief Economist of the Itau/Unibanco financial conglomerate, recently forecasted a new order in the flow of global investments, with higher volumes destined to emerging markets, especially those which, like Brazil, not only consume increasing amounts of global goods and services but also export a growing share of raw materials used in global manufacturing. Also, according to JP Morgan and BNP Paribas, Brazil's 36% share of Latin America's Gross Domestic Product grew by 4% in recent years and is expected to grow by almost 1% in 2010 alone, even with a -0.5% decline in the world economy in the post-crisis period. It is no surprise then that Brazil has already attracted most of the world's Top 20 executive search firms and global networks.

Epperlein confirms that "despite the uncertainties of the crisis, Latin America remains a fertile and profitable option for investments in 2009 and beyond. For companies already doing business here

and for new companies seeking growth and diversification, there will be more opportunities here than in the developed markets." In other words, global executive search organizations with a solid presence in Latin America will probably suffer less than others that only do business in North America, Europe and Japan.

LOCAL PRESENCE IS CRUCIAL


It's not only a matter of some regions suffering less than others. If you brand yourself as a global search firm, you need to have a local presence in all regions. Even in the age of Internet, virtual social and professional networks and everyone and their dog knowing how to google, chances are an executive search consultant will do a better job recruiting a senior manager for a Ukrainian organization if she is based in Ukraine than if she's doing most of her business somewhere else. Despite a globalized economy a manager still has to be familiar with the local culture. She has to be able to adapt the company philosophy to local customs and circumstances, in the same way that many successful multinational food manufacturers adjust the flavor of their standard products and brands to local tastes.

A Western European consultant not based in Eastern Europe will find it very hard to recruit candidates with the creativity and stamina required to bring effective results in a down market. Especially in these times, when top management is more cost conscious, clients should think twice before sending an expensive expatriate with a learning curve ahead of him to an emerging market. Another reason why a search firm's local research capacity and interviewing style adjusted to local norms is highly appreciated.

Having a physical presence in the emerging market where your client is about to expand makes it easier for your firm or network to convince the client that you really know what he needs so he'll retain your services for that nice, fat Country Managing Director search project. "Executive search consultants working in emerging markets must have a

solid understanding, not only of their local economy, but also of the key functions and characteristics of the global marketplace in order to bridge the gaps between business opportunities and their region's pool of corporate leadership," concludes Patricia Epperlein.

Setting up new offices or recruiting new network partners in emerging markets might not seem like a priority during a recession, but it is a smart move for those who dare risk it. This is a positive move in the short-term since this might be the only way you have in 2009 and 2010 to bring numbers comparable to those you had in the previous years. Furthermore, when the dust settles, a few months or even a couple of years down the road, you will have a significant competitive advantage in the global marketplace. You will have established a partnership with local offices in the emerging markets, you will have the necessary expertise and know-how to be effective, you will have access to a new pool of candidates and, more importantly, you will gain access to a new set of clients who will work with you in selecting the best candidates.

Having a solid presence in emerging markets will help you develop your business, increase client referrals, build your brand and, most of all, offer better service to your clients. After all, offering better service is what all of us should be striving for. 

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InterSearch Worldwide is a global network of search firms consistently ranked among the largest retained executive search practices in the world. InterSearch is currently represented in more than 40 countries, staffed by local professionals selected for their experience and reputation in their own markets and their ability to operate internationally.

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