

Will this fix your talent pipeline problem?

Search Intelligence In Action



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China's working age population is forecast to shrink by 100 million people by 2050. By that time, Japan will have a workforce that is 40% smaller than it is today.

For most MNCs, demographics are discussed in relation to market opportunities, but they are not top of mind when it comes to the talent pipeline. The “Demographic Cliff”, a term coined by financial writer Harry Dent is real and we are heading towards it at a speedy clip.

For global companies, this fact is of critical importance.

Building a talent pipeline is a challenge today, but it is nowhere near as difficult as it will become in the future, especially in the growth markets.

India has a demographic dividend that might just provide the solution to this problem, but not in the way you might think.

Microsoft, Pepsi, Mastercard and Diageo all have CEOs of Indian origin, a fact that has been well covered by the press. If we look further into the management ranks of MNCs and also at the leadership of smaller companies, we find a disproportionate and growing number of successful Indian executives across a wide range of industries.

Over recent weeks, we interviewed 37 highly successful Indian executives from global companies living outside of India, and asked them each to tell us their story. One of our aims was to identify any common themes that could be linked to their success. More importantly though, we wanted to test the idea that India could provide a source of future leadership talent for MNCs.

To gain some perspective, let's examine the demographics further.

Almost all developed nations have low fertility rates and aging populations, which means that for such countries, the working age population is shrinking in relation to the total population. For example, over the next 30 years, it is projected that the EU's workforce will shrink by 53 million people.

It's not only the West that is facing this problem. China's working age population is forecast to shrink by 100 million people by 2050. By that time, Japan will have a workforce that is 40% smaller than it is today.

India is different and the numbers are staggering.

There are 1.25 billion people in India, half of them are under 25 and 125 million of them speak English. What's more, India's population is still growing and is not predicted to peak until 2065.



Currently, there are 3.2 million Indians in the US with 150,000 more arriving each year, of which 90% stay permanently. In general, they are highly educated and earn twice as much as the average American.

India's Prime Minister, Narendra Modi, spends a great deal of time engaging with the Indian diaspora and for good reason. While the diaspora of over 27 million people is equivalent to only 2% of India's population, a recent Datamonitor report estimates that the income of this community is around US\$400 billion, which is more than 20% of India's GDP. The Indian diaspora sends about US\$70 billion home every year, which is more than India receives in foreign direct investment and represents 3.5% of the country's GDP.

Indians abroad also contribute much to the economies of their new countries. Currently, there are 3.2 million Indians in the US with 150,000 more arriving each year, of which 90% stay permanently. In general, they are highly educated and earn twice as much as the average American.

It's certainly not news that immigrants tend to work hard and do well, but New York Times columnist David Brooks summarises the potential employability of this group perfectly:

"As India and China have gotten richer, the number of Indians and Chinese living abroad has doubled. And this talent pool has barely been tapped. According to a Gallup survey in 2012, 22 million Chinese wanted to move to the U.S., as did 10 million Indians.

Meanwhile, globalization, with all its stresses and strains, has created a large international class of middle-class dreamers: university graduates who can't fulfil their aspirations at home and who would enrich whatever nation is lucky enough to have them."

Beyond the numbers is a question about what is in the hearts of these dreamers and why they are so successful abroad.

The 37 executives we interviewed linked the success of Indians outside of India to the following themes, which we will explore in greater detail:

- Education
- English language skills
- Competitive by nature
- Creative problem solving
- Mobility
- Adaptability
- Humility and realistic expectations

Most of the executives we interviewed came from educated, but not wealthy, Indian families and were schooled in India. Most were recruited by MNCs from universities in India and then transferred overseas a few years later. Some left India to study in the US or the UK and then started their careers there. They all studied either engineering or commerce.

In recounting their own experiences, our executives shared some valuable insights.



Education

The number of business schools in India has also increased from 2600 to 3300 in the last 10 years.



India's education system is inconsistent, but talented and fortunate students can receive a great basic education and technical skills training. Getting into and excelling at India's best educational institutions is brutally competitive and they produce world-class graduates with excellent career prospects.

"Top colleges in Delhi have a [grade] cut-off of 100%. The second tier is 96%. Two to three million students apply for 5000 places and top students work up to 16 hours a day."

Today, there are around 3400 undergraduate engineering institutions in India, double the amount that existed a decade ago. The Indian Institute of Technology in particular has a reputation abroad for graduating the cream of the crop. The number of business schools in India has also increased from 2600 to 3300 in the last 10 years.

"There are more Indian execs to come – they are getting better."

In addition, about 250,000 Indians go overseas to complete their education every year. India's universities have the capacity for 20 million students, but there are 100 million people between the ages of 20 and 25 in the country. The only country that sends more university students overseas is China.



"...The OECD found that the top 5% of 15-year-olds in two Indian states performed as well as average rich-country children in reading, mathematics and science..."

Typically, Indian families make huge sacrifices to fund a child's education and the students work hard to ensure their parents achieve a return on their investment:

"Their parents sacrifice a lot and will do everything they can to support their children's education."

"My parents wanted me to study engineering or medicine. These were the courses that required the highest marks to gain entry."

"My mother dreamt big. I was obsessed with making her proud of me."

"We all have good qualifications. Hard work is the difference."

In addition, the attitude of young people towards education seems to be much more committed than is typical in the West. There is a cultural underpinning to this:

"Knowledge is revered as part of the Hindu culture. There is even a god of learning. The status of teachers and professors is very high and as kids, we would not dream of insulting them."

Ultimately, for many Indian students, there is something more than just good grades at stake. Education is their ticket to a better future:

"In India, education is your ticket out of poverty."

"We all believed that getting to the best colleges was the only route."

"When I went to university in the US, there was a lot of internal pressure because of the fear that I may not be able to maximise this opportunity. There was no possibility of a second chance."

Of course, for many in India, access to the highest calibre educational institutions is limited and not all students obtain the skills needed for later success. As the Economist points out:

"An education system that favours elitism over basic schooling is in part to blame. The OECD found that the top 5% of 15-year-olds in two Indian states performed as well as average rich-country children in reading, mathematics and science. But the rest were far behind. And there are shortcomings even in higher education. Technology firms complain that graduate recruits are not up to scratch. Only a quarter with technical degrees are considered employable, according to one industry body."

While India's education system has its challenges, the fact remains that the country is still producing many highly skilled and talented future business leaders. As one executive put it:

"When you have over a billion people, even a small percentage is a big number."



English Language Skills



"Indians can think in English because of the lifelong exposure they have to the language."

Amazingly, there are 461 different languages spoken in India. It is really a continent pretending to be a country. There are twice as many English speakers in India as there are in England and it is this 11% of the population that is potentially the most valuable to MNCs.

All of the executives we interviewed saw their English language education as a critical component of their success:

"We need to thank the English for giving us their language. The Chinese don't have this advantage."

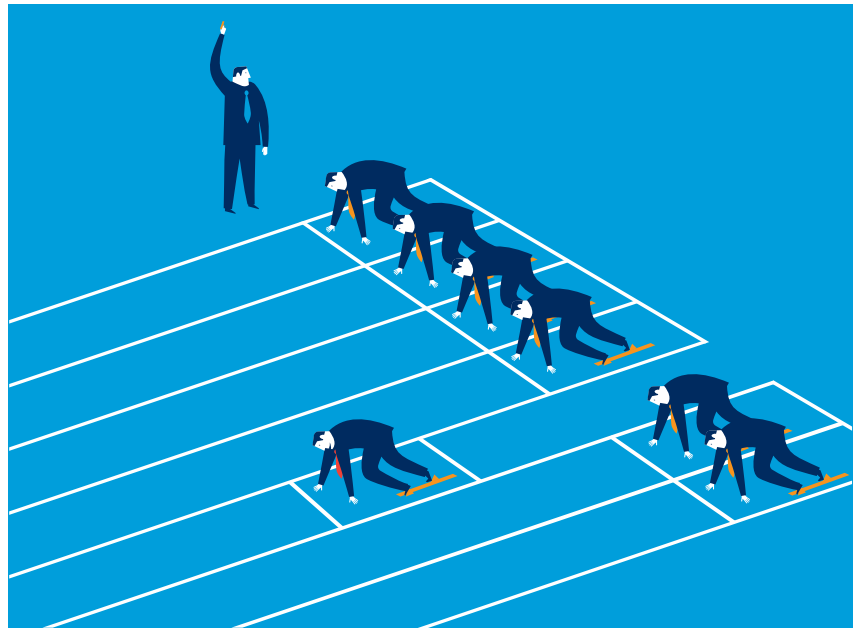
"Indians can think in English because of the lifelong exposure they have to the language."

"Japanese, Chinese and Koreans are very successful in their own countries, but it is harder for them to thrive outside because of the language barrier."



Competitive by Nature

"Growing up in a tough environment gives you the attitude needed to get things done."



Every society is competitive, but in India it's a competition to even cross the road and this environment creates resilient, driven individuals. All of the executives we interviewed cited the environment they grew up in as a significant contributor to the development of their drive to succeed and persevere in the face of adversity.

"In India they face chaos every day. They know how to face chaos."

"Everyone needs to fight for everything and that makes it more complex."

"It's beyond competitive. It's a struggle."

"Growing up in India is tough. You had to work hard to be successful. Life was very competitive and unpredictable. It builds resilience to take up the challenges that life throws at you. It helps you face adversity."

"Perseverance is a quality that comes from growing up with competition."

"[Competition is] a cultural norm that comes from the environment."

"Growing up in a tough environment gives you the attitude needed to get things done."

"[We have the] ability to multi-task because of the environment we grew up in."

"I am calm in a crisis because 'crisis' is every day in India."



Creative Problem Solving

"If moving from point A to Point B is a straight line then we'll struggle, but if it's difficult and complex then we'll easily elbow our way out."



"Jugaad" is a colloquial Hindi-Urdu word that means an innovative fix or a simple work-around. This simple concept is something that every executive spoke about. They described how it was sometimes impossible to get things done in hugely bureaucratic India. As one Indian businessman was recently quoted, *"You can't apply 100% of Indian labour laws without instantaneously violating 10% of them."* Often, a creative approach is the only way.

"Jugaad - It's the ability to get things done."

"If the system is not going to help you then you figure out a way to move forward."

"Our education doesn't teach us anything structured, so we are more successful in an unstructured environment."

"If moving from point A to Point B is a straight line then we'll struggle, but if it's difficult and complex then we'll easily elbow our way out."

"In India, anything that can go wrong goes wrong."

"You grow up in a pressure cooker. Problem solving is one thing you learn on a daily basis."

It is worth noting that "jugaad" can also have a negative connotation when it means getting things done by bending the rules:

"If I follow the steps I'll get there, but if I skip the steps I'll get there faster – that's the Indian attitude. This probably is the reason for so much corruption in India."



Mobility

"Families encourage young people to go overseas because it is seen as a mark of success."



India is making economic progress under the Modi government, but the task is huge and will take many years to play out. For many talented Indians today, there are greater opportunities and a chance for a better quality of life outside of India.

According to a recent report by The Economist:

"Indians are becoming more demanding. Consumers expect better phones and Internet connections, a chance to own a scooter or take a holiday. They want education, hospitals and reliable power. A vocal minority worries about a toxic environment, complaining of rivers like sewers and urban air thick with deadly particles from bad fuel."

Family ties are strong in India but economic opportunities are a compelling reason to leave. All of the executives we interviewed have lived outside of India for more than 10 years. They commented on their reasons for leaving:

"Families encourage young people to go overseas because it is seen as a mark of success."

"MNCs gave us a pathway to a better life."



"As India grows economically, young people will have greater local opportunity and may not want to leave. But as long as the economy is operating at a discount, many will want an international career."

"Twenty years ago, all of the talent moving overseas was from eight cities and a small number of schools. Today, it is so much more."

"The standard of living in India is lower than the West and our drive to do better makes it attractive to work in the West."

"Indians are far more ready to pack their bags and move."

"Indians are very mobile. We love to travel."

And when they land in other countries, the Indian diaspora is there to support them:

"As immigrants, the social network is strong and we help each other."

Many of the executives we interviewed said that the opportunities for young Indian talent are much greater today in India than they were 10 years ago and, as a result, fewer people want to work overseas. At the same time, it remains a very tough environment in which to succeed. India ranks 142 on the World Bank's ease of doing business index out of 189 countries.

It is probably true that more Indians want to stay in India, but India produced twice as many graduates last year than it did 10 years ago and every one of them wants a career. It has been estimated that 10 million new jobs would need to be created each year in India to engage the young and educated.

"As India grows economically, young people will have greater local opportunity and may not want to leave. But as long as the economy is operating at a discount, many will want an international career."

Only one of the 37 executives we spoke to said they would return to India to work:

"It's not an option to go back."



Adaptability

"Asian societies attach a lot of stigma to failure. Letting go of this was the best thing American culture gave me..."



The success of the Indian diaspora is directly linked to the ability of Indians to adapt and integrate when they move to another country. Of course, language is critical, but other factors emerged from our interviews. The first was the social aspect of needing to succeed:

"We had to make this work, otherwise we would have to go back to India and this would cause loss of face."

Interestingly though, their attitude to this often changed after they moved:

"Adapting to the West took me something between six months and two years. My accent changed, I ate different food, etc. The biggest thing though was thought process. I learned to let go of the fear of failure."

"Asian societies attach a lot of stigma to failure. Letting go of this was the best thing American culture gave me. This is a source of power that they don't realise they have."



"When we first moved to the UK, it was a struggle to fit in. The company gave me the confidence and within three or four years, we found our feet socially."

All of them said that adapting to the new business environment was not difficult:

"When I moved, everything was new. I had to completely change my management style. In India it was very directive. In Australia it was very different. I went with an open mind and had zero expectations."

"I really liked it when I moved to an American company. It was less bureaucratic than the Indian companies."

Most of our interviewees had lived in different parts of India as they grew up. They moved because of their parents' work or for education. They all described India as a continent as opposed to a country, where they needed to learn to adapt to new cultures from a young age:

"Cultural diversity is a way of life in India. In a classroom you'll find people from many different states who speak different languages and eat different food. That's a very common scene in India."

"The Indian school system helped us integrate with other cultures. We did not see colour, race or religion."

"Adaptability is one of Indian's major strengths. They are known to move within the country where there are completely different cultures and languages. It only took 6 months for me to adapt to upstate NY."

For most though, integrating socially in the West was a challenge:

"Professionally, Indians integrate with other cultures, but socially they don't."

"When we first moved to the UK, it was a struggle to fit in. The company gave me the confidence and within three or four years, we found our feet socially."

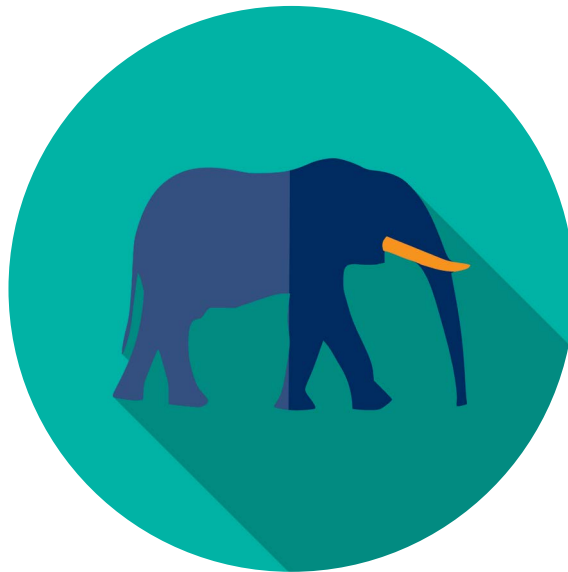
"It took me five years to become an international person. It's a social evolution that takes time."

Of course not all Indians who work abroad succeed in adapting to their new environment. One prominent Indian executive we spoke to estimated:

"Only 50% of Indians succeed outside. The rest don't adapt."



Humility and Realistic Expectations



"The central Hindu ethos is that you are not entitled to the results of your work. The reward is the work itself..."

All of the executives we interviewed were humble about their significant achievements. In addition, every one of them had an interest in contributing to society outside of their work.

They all displayed the kind of values that are characteristic of good leaders:

"Even today when I sit with my friends and share a beer, they talk about how they never thought that they would reach this level in life. It's this humility that makes them different."

"The central Hindu ethos is that you are not entitled to the results of your work. The reward is the work itself. In a world of alpha males who are 'always right', this is a competitive advantage."

"Whenever I go back to India, I am grateful when I see where we came from."

"India makes you value what you have and stay grounded."

"A sense of purpose is important to us. It's in our culture."

Today, young Indian talent has many successful overseas role models to set an example for their aspirations.



Looking to India for the future talent pipeline

India is not the only country with a large population of young people, but its quality education, language skills and cultural environment mean that it may become a critical source of future talent for MNCs.

The “Demographic Cliff” in relation to talent, is a topic that will rise through the ranks and become a chief concern for CEOs. The solution to this problem requires a true paradigm shift in thinking, which most companies will fail to realise until it’s too late.

The concept of seeking to grow a talent pipeline in countries that have a demographic dividend is not new. Citibank and Unilever have invested in growing talent in India since the 1970’s. They took in the best and brightest as graduate trainees and gave them international experience. Today, many of these people are highly valued international executives within their respective sectors.

Mr Modi is understandably concerned about “brain drain” and has engaged the Indian diaspora on this issue to try to ensure it does not have a negative impact on India’s future development. Realistically though, India will only achieve its economic aspirations if its business leaders are international in outlook and experience. Sending Indians to work overseas is the best way for India to achieve this.

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Global companies are finding that while the long-term trajectory of India’s economy makes it an important growth market, realising an acceptable ROI in India today is tough. But MNCs should not overlook the huge potential human capital return outside of India from hiring, grooming and exporting Indian talent.

The number of talented Indians working internationally is growing and this trend will continue for many years.

Could India provide the fix for your long-term talent pipeline problem?



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