Leveraging Local Talent for Global Innovation
Global Talent Shortage Worries Multinationals
More than Revolution or Recession, according to new report from MAXIS Global Benefits Network

Nearly 60% Fear Staffing Issues Can Impact Global Strategy

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PARIS & NEW YORK--(EON: Enhanced Online News)--A majority of executives of multinational corporations cite a growing global shortage of talent as a factor that could limit their entry into both developed and emerging markets more so than economic weakness or even political instability, according to a report presented today by AXA Group and MetLife, Inc.'s MAXIS Global Benefits Network (GBN)*.

Forty percent of the multinationals surveyed say they intend to expand their operations in both developed and emerging markets, including but not limited to the so-called BRIC emerging markets encompassing Brazil, Russia, India and China. The findings of the study, sponsored by MAXIS GBN, are based on an Economist Intelligence Unit (EIU) survey of more than 350 executives from multinational companies. The macroeconomic-focused research covers findings gathered from various industry sectors and locations, both in mature and developing countries. The report seeks to outline the international development strategies multinationals are employing to achieve successful growth at a global scale. The research also looks at the challenges to their growth.

“Far and away the biggest challenge for global companies is finding the talent in local markets to expand their business”

–Maria Morris, Economist Intelligence Unit and MAXIS
Most companies agree...

Over 75 percent of CEOs indicated that employee collaboration and partnering are very important to innovation and growth.

Yet only half said their employees collaborate beyond a moderate level.

In fact...

“Despite the emerging importance of connecting and tapping into insights around the globe, the majority of executives struggle to effectively connect their workforce.”

-IBM CHRO Survey, 2011

• CHROs rated their companies as least effective in fostering innovation through sharing knowledge across local units—78% think their companies are ineffective.

-IBM CHRO Survey, 2011

• We know very little about how to globally leverage local talent to bring about innovation.

- Almeida, Song, & Grant, 2002; Cantwell & Janne, 1999; Cantwell & Mudambi, 2005; Tsai & Ghoshal, 1998
Primary challenges

1. Developing the talent in local markets to build business abroad
2. Leveraging the talent in local markets to build business at home
To truly understand a country and its culture you have to be a part of it.

That’s why, at HSBC, we have local banks in more countries than anyone else. And all our offices are staffed by local people.

It’s that insight that allows us to recognize financial opportunities invisible to outsiders.

But these opportunities don’t just benefit our local customers.

**Innovations and ideas are shared throughout the HSBC network, so that everyone who banks with us can benefit.**

Think of it as local knowledge that just happens to span the globe.

http://www.youtube.com/watch?v=IlLi08p3Bpg&feature=results_main&playnext=1&list=PL9464968B63121486

http://www.youtube.com/watch?v=CWwTBiDv5dw
Study One: Global HR Organizations

- 20 MNCs
- 187 country-level HR subunit managers
- Asia, Europe, NA, SA
- Survey and archival data

Participating Organizations

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<td>GAP</td>
<td>GE</td>
<td>GENERAL MILLS</td>
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<td>IBM</td>
<td>IKEA</td>
<td>Alcatel-Lucent</td>
<td>MassMutual FINANCIAL GROUP</td>
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<td>P&amp;G</td>
<td>Rolls-Royce</td>
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<td>Underwriters Laboratories Inc.</td>
<td>WACHOVIA</td>
<td>XEROX</td>
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Study Two: Professional Services

- World Bank
- 64 BDOs
- 300+ project teams (leads and members)
- Africa, Asia, Europe, NA, SA
- Survey and archival data

“The World Bank works increasingly with developing countries to be a knowledge bank and a learning bank.”

—Paul Wolfowitz (World Bank)
Retention

- Focus is on retaining talent and preventing knowledge spillover
  - Strong competition for local talent
  - Companies and employees less committed

**Implication:** Employees appropriate most of the value they create
Knowledge related to the local environment

Business model from HQ

Companies hire local talent to help sell and service their products/services.
Combination

- Focus is on combining human capital with firm-specific assets
  - Transferable local knowledge is combined with other complimentary firm-specific knowledge (enhancing HC)
  - Local knowledge embedded within a relational network
  - Local knowledge enhanced by routines and processes

Implication: Firms appropriate more of the value created by employees, due to noisy market signals
Knowledge related to the local environment

Knowledge of local environment is combined with company knowledge to develop a new ECG machine.

To do this, companies must be willing and able to learn from their local talent to ensure product/service offerings consistent with the local market.
### Managing Talent for Local Innovation

#### Employee Engagement (Local → Subsidiary)

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![Diagram depicting talent management for local innovation](image)
High Local Human Capital

Global Human Capital

Low Location Specificity

Low Firm Specificity

Firm Specificity

Location Specificity

Combination

Exchange

Retention

Subsidiary Human Capital
Exchange

- Focus is on exchanging human capital across borders
  - Physical redeployment—expatriates
  - Virtual redeployment
    - Social interface
    - Systems interface

**Implication**: Firms appropriate more of the value created by employees, due to leveraging
To do this, companies must leverage knowledge from the local context and apply it elsewhere.
Exchange and Combination

- Focus is on recombining exchanged knowledge
  - Adaptations are made to knowledge, rather than a best practice or replication approach

**Implication:** Firms appropriate more of the value created by employees, due to leveraging noisy human capital resources
Hired talent possesses knowledge related to the local environment.

Knowledge of local talent is combined with company knowledge to develop a new ECG machine.

Knowledge from local talent leveraged for global markets.

To do this, companies must not only leverage local knowledge, but must re-adapt the knowledge to meet the new markets.
Managing Talent for Global Innovation

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# Managing Talent for Innovation

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# Global Talent Portfolio

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<th>Type of Human Capital</th>
<th>Source of Value</th>
<th>Strategy</th>
<th>Management Focus</th>
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<td>Local HC</td>
<td>Labor arbitrage (e.g., local hire, outsourcing, partnerships)</td>
<td>Low cost</td>
<td>Retention of resources</td>
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<tr>
<td>Subsidiary HC</td>
<td>Local responsiveness (e.g., ideas from locals combined with expats)</td>
<td>Local growth</td>
<td>Combination of resources</td>
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<tr>
<td>Global HC</td>
<td>Global efficiency (e.g., ideas from one unit replicated across others)</td>
<td>Increased productivity</td>
<td>Exchange of resources</td>
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<tr>
<td>Corporate HC</td>
<td>Global innovation (e.g., local ideas inform corporate, and visa versa)</td>
<td>Specialized skills</td>
<td>exchange + recombination of resources</td>
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Implications

• Provides a process approach to managing talent in a global context

• Provides information on how talent can become a unique source of value for the MNE

• Addresses process issues for reverse innovation that have not yet addressed by scholars and many companies

• Questions traditional HR assumptions of retention—do practices need to commit employees to the firm or to a set of networks and routines