2 THE NEW WORLD OF DYNAMIC MARKETS

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There is growing scrutiny around the notion of emerging markets. The world and its leading economies are changing fast. With the rise to prominence of economic powers like China, India and Brazil, while others like Singapore and South Korea have come of age – with per capita incomes outstripping their developed-country counterparts in the West – and as Africa – probably the most exciting 'emerging market' of all – enjoys its best growth decade on record, there is a valid call for a better description for these rapidly growing and progressively changing set of countries.

Lumping fast-growing, less-developed and demographically favourable markets into an amorphous grouping of 'emerging markets' has proven to be narrow, and is increasingly less helpful in market analysis and strategic planning.

'Emerging markets' was a term based purely on economic criteria. It was used to describe fast-growing markets – mostly from Asia – in the late 1970s, and excluded many of the existing growth markets of today. Stronger critics insist it is simply a term "well past its sell-by date".

A more apt description, 'dynamic markets', encompassing a broad range of countries that exhibit exciting economic growth prospects, have undergone significant political, social and cultural change, and show encouraging signs of innovation, better illustrates the factors and actors that make up these economies. These tend to be countries undergoing or pushing for policy and institutional developments to address the general ambiguity and complexities often prevalent in such markets.

Dynamic markets and dynamic-market actors tend to challenge traditional norms or doctrines of business in their markets and beyond.

In the context of business, it is useful to assess these markets from a grounding in general management, basing it on a broad set of principles or factors that make up and influence the general management business environment. This is essentially a measure of economic potential and overall stability. It goes beyond traditional economic criteria to include political, social and cultural issues from institutional effectiveness and governance – crucial in transactions – to levels of inequality and wellbeing, and even degrees of interconnectedness and influence in international relations.

Dynamic markets need ongoing capital for growth and development. They typically have lower levels of savings and therefore compete for foreign investment, which is in short supply under the current constraints of the global economy. It is useful, then, as a measure and categorisation of dynamic markets, to compare competing markets and assess which markets have potential and which are indeed dynamic. This helps distinguish truly dynamic markets from the rest by virtue of their environmental attributes and not simply by growth and size, thus providing a definition useful for comparative market analysis, strategic planning and management practices.

Moving from Emerging Markets and Defining Dynamic Markets

The concept 'emerging markets' is dated and somewhat limited. It does little to describe and explain the essence of fast-growing, rapidly changing and increasingly influential markets that are giving rise to new players and actors that are shaping the global economy. By lumping together everything and anything with a positive growth trajectory or interesting investment prospects, 'emerging markets' fails to truly describe the key attributes and drivers behind the growth and development of this diverse array of countries.

First coined by Antoine van Agtmael in the 1970s, 'emerging markets' was used to distinguish those rapidly growing Asian tigers from the rest of the so-called Third World and developing economies.[1] But most of the original emerging markets like Singapore, South Korea and Taiwan – and even China – have now emerged. China is the second-largest economy in the world (after the United States), and countries like Singapore and South Korea have per capita incomes on a par with the most developed economies in the West. With the prominent role of economies like China and India, it is somewhat understated to refer to them still as emerging.

While these economies may no longer be emerging per se, they certainly are dynamic. The types of companies they are spawning with the characteristics they exude, the high degree of innovation in these markets and their competitive view of the world attest to this.

Investment banks, analysts and even academics have started questioning the notion of emerging markets. While little empirical analysis exists around the concept of emerging markets or the redefining of this amorphous category of countries, those thinkers who scrutinise the popular notion of emerging markets all seem to agree that it is increasingly nondescript and even exclusionary by definition, comprising both established and developing economies while neglecting key virtues of productivity, competitiveness and innovation in the process.[2]

Standard Chartered, for example, has focused on trends like the 'super cycle' in an effort to analyse what these markets are or will be doing, and their contribution to

1 Van Agtmael (2007).

2 Even Africa was initially excluded, with regular reference to 'emerging and developing economies' in an effort to include some of the better-performing African economies in the fold of future prospects.

the global economy going forward.[3] Such an approach thus looks at a long-term shift in global growth and production along with the current and foreseeable challenges, instead of focusing on a loose definition of emerging markets.

Goldman Sachs, meanwhile, has long avoided the concept of emerging markets through the coining of BRIC (Brazil, Russia, India and China) and later the Next-11.[4] Jim O'Neill, the economist who dreamed up the acronym, BRIC, and who is now the chairperson of Goldman Sachs Asset Management, based much of his analysis and selection of countries on economic size, growth trajectories and demographics.[5] They have taken this one step further by insisting that "it is time to re-define emerging markets" and have adopted the term 'growth markets' to describe, in their words, "some of the world's most dynamic economies".[6]

Economies that are expected to enjoy rising productivity and growth – and carry greater significance in the global economy – include the four BRIC countries plus Mexico, Korea, Turkey and Indonesia. South Africa, for example, does not feature prominently in Goldman Sachs's outlook.

Finally, Citigroup has come up with arguably one of the more comprehensive reassessments of emerging markets and new drivers of global economic growth. Its analysis of Global Growth Generators – or 3G – encompasses regions, cities, asset classes, activities and products, but does place a particular emphasis on countries themselves.[7] The rationale is based on the need for a different approach to thinking about growth and new markets, and is a conscious and decisive departure from the notion of emerging markets. While Citi claims that "the term 'emerging markets' is used abundantly", it states that "definitions are few and far between". In short, "The expression of 'Emerging Markets' is clearly past its sell-by date." It goes on to say, "Catchy acronyms and labels have spawned unhelpful taxonomies of countries that have become obstacles to clear thinking about future growth and profit opportunities. Developing/Emerging vs developed/advanced/mature, BRIC, the Next-11, the 7% Club… ."[8]

Apart from little advanced thinking and defining of emerging markets over the years, and the absence of clear empirical studies grounded in theory or established literature, a shift toward an alternative description of emerging markets is still sorely needed. This is a space for academics from a cross section of disciplines. The fields of general management, international strategy, economics and political economy, and international relations need to combine their research efforts and thinking to go beyond the loose descriptions and classifications ranging from generic emerging

3 Standard Chartered Global Research (2010).

4 Goldman Sachs Global Investment Research (2003).

5 O'Neil (2012).

6 Goldman Sachs Strategy Series (2011).

7 Global Growth Generators (2011).

8 Global Growth Generators (2011).

markets, emerging powers, middle powers and lesser powers to frontier markets, rapidly changing economies and transitional economies.

With this in mind, and couched in the realm of general management and strategy – along with a healthy dose of practical political economy – the notion of dynamic markets seems to be a more useful description of the rich diversity and nature that encompass the actors and factors of the economies in question.

The first point of departure is that these are simply not 'mature markets' and – like other descriptions – they do tend to exhibit high levels of growth. But, with a general management orientation and influenced by various factors in the political economy domain that do shape the business environment, dynamic markets and dynamic-market actors tend to challenge traditional or more established doctrines of business.

The notion of dynamic markets is therefore grounded on the principles of general management or those factors that make up and influence the general management business environment, viewed through a political economy lens. It also has a strong orientation toward the field of institutional economics, which Harvard Business School's Tarun Khanna recently expanded into the study of Institutional Voids and strategic thinking around this core characteristic of economies in Africa, Asia, Latin America and the Middle East.[9]

Compared with other similar terms to describe such categories of countries, the most obvious distinction of 'dynamic markets' is that it is broader than merely comparative size, demographics and growth trajectories. These are important, but fall short of explaining the full story behind such markets. Dynamic markets include measures of governance, leadership and democracy, public policy, human development and institutions, as well as progressive enablers like innovation, cultural diversity and integration in the global economy.

This does cover a broad range of markets, from emerging powers like China and India to second-tier players like Indonesia, Nigeria, Chile, and Turkey, and, finally, 'lesser-knowns' like Ghana, Rwanda, the United Arab Emirates (UAE) and Vietnam.

Another important distinguishing feature behind the understanding of dynamic markets is that it goes beyond evaluating and analysing markets and market criteria, to include companies, entities and leaders emerging from these dynamic markets which exhibit new and innovative business practices and models in their home markets and beyond.

In short, while other terms or acronyms tend to merely categorise these countries, 'dynamic markets' does describe them more comprehensively according to a range of economic, political, institutional and business criteria. These are assessed in a comparative analysis, which – as discussed above – goes beyond economic growth and size to include key environmental attributes like political stability, governance and innovation along with the type of actors or firms emerging from these markets, taking with them the inherent attributes of their home dynamic market.

9 Khana & Palepu (2010).

This begs the question: What are some of these dynamic markets and how do they compare with one another?

Measuring and Comparing the Economic Potential of Dynamic Markets

Human nature seems to insist we develop lists and categories of similar countries or like-minded companies. For dynamic markets, there is no fixed set of countries (like BRICS [Brazil, Russia, India, China and South Africa], CIVETS [Columbia, Indonesia, Vietnam, Egypt, Turkey and South Africa] or the Next-11), but there are countries that exude dynamic-market traits and demonstrate key attributes toward harnessing overall competitiveness and economic potential. These include the usual suspects like Brazil, India and China, as well as countries as diverse as Turkey, Vietnam, Chile, Nigeria and South Africa.

We are able to measure these economies and compare them with one another through a composite collection of variables, indices and qualitative anecdotes that combine to form an empirical point of reference with real-world texture. Leading indicators like foreign direct investment (FDI), natural-resource endowments (from oil and gas to metals, minerals and arable land), the workforce and the consumer market are balanced off with a range of social, political, institutional and management measures to provide a picture that is as accurate, realistic and useful as possible.

For example, a country like South Africa – despite its rich array of natural resources – has enjoyed only moderate economic growth over the past 10 years, during one of the largest commodity booms in history, and attracted one-tenth the FDI of Nigeria in 2011. In the areas of socioeconomic development and perceived competitiveness, South Africa is, by and large, below par with comparable dynamic markets, with some lacklustre results.

The United Nations Development Programme's (UNDP) Human Development Index (HDI), which measures the quality of life according to per capita income, education and healthcare, ranked South Africa at 123rd out of 187 countries in 2011 – on a par with far less developed economies like Namibia. More dynamic markets that are still grappling with enormous social challenges like Turkey and Brazil were ranked 92nd and 84th respectively.[10]

South Africa's comparative competitiveness according to the World Economic Forum's (WEF) Global Competitive Index (GCI) of 2011 was a mediocre 50th position out of 142 countries – well below the likes of Poland (in 41st position), Chile (34th) or Singapore (2nd). The country is sorely lacking in basic requirements, including certain macroeconomic and labour efficiencies.[11]

But South Africa does balance the scales with some impressive results measured

10 See the UNDP's HDI (www.undp.org).

11 See the WEF's GCI (www.wef.org).

in the GCI. It has a world-class financial market, ranking first in auditing and reporting, and in the regulation of its securities exchange. South Africa's corporate sector is strong, backed by the efficacy of its corporate boards and high-quality business schools, all of which rank among the top in the world. These add to its dynamism.

South Africa's private sector – and especially listed companies – is particularly competitive when compared with other dynamic markets around the world.

South African companies are large relative to the economic size of the country. In fact, it is difficult to think of another country of South Africa's size or level of development that has produced companies of a similar size or of that global reach, which is an important attribute of aspiring dynamic markets seeking to extend their interests and influence in a changing global economy.

This is best illustrated through the market capitalisation of listed companies on South Africa's stock exchange. While economic behemoths like China, Brazil and India have a stock exchange that is roughly 81%, 74% and 93% respectively of their gross domestic product (GDP), the market capitalisation of South Africa's listed companies is over 278% of its GDP. Economies of a similar size, like Argentina, have stock exchanges that are less than 20% of their GDPs, while even Turkey and Indonesia have ratios around 40% and 50% respectively.[12]

This simply means that, while South Africa may be far smaller than the likes of China, Brazil and India in gross economic terms, the collective listing of its companies, and thus the capital it is able to raise, is of a comparable size.

The size of its companies and key economic actors is, in real terms, six or seven times the size of competing dynamic markets like Argentina and Turkey.

These measures above illustrate some of the complexity around dynamic markets and the range of variables that contribute to their dynamic potential. The example of South Africa is useful, as it falls short in certain areas (like HDI or basic areas of competitiveness), but its private-sector actors and the quality of its stock exchange far outstrip those of similar countries. This is a core reason why South Africa is indeed a leading dynamic market.

Related to this, and an important part of the composite measure around the management environment, is South Africa's relatively impressive ranking on the World Bank's Ease of Doing Business survey, where South Africa ranks 35th out of 183 countries. Far more new businesses are registered in countries like Turkey and Indonesia, and these also have a number of better business-related reforms. But South Africa at 35th still ranks higher than both Turkey (71st) and Indonesia (129th) in terms of the ease of doing business. It is also well ahead of any other African country, with Rwanda coming in at 40th position and Morocco, which has a similar level of human development, at an improved 94 in the 2011 ranking.[13]

12 These figures were sourced from the World Bank: (http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG).

13 See the World Bank's Ease of Doing Business Report (www.worldbank.org).

Innovation is a key enabler of economic progress and an important point of reference for dynamic markets. Described by the French business school, INSEAD, which compiles the Global Innovation Index annually, as "the essential element of resilience as economies aim to sustain their growth while creating new jobs for their citizens," innovation is growing in scope and relevance as a measure of competitiveness and economic dynamism.[14]

Looking at the performance of certain dynamic markets in the area of innovation: South Africa ranked 59th out of 125 countries in the Global Innovation Index in 2011, lagging behind Chile (38th), Brazil (47th) and Vietnam (51st), but ahead of Turkey (65th) and Kenya (89th). Kenya, an increasingly prominent African dynamic market, is rapidly becoming the recognised poster child of innovation in Africa following new products and processes in a range of sectors such as telecoms, mobile payments and agribusiness.

Kenya is also driving the regional integration agenda in East Africa and positioning itself as a viable gateway between East Africa and Asia (especially India), which ticks another important dynamic-market block of interconnectedness and influence beyond its borders.

Institutional strength and effectiveness, governance, political stability and the regulatory environment are all important facets and measures in the dynamic-market composite, which make up the environment and contribute to the economic potential of these countries.

These indicators represent the intersection of the business management environment and the political economy within which management operates. They indicate levels of efficiency, regulation, political risk and a range of exogenous factors that make up the world of business, especially in these markets.

For example, a comprehensive measure of governance that includes voice and accountability, political stability, government effectiveness, the quality of the regulatory environment and the rule of law provides a very interesting and important perspective of the operating environment in dynamic markets. Those more progressive dynamic markets like Singapore and Chile score well in this area of governance, ranking 17th and 23rd respectively. South Africa (in 51st position) ranks higher than the likes of Argentina (72nd), India (76th) and Colombia (79th). China comes in at 104th position (see table 1).[15]

14 See INSEAD's Global Innovation Index and Report (www.globalinnovationindex.org/).

15 These figures were sourced from the World Bank's Worldwide Governance Indicators (www.worldbank.org).

Table 1: Dynamic-market Rankings

Country	GDP, 2010 ($ billions)	GDP Growth (2010)	Workforce 2009 (Total Number in Millions)	Human Development, 2011 (UNDP Ranking)	National Competitiveness, 2011 (WEF GCI)	Market Capitalisation as % of GDP, 2010	Ease of Doing Business (World Bank)	Innovation (INSEAD)	Governance, 2010 (World Bank, Worldwide Governance Indicators)	Interconnectedness, 2011 (DHL's Global Connectedness Index)	Key Companies
1. Singapore	$222	14.5%	2.6	27	3	166.2%	1	3	17	2	Singapore Airlines
2. Chile	$203	5.2%	7.5	44	30	167.9%	39	38	23	41	Concha y Torro Lan
3. China	$5 878	10.4%	786.4	101	27	81%	91	29	104	63	Hauwei Alibaba ICBC
4. India	$1 729	8.8%	459.3	134	51	93.5%	132	62	76	49	Tata Infosys
5. Brazil	$2 087	7.5%	101.2	84	58	74%	126	47	54	68	Vale Petrobras Odebrecht Embraer
6. Vietnam	$103	6.8%	46.9	128	59	19.7%	98	51	97	21	N/A
7. Turkey	$735	9%	24.6	92	61	41.7%	71	65	59	51	Koc

Table 1: Dynamic-market Rankings (continued)

Country	GDP, 2010 ($ billions)	GDP Growth (2010)	Workforce 2009 (Total Number in Millions)	Human Development, 2011 (UNDP Ranking)	National Competitiveness, 2011 (WEF GCI)	Market Capitalisation as % of GDP, 2010	Ease of Doing Business (World Bank)	Innovation (INSEAD)	Governance, 2010 (World Bank, Worldwide Governance Indicators)	Interconnectedness, 2011 (DHL's Global Connectedness Index)	Key Companies
8. South Africa	$363	2.8%	18.8	123	54	278.4%	35	59	51	50	SABMiller MTN Anglo American Standard Bank
9. Indonesia	$706	6.1%	118.8	124	44	51%	129	99	91	99	Indo Food
10. Argentina	$368	9.2%	19.49	45	87	17.3%	113	58	72	95	Arcor Los Grobo
11. Nigeria	$193	7.9%	49.6	156	127	26.3%	133	96	142	59	Dangote Cement Zenith Bank Eco Bank
12. Kenya	$31	5.3%	18.6	143	106	46%	109	89	107	N/A	Kenya Airways

Sources: World Bank (www.worldbank.org), UNDP (www.undp.org), WEF (www.wef.org), INSEAD Global Innovation Index (www.globalinnovationindex.org), DHL Global Connectedness Index.

But this measure of governance is particularly useful in distinguishing progressively advancing dynamic markets from others that are merely resource-rich and fast-growing. Countries like Angola and the Democratic Republic of Congo (DRC) are two of the fastest-growing economies in Africa, but they score poorly in areas of governance, political stability, institutional quality and levels of corruption – ranking in this measure of governance at 130th and 154th positions respectively. Ghana ranks at 56th position, exhibiting more dynamic-market attributes than Angola and the DRC as well as many other African counterparts.

Finally, an important feature that distinguishes dynamic markets from other new definitions or acronyms associated with emerging-market terminology is the dynamic-market actors that emerge from them. The companies, individuals and institutions are a core component and shaper of dynamic markets. It is useful to have an idea of who they are and what drives them (or defines them) in an effort to better understand the full complexity of dynamic markets themselves.

Key Management Traits of Dynamic-market Champions[16]

Dynamic-market companies tend to have a nuanced approach to doing business. This is strongly influenced by culture and an innate set of skills which they take into new markets and draw on when they navigate their way through the unusual challenges they are confronted with. These skills and the alternative approach to doing business help dynamic-market companies not only to overcome institutional voids and adversity in new markets, but also to forge new opportunities by virtue of those voids hampering conventional activities. Such companies fill the voids, creating commercial opportunities for themselves and improving the overall environment in the markets in which they are active. They develop such capabilities from a particular platform created in and by their home markets.

> **General Management in Dynamic Markets** thus comprises a much broader understanding and competency around running a business on a day-to-day basis and with a strategic view of the future. General managers in dynamic markets tend to be broad-based technical experts, with a keen knowledge of the bouquet of business functions together with a cultural awareness and political savvy that allow them to navigate their way through complex but exciting locations. They have an ability to execute effectively in these environments where their business acumen has been attuned for the unexpected and where their role and outcome are well beyond simply the bottom line.

16 Much of the information and insights in the section are based on the excellent research conducted by Steven Asbury in 2011 on the dynamic-market companies referred to below.

Successful dynamic-market champions from South Africa, Brazil, China, India, Mexico and Turkey all tend to roughly share a common set of traits in their internationalisation strategies and operations. These firms are the new pistons behind the engines of global economic growth. They are employing increasing numbers worldwide. Tata, the diversified conglomerate from India, employs 400 000 people, while Brazilian mining giant, Vale, and telecoms accessory manufacturer, Huawei from China, employ 150 000 and 110 000 people respectively across the globe. These companies are driving productivity and innovation in global markets with fresh approaches to general management and strategic planning.

This starts with a particular style of leadership that is underpinned by long-term stability – perhaps in the form of a family business or through support from the state. The leadership is able to identify opportunities in new markets, see the future and, most importantly, it has the will and energy to pursue them. It is also able to go the distance with continuity and persistence, conscious of strategic, financial and operational imperatives to the business.

These leadership traits are clearly evident from Alibaba, a leading e-commerce group from China, to Vale from Brazil and Tata from India.

Jack Ma, the iconic entrepreneur behind Alibaba, founded the company in 1999 through borrowed funds from friends and family. His obsession with entrepreneurship and the role of small business in 'changing the world' permeates into the values of the company today. He has successfully captured the commitment of local personnel by appealing to a higher ideal with a conscious drive to empower employees and customers, while innovating through various start-ups within the Alibaba group – injecting ongoing energy into the organisation.

Vale, on the other hand, was created as a strategic asset by the Brazilian government in 1942, but underwent radical growth and change following privatisation in 1997 and, more significantly, under the leadership of Roger Agnelli from 2001. Agnelli, an investment banker by training, drove Vale's growth and expansion at an astronomical pace through a series of risky acquisitions and with uncanny vision. This was based on growth in Asia (predominantly China) – for which he sought to develop unique, large ore carriers to overcome the competitive disadvantage of the geographical distance between Brazil and China – and, later, on large-scale projects in unexplored Africa. But Agnelli's visionary ideas – which were more global than Brazilian-focused – led to his ousting from the helm of Vale following political pressures from newly elected Brazilian President Dilma Rouseff in 2011.

Tata, after 140 years, has instilled four generations of ethical business, innovation and philanthropy in its business. It has embraced, or even come to epitomise, what leading academic in strategy from Wharton Business School, Habir Singh, and others call 'The India Way'.[17] This is a set of principles underpinned by the basic premise that the greater good of the nation or simply national development imperatives are just

17 Capelli, Singh, Singh & Useem (2010).

as important as the financial bottom line or image of a company. The development and progress of a country are an important prerequisite for the survival and success of a company.

Current chairperson of Tata, Ratan Tata, is the great-grandson of the founder of the company. Tata thrives on social capital – the value created from investing in good community and human relationships – in the same way that it relies on hard assets for sustainable growth. This means basing investments and operating decisions on the needs and interests of all who will be affected: shareholders, employees, customers, and the people of the countries where Tata operates.[18] Under Ratan Tata, and pursuing these values, the Tata group's revenues have grown twelvefold.

Prior to expanding into new markets, dynamic-market champions established a dominant position in their home markets. This is where they honed their skills, built their competencies, identified and focused on what it was they do best, and, ultimately, exported this to other markets. They chose new markets based on what they had to offer and the existing competition – seeking a leading position in those markets. In their expansion, most strived to maintain their corporate culture (and a link to the home-country culture) through a philosophy of 'one company, one system'.

This is most evident in companies like SABMiller, the brewer from South Africa, cement producer CEMEX from Mexico, and diversified conglomerate Koc from Turkey.

Established in 1895, South African Breweries underwent steady expansion over the next 60 years, with operations across South Africa and into Rhodesia and Northern Rhodesia (as they were known at the time). In 1956, in response to new beer taxes and declining volumes, South Africa's three largest brewers, SAB, Ohlssons and United merged their operations under SAB, giving it control of 90% of the market, a position it has defended more or less successfully ever since.

SABMiller prides itself on a standard set of systems and controls which have been honed in its home market of South Africa and, later, Southern Africa more broadly. It has embedded values or ethical guidelines that each entity in the group must sign up to.

Similarly, CEMEX has grown globally competitive through innovative processes and practices developed in its home market of Mexico, where it forged a leading position from humble provincial beginnings in 1906. Like SABMiller, CEMEX has a clear understanding of its business model at strategic, market and operational levels – adding innovation and creativity to the traditionally less colourful practice of cement production.

CEMEX knows where it can add value to a new property, which it acquires at sensible prices, applying its technical skills and operating template to each particular project or scenario, tweaking it for local conditions. It therefore brings its

18 Graham (2010).

management systems to bear to progressively upgrade performance in whichever location it might be active.

The Turkish conglomerate, Koc, also has a long history of market dominance that dates back to the first small grocery store in Ankara in 1917. From there, the company diversified into construction, oil and automotives to become the first incorporated private company in Turkey in 1938. Koc relied on state support for protection in its local market of Turkey, while forging exclusive technology partnerships with leading international players. It also retained control or ownership of its value chain, all of which ensured that it held on to its leading position in the Turkish market and other developing markets it entered.

While ensuring consistency and standards honed in home markets, all leading companies from dynamic markets seem open to learn about and adapt to the specifics of each market and culture. They have a strong affinity for cultural diversity, which is engrained in their strategic thinking and day-to-day operations. Successful companies have a genuine orientation to discover and learn.

In terms of people, management and skills, most of these companies come from dynamic markets where they were fortunate to have a pool of management and technical talent to draw from and which was happy to be deployed abroad. Translating these skills in new and different markets proved challenging, but was imperative. In addition to this, these companies also invested in people and management in the skills-poor environments which they entered. This empowered the locals and signalled a long-term commitment to the country and its people, beyond merely commercial gains, playing an active role in the country's economic development. This built a relationship of trust and confidence with host governments, which is crucial in dynamic markets.

This is evident in most dynamic-market firms expanding abroad, but lessons from SABMiller and Infosys, the leading information technology (IT) services provider from India, are particularly instructive.

SABMiller has been described in some circles as a school of management excellence. Its business hinges on the quality and consistency of management and management systems. SAB has had leading-edge management development programmes and practices in place since the 1970s. This has earned it the reputation as one of the best-managed companies in South Africa. With this has come a deep pool of committed and experienced managers to draw from and deploy around the world.

With over 65 sales offices, and 59 development centres in 33 countries around the world, Infosys employees 130 000 people worldwide. Its talent management and development have helped it earn the ranking as India's most admired company in the popular *Wall Street Journal*. In an effort to win the 'talent war' in India, Infosys invests $5 000 in training cost per new hire, with roughly 25 weeks' training before being assigned to a particular business unit. It also emphasises training and education above immediate pay or earnings, instilling a particular culture or value associated with longer-term goals for the individual and organisation – with a strong mantra of ethical behaviour and practices.

Importantly, besides becoming the employer of choice back home in India, Infosys has focused on hiring and developing local talent in new markets. This has built trust and confidence with governments and their people through the exporting of 'The India Way' into new markets and societies.

Most dynamic-market champions have capital (or access to capital) at their disposal. Resources to expand and to maintain investments abroad, even if the returns on those investments are slow to come, have proven important. This relates back to the market capitalisation of security exchanges. South African companies were well equipped financially to enter new markets post-1994, with sufficient capital support. This is evident in SAB's expansion drive in the mid-1990s, and Vale's International Public Offering (IPO) in 1997, which was soon followed by acquisitions abroad.

Financial constraints and complex markets demand a highly disciplined management structure. Managers in those markets often enjoy a high degree of autonomy, but with greater responsibility and driven toward execution and performance.

Finally, dynamic-market champions are hungry for knowledge and learning. They make a conscious effort to learn from the best practices of others and to constantly evaluate their own track record and performance in an effort to build on their own best practices. They are energetic and willing to try new things in new markets. These are traits they have built off a platform in their home country. Their very existence and the nature of their global activities represent the core of what dynamic markets are all about. Without these companies, dynamic markets would simply not be dynamic.

Concluding Remarks

The world is changing fast and a new breed of countries is driving global economic growth. But these are not simply rapidly expanding juggernauts. They are highly complex political economies, grappling with the prospects of growth and interconnectedness, and mindful of national interests and social development imperatives back home. They are forging progressive structures and institutions, and have increasingly sophisticated actors in the form of companies, agencies, individual leaders and government technocrats to help manage dramatic political, economic and social changes under way, and capitalise on the opportunities emerging by nurturing the restless energy that defines them. These are dynamic markets.

Attempts at redefining the dated concept of emerging markets have tended to neglect some key distinguishing attributes of these new drivers and shapers of the global political economy. The notion of dynamic markets considers a broad array of criteria – beyond linear economic measures – that have come to define these economies. Political, social and cultural factors are not only relevant, but are also key to the operating environment. This includes important enablers like innovation, institutions and governance, which most practitioners would agree form the true essence of dynamic markets and determine the 'terms of business' in those countries.

The old adage that politics and economics are two sides of the same coin should perhaps be updated in this new era of dynamic markets. Politics, in fact, drives economics and shapes our business environment in dynamic markets. It is crucial for business leaders and managers to expand their conventional acumen and have a profound understanding and appreciation of the political and cultural environment in which they operate.

Finally, dynamic markets are defined by their actors. Dynamic-market firms tend to exude similar management traits underpinned by a particular strategic leadership in their growth and international expansion. Many of these are characterised by intergenerational family leadership that informs the organisational values and ambitions of the firm still today. Others have emerged from state control or years of leveraging state support, having built a foundation of capital and skills, which they have now shed as they enter more competitive international markets. This does beg the question around the role of the environment and the various state or public actors in the development of these now globally competitive firms.

But, most of all, it is the nature, approach and ambition of the firms and individuals in dynamic markets that make them truly dynamic!

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3 TALENT MANAGEMENT CHALLENGES IN EMERGING MARKETS

Steve Bluen

Introduction

The projected growth of the BRICS (Brazil, Russia, India, China, and, latterly, South Africa) countries is impressive: Hewlett and Rashid (2011) predict that China will become the world's largest economy by the 2020s, and that India, currently 11th, could leapfrog Japan into 3rd place this year (2012). By 2050, whereas 97% of the 438 million people joining the global workforce will come from developing countries, the workforce in developed countries will have shrunk by 11 million, with emerging economies having grown by 1.7 billion.[1] Multinational companies (MNCs) have been expanding their presence, particularly into emerging markets.

These developments yield important talent implications. For example, in a 3-year period, IBM hired more than 90 000 people in Brazil, China and India.[2] Attracting, retaining, developing and deploying that amount of skilled and managerial talent over such a short period of time create exactly the kinds of challenges facing MNCs operating in emerging markets. Not least of these is the need to develop dynamic, world-class talent management approaches if they are to remain competitive. "While companies are facing significant talent management challenges in several regions of the world ... the challenges are most acute ... in the emerging markets such as the BRIC economies of Brazil, Russia, India, China and the economies of Central and Eastern Europe."[3]

The focus of this chapter is to describe the challenges inherent in managing talent in emerging markets and the responses MNCs have adopted to address those challenges. Before focusing on emerging markets, some of the dynamics of talent management per se are outlined. The situation becomes increasingly complex when managing talent globally, and the challenge becomes even greater when the MNC's global footprint extends to include emerging markets. To address these challenges, a framework for managing talent in emerging markets is proposed, and issues associated with each element of the model are discussed in turn. Finally, some learnings for managing talent in emerging markets are proposed.

1 Accenture (2011).

2 Schuler, Jackson & Tarique (2011).

3 Farndale, Scullion & Sparrow (2010:161).

Increasing Talent Management Complexity: from Local to Global to Emerging Markets

The challenge of managing talent in a single (domestic) business unit is exciting. An indication of the scope of single-country talent management challenges is presented in table 1.

Table 1: Talent Management Challenges Facing an Organisation Operating in a Single Country

Talent Focus Area	Key Questions
Business strategy alignment	What is the five-year business plan, and how does it shape the talent strategy? Do we have a compelling talent management business case? Do we have the right talent mix and bench strength to achieve the business plan? Are our desired talent pools aligned to the business strategy?
Succession planning	What are the vacancy and labour turnover rates and the resultant positions needing to be filled? Is there suitable talent to fill the vacancies – either from within (internal cover and the multiple knock-on effects that such moves will create) or externally in the market? On average, how long do we take to fill each vacancy, especially those that are critical to the business's operations? How can we shorten this time to fill? What does the talent mix look like? Do we have enough high-flyers to lead the company in the future? Who are the engine room and the negatively plateaued people, respectively? What engagement, advancement and development plans are to be made for each person within these categories?
Attraction and selection	What can we do to ensure that we recruit a disproportionate number of high-calibre talent into the organisation? Do we recruit people only to fill vacancies or does the company encourage recruiting people for potential, even if there is no vacant position for them to fill? Similarly, do we choose people who have skills required to fill current jobs or do we rather opt for talent with high potential when making selection decisions? How do we hone selection and promotion tools and skills to ensure culture fairness and enhance the predictive validity of talent decision making?

Talent Focus Area	Key Questions
Retention and engagement	How do we engage each person individually (rather than adopting a generic engagement plan) so that they are motivated (a) to perform optimally over time, and (b) to remain engaged and committed to the business? Who are the restless people – the flight risks (the notoriously difficult task of predicting propensity to leave the business)? Can we accommodate their needs? Who require moves into other jobs? Who are likely to be promoted, and are they ready to take on the additional responsibility? What can be done to speed up this readiness?
Development	Is our career development approach mutually beneficial to employees and the company? Does the company have a learning and development plan in place to meet our current and future skills and leadership needs? Who needs to be trained, coached or mentored? What is the nature of those learnings and how do we reduce time-to-competence? Does everyone have an individual development plan agreed with their manager that is aligned to their competency and performance gaps, management/leadership capability needs and career paths? Do we deliberately move high-potential people across functions, regions or geographies as a form of accelerated development?
Managing performance	How do we ensure that the high-calibre people we have attracted, retained and developed perform optimally? Are the talent management and performance management approaches dovetailed and mutually supportive?
Reward and recognition	What, how, and at what market level, do we set competitive remuneration levels? What changes are needed to make the benefit structures competitive, yet affordable to the company?
Diversity	How do we maximise transformation to truly embrace diversity? How do we ensure that our diversity efforts go beyond headcount targets to transform the culture of the business?
Organisational culture	How do we create a total employment offering and market an employee value proposition that renders the business a true employer of choice – as perceived by existing employees and by aspirant employees in our target market? How can we turn this organisation into the most desirable place to work?

Talent Focus Area	Key Questions
Talent information system	How do we run a talent management system that provides all users with real-time, consistent and accurate data upon which to make talent decisions?
Talent review and evaluation	Have we selected the appropriate talent key performance indicators (KPIs) that drive business performance? How do we optimise our talent KPIs? Does meeting talent KPI targets enhance business performance?
Line management's talent role	How do we enrol the chief executive officer (CEO), the Board and all line managers to fulfil their crucial roles in making talent management effective? How do we make them competent to fulfil these roles effectively?
The human resource (HR) function's role in talent management	How do we substantiate a budget to implement the answers to all these questions and develop an effective talent team to achieve the desired results? Does our talent strategy simultaneously meet business needs and conform to best practice?
Talent management's impact on business performance	Ultimately, are we doing all that we can to attract, retain and develop a disproportionate amount of high-calibre talent that will enable the business to achieve its strategic objectives and win in the marketplace?

Given the multiple moving parts, inevitable uncontrollable factors, and unpredictable changes, the dynamism inherent in talent management in a single business unit makes it an extremely exciting and challenging endeavour.

The situation becomes far more complex, though equally strategically important, when managing talent globally. Global talent management is crucially important for three reasons:[4] First, internationally competent business leaders represent a key component of global business success. Secondly, until recently, it has been extremely difficult to attract and retain suitable leaders to run international operations. Thirdly, given the complexities associated with international operations, talent management is more complex in global companies than in domestic firms. Indeed, the consequence of not deploying the right talent in the right places is a leading threat to MNCs. A quarter of the CEOs surveyed in the latest PricewaterhouseCoopers (PwC) CEO Survey[5] said they were unable to capitalise on market opportunities or had to cancel or delay strategic initiatives because of talent constraints, including: talent-related

4 According to McDonnell, Lamare, Gunnigle & Lavelle (2010).

5 PwC (2012).

expenses rising more than expected; inability to innovate effectively or pursue market opportunities; cancelling or delaying key strategic initiatives; inability to achieve growth forecasts in overseas markets; and falling production and service-delivery quality standards. Thus, global talent management is a major strategic priority for CEOs. It is not surprising, therefore, that CEOs rated developing talent pipelines (and meeting with customers) as their most important priorities.[6] The reason for talent being so important is that the talent shortage is global and not local. There are no hidden pools of talent that companies can access to solve the problem. The full extent of the strategic importance of global talent management has been articulated by several leading academics in the global talent field.[7] These are summarised in table 2 below.

Table 2: Why Global Talent Management Is an Increasingly Important Strategic Issue for Multinational Corporations[8]

Trend	Implication
The critical importance of global talent management is recognised	The success of MNCs is closely linked to how well they identify, manage and adapt to the many global talent challenges they face. To achieve this, they need to understand the environmental forces shaping talent management.
Competition for talent is now global	Competition for talent has moved from country to regional and global levels: talent resides throughout MNCs' global operations. This requires a global talent management focus if MNCs are to remain competitive. This is becoming increasingly difficult, as MNCs compete in the same, limited talent pools where demand greatly outweighs supply. Consequently, MNCs have to become more attractive and develop compelling employee value propositions to attract and retain talent.
Global talent management is becoming more pervasive	With the rapid growth of both MNCs and the internationalisation of small and medium-sized businesses, global talent management appears increasingly on the strategic agendas of smaller organisations – not just the MNCs.

6 15th Annual CEO Survey (PwC 2012).

7 Some of the prominent writers on global talent management include: Collings, McDonnell & Scullion (2009); Collings, Scullion & Morley (2007); Farndale, Scullion & Sparrow (2010); Hewlett & Rashid (2010); McDonnell & Collings (2011); Ready, Hill & Conger (2008); Schuler, Jackson & Tarique (2011); Scullion & Collings (2011); Scullion, Collings & Caligiuri (2010); Tarique & Schuler (2010).

8 Table 2 is adapted from: Schuler, Jackson & Tarique (2011); Scullion & Collings (2011); Scullion, Caligiuri & Collings (2008); Tarique & Schuler (2010).