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Latin America: The Quest for Talent

Some Latin American countries are now experiencing a "reverse" brain-drain.

BY JERRY HAAR AND MARIA PRADILLA

In an increasingly competitive global environment, major firms know that talent recruitment and cultivation is an urgent challenge. Latin America is no exception. For example, Brazilian multinational firm Vale do Rio Doce has increasingly promoted people in their mid-30s to direct large projects, and it is ramping up its in-house training so those employees can qualify for the higher positions sooner. Thus, it is spending around $100 million with its global training programs in 2011, around 30 percent to 50 percent more than last year.

Recognizably, talent recruitment is necessary for all large firms, but for multilatinas it is indispensable, since they are competing not just in their home markets, where they may still benefit from tariff and non-tariff barriers and a host of incentives reserved for local firms, including concessional financing, but in the global marketplace. The maturation of Latin American firms, whether focused largely on internal markets, foreign markets, or both, has been significant. These firms' abilities to secure financing and access state-of-the-art technology and supply chain management systems have increased significantly. It is the "people" factor that remains the most challenging. Just look at mergers and acquisitions (M&A), nearly $190 billion in Latin America in 2010, more than double the amount of the previous year. Over 70 percent of M&As fail to meet their objectives, or fail outright. The exclusion of HR from the process right from the beginning is a principal cause of failure. However, as noted by Daniel Nadborny, head of Mercer's M&A practice for Latin America, significant efforts are being made to change this. His colleague Paule Desaulniers, senior partner in their Mexico office, emphasizes that share values invariably decline when the acquirer purchases a company; therefore, human resources—talent—are critically important to removing uncertainty, boosting productivity and increasing overall performance to recuperate stock value.

The good news is that, companies are finally recognizing the importance that their HR departments can play in talent selection and recruitment and engaging senior HR managers more closely with line managers in the process—all linked to the firm's strategies and directions. Consequently, the prime challenges for HR managers are to attract talent by making compelling promises centered on the company's brand, opportunity, and purpose, and to retain talent by keeping promises, ensuring a merit-centered reward system, and accelerating professional development.

This difficult task of recruiting talented individuals in Latin America has been exacerbated by a massive brain-drain in some Latin American countries. When it comes to brain-drain, Venezuela is the champion. According to a recent study by the Latin American Economic System, Venezuela's outflow of highly skilled workers over 25 years of age rose 216 percent from 1990 to 2007. As a result, it is estimated that 9,000 Venezuelan scientists now live in the US, while only 6,000 live in Venezuela. Venezuela, however, is not alone in this exodus of talent, other Bolivarian countries such as Bolivia and Ecuador are following the same footsteps. For example, one in three Bolivians under 30 have plans to emigrate.

Fortunately, not all is doom and gloom in Latin America and some Latin American countries are experiencing "reverse" brain-drain. Countries such as Chile, Brazil, and Peru are implementing policies to entice talented and skilled individuals to come back to work in their home country. For example, Start-Up Chile is working closely with the government to reverse brain-drain by continuing to develop a globally-recognized technology center and by planning to create over 800,000 technology jobs by 2014. Consequently, Chile has seen an increased presence of both technology start-ups and active multinationals such as GE, Oracle, and Yahoo, which are recruiting and building the job market. Similarly, Brazil's job market is booming as a result of a thriving economy and an appreciation of its local currency, which makes compensation much more attractive when converted to dollars or Euros. Thus, although companies operating in Brazil may have to pay more to recruit and hire new talent, the available pool of talented individuals willing to relocate to Brazil has increased greatly. Companies such as Vale do Rio Doce and Citigroup have stepped-up their recruiting process by recruiting from top MBA and other university programs in the US and around the world.

The quest for talent—its identification, attraction, recruitment, retention and promotion--is one of the most daunting challenges of our time. How firms manage the process will surely impact their bottom line—both now and in the future.

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