



**Talent Migration**

**Turkey: The Gateway to the East**   
   
  
**Survey Report 2011**

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6. **Introduction**

The scope of the survey is to have an insight over the preferences of the companies towards their expansion in Eastern Europe, Russia, CIS, Middle East, and Asia. The study is conducted by using online research technique by ERA Research Consultancy, a reputable and established firm in the research consultancy sector in Turkey.

The survey is conducted among 350 business leaders residing in Turkey, both Turkish nationals and Expatriates.

The following issues have been analyzed in the study:

A. Preferences on Talent Migration

* Recruitment preference for new geographies
* Preferred solutions for middle and top level executive search
* The criteria important while choosing an executive search company
* Preferred assessment tools to appraise the suitability of candidates
* Usage of personality inventory tools

B. Preferences on Relocation

* Preferred geographies for relocation
* The main motivators for relocation
* Preferred organization types for relocation and reasons
* Preferred international position
* Preferred assignment duration

**II. Overview**

* 1. Talent Migration

There are an estimated 214 million international migrants worldwide. Collectively they would make up the world’s fifth largest nation. Migration is not only South to North phenomenon, in fact 40% of the world’s migrants move from one developing country to another.

Globalization is fueling mobility, as more companies expand abroad and people consider foreign assignments as a natural part of professional development. In a global economy, companies must be able to deliver localized products at the right price and with the right brand strategy to customer segments all over the world. They need a diverse and geographically dispersed workforce with intimate knowledge of and capacity to deliver. Even after the crisis of 2008, the core drivers of globalization are alive and well, but executives are still struggling with how to seize the opportunities of an interlinked world economy.

The battle over global talent is even fierce. Of course, growth in emerging markets, labor productivity and talent management highlight opportunites and challenges to face the global economic integration. Most of the executives in the developed economies are optimistic they will be able to find the right talent to meet their companies’ strategic goals. Emerging markets, with populations that are young and growing, will increasingly become not only the focus of rising consumption and production but also major providers of talent. To capture growth from emerging markets, building a local presence and recruiting talent from emerging markets are crucial.

One characteristic will define the highly skilled workers of the coming decades: **geographical and virtual mobility**. These prized employees will know how to network, they will have technological savvy, mentally flexible and committed to learning new skills and reinventing themselves to acheive meaningful careers. The expectations of this internationally mobile creative class will be different from those of their forebears.

Understanding these expectations will help organizations retain and develop talent and will help countries provide the necessary framework. University graduates and students are the usual talent targets, all around world. Both governments and private sector are promoting studying abroad, through student exchange programs and scholarships. Competition for international students has already heated up. To be employable in 2020, graduates must be **technologically literate** and acquire **transferable, cross cultural learning skills.**

**Talent Migration** is important for developed countries as well. With older workforce, developed countries are in need of young talent. Affiliates in developing countries are becoming incubation centers. Higher echelons of careers in the headquarters are opening to talent from emerging markets, more and more. Over the next decade, EU’s talent supply will continuously decrease leading to almost empty talent pipelines beyond 2020 and merely reaching an average growth rate of %0 to 1%.

On the other hand, many countries in the emerging markets report workforce surpluses due to high economic growth and stable birth rates. However, there are questions about the employability of these workers. The uneven quality of educational systems in developing countries is one reason why workers are not receiving the training they need to thrive in an increasingly global economy. The economic downturn has triggered more restrictive immigration policies. Across the globe, countries are reducing quotas, setting tougher entry requirements and refusing to renew temporary work permits even for highly skilled workers. The greatest projected talent shortfalls are in 3 functions; **management skills, R&D, and leadership**.

The coming agenda for the HR Departments will be mainly concentrate to find solutions to talent issue. The talent pools being created around the world are just too vast. And figuring out how to assimilate and bring those people seamlessly into the leadership structure of a “**Borderless Corporation”** will be a competive advantage.

b.Growth Markets: A short overview of Eastern Europe, Russia, CIS, Middle East and China

Emerging Markets are the “Wellspring” of a New World Order. The notion of emerging market economy is characterised by rapid transisiton, undergoing industrialization, having high growth rates and presenting investment opportunities due to the growth and development of their financial infrasturucture as well as the risks involved due to their unstable economic, monetary, institutional and political structures. Emerging markets are primarily defined by their economic takeoff. **Rapid growth constitutes the common denominator of these countries, together with their rapid integration into the global economy.** They are the products of globalization, with strong state administrations, without which the growth would not be sustainable. They are mainly large countries with rapidly growing populations.

From a geoeconomic standpoint, emerging countries come into competition with developed world. Emerging countries stand out as trade competitors on the world market. Their share in international trade rose from 21% to 30 %. They compete with developed economies in most of the, lesser value added, traditional sectors, due to their abundant supply of cheap labor. Emerging countries no longer settle for being mere subcontractors and are aiming to work their way up the added value chain to assembly and finished goods.

In the old continent, the rise of **Eastern European** countries is mainly due to the EU economic criteria and to the structural funds made available by the unification. Foreign Direct Investment has also had a considerable impact in the territory; mostly concentrating in Hungary, the Czech Republic, Slovakia and Poland.

**Gulf countries** are for the most part, rentier economies, often affected by the political instability, corruption and capital flight. Growth spawned by oil and natural resources has created a whole different dynamic from which is characteric of emerging markets where labour costs are low. They have learned from other emerging countries and now copy their strategy.

**Russia** has a great deal of natural resources and is classified as a BRIC country, having an established and stable financial market. Russia’s relations with the rest of the world is bound with her role as a major exporter of energy. Fundemental growth in Russia’s economy is mainly the result of the rise in energy and mineral resources. Demographic trends is a concern as her population is ageing.

**CIS countries** in Asia are Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzistan, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Total investment in CIS countries declined dramatically after the breakup of the Soviet Union. Although progress achieved in macroeconomic stability and relatively high growth rates; net FDI inflows per capita has remained low in CIS countries in comparison with Central and Eastern Europe and the Baltic States. Investment into energy exporting countries such as, Kazakhstan, Azerbaijan and Turkmenistan has generally been limited to the energy sector. In Georgia, Ukraine, Azarbeijan and Armenia oil pipeline projects and energy sector privatization accounted for the major inflow of investment.

Motivation for foreign firms to invest in CIS countries have primarily been “resource seeking”. The Russian economy remains the engine of growth among them. The economic recovery in the CIS has relied heavily on improved external conditions, including the rebound in commodity prices. Economic dynamics in the CIS at large, remain highly dependent upon the health of the Russian economy.

With her vast and ever improving infrastructure and the competitive advantage of her workforce, **China** has become the world’s largest hub for export oriented production. China mainly exports finished goods, most of which are consumer goods. China has been the locomotive of economic growth in Asia and the World over the past decade.

c.Turkey

Turkey is close to mature markets as well as growth markets. As neighbours of Balkans as well as Middle East and the Caucasus, she posseses a considerable geostrategic resource. Turkey enjoys an extensive and dynamic domestic market. Her population is 75 million ihnabitants. The volume of foreign trade has increased by 15 times in the past 25 years. The foreign direct investment received in the last years is equivalent of much higher than the FDI received between 1980 and 2000. The stock value of FDI stood at $174 billion at year-end 2010, but inflows have slowed considerably in light of continuing economic turmoil in Europe, the source of much of Turkey's FDI.

Backing from an economically developed and politically stable entity, has also contributed to the rise of Turkey. Turkey benefited from the enterpreurial savvy of her business people and her young, relatively skilled demographic capacity.

Turkey's economy is increasingly driven by her industry and service sectors, although her traditional agriculture sector still accounts for about 30% of employment. An aggressive privatization program has reduced state involvement in basic industry, banking, transport, and communication, and an emerging cadre of middle-class entrepreneurs is adding dynamism to the economy. Turkey's traditional textiles and clothing sectors still account for one-third of industrial employment, despite stiff competition in international markets that resulted from the end of the global quota system. Other sectors, notably the automotive, construction, and electronics industries, are rising in importance and have surpassed textiles within Turkey's export mix.

1. **Recruitment Preferences**
   1. Recruitment Preferences





The market economy is not yet fully established in the emerging markets. Most of the transformation has started in the past two decades. If a company wants to find very senior talent or senior managers in these markets, it can at times be almost impossible for particular sectors and specific industries. It is imperative to go across and beyond the boundaries of the industry to find talent. The most common approach is to search for talent from the largest multinational companies established in that market, regardless of the ideal industry or sector profile. The new investors will need to take risks, in terms of the ideal profile. Under these circumstances, matrix structures of companies will be an asset. However, most business decisions will be recoursed to the parent company, resulting in loss of valuable time in a competitive market environment.

The combination of company’s own expatriates and new local resources is the most desired solutions for new entrants into these markets. Expatriates are quick to establish and replicate the global business model and hence with the accepted and approved profiles by the headquarters, the adaptation period is shorter. They are good conduits to entrenched corporate culture. However, they are relatively expensive, alien to the local market conditions and culture, and carry personal issues such as family relocation, schooling. Expatriates also have distinct preferance for which geography to take an international assignment. According to our survey, local people with multinational work experience are the most desired managers for multinationals.



The results of the survey demonstrates that Executive Search & Appraisal firms are preferred for the upper level executive posts. The participants, are by majority in favour of outsourcing for supply of talent rather than purely rely on internal resources.

Search & Appraisal firms are selected mostly by their perceived market experience followed by the cost, the local track record, the reputation and their associated network.

* 1. Criteria to Choose Search & Appraisal Company





Search & Appraisal companies in emerging markets are mostly established by former business professionals. They have an insight into dynamics of business, and possess a sound network in the local business community. They can provide a first rate service at a reasonable cost but they may not have the global vision of their clients.

Companies with a global vision are not solely looking for local talent to run the business in that market but also looking to form a talent pipeline with alternatives for growth and expansion. Monobranded international search firms and multibranded local firms within a strong international network are best suited to address those needs. They can run projects globally, they have access to international data resources and their exposure and experience in crossborder search projects is vast. Moreover, they better understand the requirements of the global talent search and the multicultural issues at hand.

Their networks entails variety of search consultants with different experiences and sector profiles plus their individual reputation in their home markets facilitates to establish contact with the demanded talent at mid to upper levels. In return for the advantages they bring to their clients, their cost structure and their payment terms can be more demanding.

According to our survey, business leaders prefer an independent local firm with a strong international network, such as INAC, for their search requirements. Corporate HR support is less preferred, since the knowledge regarding profiles, remuneration, market experience, referances and other local issues become more important. Local Search & Appraisal firms’ experience and knowhow become the priority in this process. Local firms with an international network can provide the best of two worlds, the global approach and the local knowhow. This becomes the most desirable solution to local penetration in these markets.

* 1. Preferences over Talent



There is an increasing growth of demand for executive talent from multinational and local companies in emerging markets like Eastern Europe, Russia, CIS, China, India, Malaysia, Indonesia, Korea, Philippines, and the Middle East. In the race to find these executives with, multicultural intelligence, language skills, leadership ability, and functional competence, the multinational companies are looking at Search & Appraisal firms to guide them across borders with local/regional knowledge and globally accepted approach to conducting this process with high ethical standards.

The perceived advantage of relocation of expatriates from headquarters is the fact that these talented international executives bring with them the organizational DNA, core skills, organizational culture and highest ethical standards. Such managers, can transfer the corporate business knowhow, the corporate values, the global confidence and the corporate culture of their business model to their local colleagues. Expatriates also establish the decision making and reporting channels with the headquarters to overcome and facilitate decision bottlenecks.

Expatriates are rather expensive to employ or to deploy, as many multinational companies know very well. Multinationals coming from developed economies, know that they need to reduce the number of expatriates in an emerging market within a certain period of time, by nurturing local talent to replace them at the end of the corporate learning and training process; or relocating regional executives who know that region or looking for the nationals of that market among their global corporate staff. According to a recent survey by the Association of Executive Search Consultants – AESC - only 12 % of senior executives in the emerging markets are expatriates, compared with 56% 10 years ago.

Expatriates are at least twice as costly than the local executives. In some instances, the investment made by the multinationals to send expatriate executives overseas, does not provide the expected returns, because these executives often go back to their home base in 1 or 2 years’ time. This may be resulting from a cultural misfit, corporate restructuring, lack of leadership, and/or not possessing the relevant experience for that market or organisation. This creates a sinking cost effect and loss of valuable time for the organisation. There should be greater effort made by the multinationals to identify, train and develop those people who will go to the frontiers to conduct global business.

Another downside in assigning expatriates can be the short sighted focus because of temporary and short durations of stay in these markets. As expatriates are assigned for predetermined periods of time, they will have a tendency to focus on their next career move rather than fully focus on soundly building the local company.

* 1. Decision Support Tools





Personal assessment tools are used to determine a person's basic personality traits. Personality tests typically measure one or more of five personality dimensions: extroversion, emotional stability, agreeableness, conscientiousness, and openness to experience. They can reveal more information about applicant's abilities and interests, identify interpersonal traits that may be needed for certain jobs.

The preferance for appraisal tools is evenly distributed where both external and internal tools are used by the multinationals. More specifically, Big5 Personality, MBTI, Thomas and 16PF are commonly preferred and used. Appraisal is one of the most important building block of finding the right candidate from a functionality, leadership, innovation and cultural fit point of view.

1. **Relocation Preferences**
   1. Geography Preferences



* 1. Motivation



* 1. Organization







* 1. Position Preferences



* 1. Tenure



In terms of moving to a new geography, there is a distinct preferance for Eastern Europe followed by the CIS, Asia and the Middle East. This is of course a reflection of Turkish executives and expatriates who are based in Turkey. This would probably be different if the survey had been conducted in another country or region. The geography preferance also reflects the trade flow of Turkey with those geographies.

Career advancement and remuneration are the main drivers of migration followed by personal advancement and company reputation. Personal and financial gains seem to be at the forefront of “why” these executives will relocate. Company reputation is also an important motivation but is well behind the personal advancement from a career and personal point of view, coupled with the inherent financial reward. Going forward, multinationals will need to comprehensively address the individual preferences of executives to recruit the best available global talent. Company reputation on a stand alone basis, will not be enough to be competitive in new or emerging markets.

From an organisational point of view, a larger and established organisation is the choice for the majority of participants. Value of “an established network” and “challange” are the main drivers of this preferance. This may seem to be in conflict with the motivation question where “company reputation” came behind the individual advancement expectations.

“Challange” and “making an impact” are the main drivers of joining a reorganising organisation. For a smaller organisation, once again, “making an impact” and “challange” are the main drivers. Overall, “challange” and “making an impact” come out as the key indicators of making a cross border move for executives.

In terms of a preferred position, the results show an even distribution with the preferance of “managing at headquarters and travelling continuously” slightly being at the forefront. It makes one think, why “continuous travel” seems attractive to some executives!

From a tenure perspective, an expatriate assignment of 3-5 years comes out as the ideal duration period, to “make an impact” and successfully overcome “the inherent challange”.

1. **Opinions**

The following are direct quotes from the participants of our survey. The survey question was:

**Do you think that in the next decade, the search for global talent will become an important issue at executive levels? What is your foresight?**

We have extracted one “yes foresight” and one “no foresight” to set the tone for this section. The foresight of the majority of the respondents were “yes”.

“**Yes**, it will be an issue. Each day competition is getting tougher; we see more innovative solutions to customer demands, continuous developments on technology. In this environment organizations need more than ever intellectual leaders who can carry them to next stage. For this purpose need for experienced, analytical leaders who can identify the root causes of the potential issues with a good teamwork, come with proactive solutions and be able to execute their action plans with structure and discipline”.

“**No**, I don't think that it is going to be an issue, because we are working more and more through networks, like social networks, using internet and other online tools to be closer with specified communities, such as this from executive levels from all over the world. It is clear that there exists an important lack of talent, so the executive search firms will be in this niche, looking for talent”.

The whole list of opinions are as follows:





