

The Many Faces of your Employees: Insights into the Emerging Markets Workforce

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Abstract—The higher compounded growth rates coupled with favourable demographics in emerging markets portend abundant opportunities for multinational organizations. With many organizations competing for talent in these growing markets, their ability to succeed will depend on their understanding of local workforce needs and aspirations. Using data from the Towers Watson 2010 Global Workforce Study, this paper highlights differences in employee engagement, turnover risks, and attraction and retention drivers between the two markets. Apart from looking at the traditional drivers of employee engagement, the study also explores the value placed by employees on elements like a strong senior leadership, managerial capabilities and career advancement opportunities. Results reveal that emerging markets employees seem to be more engaged and value the non-traditional elements more highly than the developed markets employees.

Keywords—Attraction and retention drivers, emerging markets, employee engagement, turnover risk

I. INTRODUCTION

THE higher economic growth rates and more favorable ratios of younger-to-older people in emerging markets as compared to their developed counterparts have not gone unnoticed by multinationals. The changing demographics will grant a comparative advantage to emerging markets as their demographic dividend pays off in surplus labor supply vis-à-vis the developed world. These global companies are staking their future growth on emerging markets, a development likely to make the competition for talent in these growing economies fiercer than ever as international companies chase growth and profitability around the globe. So far, most multinationals manage their talent far more successfully at home than in emerging markets [1]. Some have made the mistake of exporting home talent strategies to emerging markets, even where the local workers exhibit distinctly different employment preferences. When companies leave home, finding and retaining talent and maximizing productivity call for a realistic appraisal of differences between emerging and developed markets and their workforces. The concept is in accord with the trend of “glocalization” — thinking globally and acting locally [2]. Past research has used a number of frameworks to show how different cultural values are related to workforce attitudes and organizational processes [3]. Studies have also attempted to include countries with different economic, legal, political backgrounds to draw insights on how cultural characteristics influence organizational structure and management practices [4].

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Moreover, some researchers and consultants have analyzed interviews of executives and have used case studies to identify factors that differentiate the companies that are more successful in managing talent in emerging markets from those that are less successful [1]. The main purpose of this study is to provide evidence based insights on how employees are different in emerging and developed countries. These differences highlight the need for multinationals to take a comprehensive measure of their workforce composition and plan accordingly in order to maximize employee engagement and productivity.

The paper is structured as follows: In Section 2, the main research question is presented. Section 3 highlights the data and methodology used in the analysis. Section 4 presents the results by highlighting workforce differences between emerging and developed markets using the Towers Watson Global Workforce Study data [5]. Specifically, cultural differences, differences in employee engagement, turnover risk, attraction and retention drivers, value placed on some key non-financial dimensions are highlighted. Section 5, presents the concluding remarks and Section 5 throws light on some of the strengths, limitations and scope of further research.

II. RESEARCH QUESTION

This study aims to provide answers to the question of *how* employees in the emerging markets are different from those in the developed markets. Specifically, the following differences are examined and tested:

- Differences in culture
- Differences in employee engagement levels
- Differences in attraction and retention drivers
- Differences in value placed on non-traditional elements like career advancement opportunities, manager capabilities and senior leadership

III. DATA AND METHODOLOGY

The analysis uses the *Towers Watson 2010 Global Workforce Study* [5] for data analysis. The study covers more than 20,000 full-time employees in 22 countries around the world. Fielded via an online survey between November 2009 and January 2010, it is the most comprehensive analysis of the post-recession employee mindset available today. Emerging countries covered in the study include Russia, India, China, Mexico, Brazil, Malaysia and South Korea.

A. Employee Engagement

Using our database of opinions from millions of employees around the world, and applying the latest empirical research from the fields of organizational behavior, management and organizational psychology on Employee Engagement, Towers Watson has developed an Engagement framework consisting of three components. According to Towers Watson's engagement model, "to be fully engaged, employees must:

THINK – Rational/cognitive understanding of the organization's strategic goals, values and how employees fit

FEEL – Emotional /affective attachment to the organization

ACT – Motivation and willingness to invest discretionary effort to go above and beyond"

This paper uses statements from the *Towers Watson 2010 Global Workforce Study* [5] to create the engagement index which is an average of nine items. For example, the Rational/Think component reflects employees' agreement or disagreement with statements such as "I believe strongly in the goals and objectives of this organization. The Emotional/Feel component measures employees' emotional attachment to their organization through statements like "I am proud to tell others I work for my organization." The Motivational/Act component is gauged through statements like "I am willing to put in a great deal of effort beyond what is normally expected to help my organization succeed."

B. Regressions

All regressions employ linear regression technique, using the cluster-by-country option to analyze differences between emerging markets and developed markets. Emerging market is a dummy variable where emerging market = 1 and developed market = 0. After studying the literature, certain other factors like age group, gender, grade (job level), organization size, industry, macroeconomic factors like GDP, unemployment are used as control variables in the analysis to isolate the differences between employees on the parameters analyzed.

C. Indices

The career advancement index, manager capability index and senior leadership index used in the analysis are based on employees' agreement/disagreement with statements that directly measure the importance they assign to these three factors.

D. Attraction and Retention Drivers

To determine the factors that influence employees' decisions to join an organization, the study asked employees to select the top five factors from a list including job characteristics such as competitive benefits, convenient work location, flexible schedule, vacation/paid time off and reputation. To identify the drivers of retention, employees were asked how certain characteristics of a job offered by another employer would influence their decision to leave their current organization, such as improved work-life balance,

greater job security and higher compensation. The attraction and retention drivers are identified using these questions.

IV. WORKFORCE DIFFERENCES

A. Cultural Differences

Emerging markets are known to have a more collectivist culture compared with developed countries, which are prominently individualistic [6]. As shown in table I, emerging markets tend to share the following characteristics:

- Culture is more paternalistic or hierarchical.
- Inequality of power is more pronounced (power distance).
- Individuals are more loyal to their groups/communities, even at the expense of personal convenience.
- People are more fatalistic, i.e., they believe that fate is more powerful than long-term planning.

These cultural differences coupled with socioeconomic and political conditions strongly influence employees' aspirations and attitudes.

TABLE I
COUNTRY SCORES ON SOCIOCULTURAL DIMENSIONS

	Germany	U.S.	Canada	Average	India	China	Russia	Average
Paternalism	79	112	97	96	137	123	105	122
Power distance	99	110	96	102	123	117	116	119
Loyalty toward community	117	111	105	111	127	125	132	128
Fatalism	45	52	62	53	95	51	92	79

Source: Aycan et al. [4].

B. How Does Employee Engagement Differ Between Emerging and Developed Markets?

In today's competitive workplace, employee engagement is a critical driver of organizational success. In addition to affecting employee retention and productivity, employee engagement also has a direct impact on a company's reputation and customer satisfaction.

1. Differences at the Country Level

From November 2009 to January 2010, the *Towers Watson 2010 Global Workforce Study* [5] surveyed more than 20,000 employees in 22 countries. The study found that workers in emerging economies such as Brazil, China and India are more engaged with their jobs than workers in developed markets (see Fig. 1).

Even after controlling for demographic factors (e.g., age, gender and grade) and macroeconomic factors (e.g., GDP growth and unemployment rates), differences in engagement levels remain pronounced, according to a regression analysis based on the Towers Watson Global Workforce Study [5] (table II). On average, workers in emerging markets are more engaged than those in developed markets.

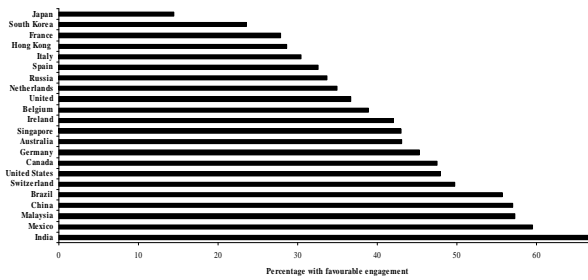


Fig. 1 Employee engagement scores among emerging and developed markets

Source: Towers Watson [5]

TABLE II
DIFFERENCES IN EMPLOYEE ENGAGEMENT AT THE COUNTRY LEVEL

Regressors	(1)	(2)	(3)	(4)
Emerging market (dummy)	5.00 (2.38)**	6.82 (2.94)**	6.55 (2.74)**	6.33 (3.07)*
Age		0.52 (0.29)*	0.60 (0.25)**	0.53 (0.29)*
Gender		7.45 (13.86)	3.88 (13.43)	12.75 (15.15)
Grade		-10.56 (5.49)*	-7.90 (7.16)	-10.20 (6.37)
Industry		-0.53 (0.47)	-0.61 (0.48)	-0.52 (0.50)
Organization size		2.87 (4.12)	4.45 (4.64)	2.50 (4.72)
Real GDP growth (2010)			0.54(0.25)**	
Unemployment percentage				-0.22 (0.18)
Constant	15.37 (1.14)***	16.45(23.70)	6.07 (23.82)	10.43 (25.34)

Source: Towers Watson [5].

Notes: Dependent variable is employee engagement here. Robust standard errors are in parenthesis. Significance levels are noted by *** for 1%, ** for 5% and * for 10%. Emerging market is a dummy variable where emerging market = 1 and developed market = 0.

2. Differences at the Employee Level

At an individual level, the regression results in table III also suggest that employee engagement is significantly higher in emerging versus developed markets. The difference remains considerable even after controlling for age, gender, grade, industry, organization size, manager capabilities, career advancement opportunities and senior leadership.

TABLE III

DIFFERENCES IN EMPLOYEE ENGAGEMENT AT THE EMPLOYEE LEVEL

Regressors	(1)	(2)	(3)
Emerging market (dummy)	5.24 (2.47)**	4.85 (2.07)**	4.85 (1.82)**
Age group 35-44		-0.58 (0.77)	0.42 (0.75)
Age group 45-54		0.93 (1.07)	2.48 (1.05)**
Age group 55+		3.98 (0.98)***	5.76 (1.00)***
Gender		2.07 (0.69)***	2.16 (0.67)***
Grade		-3.80 (0.48)***	-3.19 (0.41)***
Industry		-0.02 (0.01)	-0.02 (0.01)*
Organization size		0.44 (0.25)	0.46 (0.20)**
Manager capabilities			7.43 (0.42)***
Career advancement opportunities			0.45 (0.38)
Senior leadership			6.62 (0.57)***
Constant	15.00 (1.19)***	21.73 (2.05)***	7.96 (1.77)***
Number of observations	20,408	20,408	20,408

Source: Towers Watson [5].

Notes: Dependent variable is employee engagement here. Robust standard errors are in parenthesis. Significance levels are noted by *** for 1%, ** for 5% and * for 10%. Emerging market is a dummy variable where emerging market = 1 and developed market = 0.

C. What Do Employees Want? Differences in Turnover Risk, Attraction and Retention Drivers

In emerging markets, there is a greater risk of employees' leaving the organization in search of better opportunities elsewhere, thereby creating additional costs for companies. The risk remains elevated despite considerably higher average salary increases—7% in emerging markets versus 2.3% in developed markets.¹ To gain a retention advantage in emerging markets, many companies pay generous salaries and offer unique perks and amenities as well. For example, numerous organizations in India offer "extra" benefits such as paternity leave, dating allowances, fitness packages, state-of-the-art training facilities, day-care facilities, restricted stock units and subsidized food [7]. Brand image and opportunities to advance are becoming important differentiating factors for companies' attraction and retention strategies.

Given the high turnover risk in emerging markets and the increased competition for talent in today's environment, the ability of organizations to attract and retain key talent is becoming increasingly crucial. According to the *Towers Watson Talent Management & Rewards Survey 2010/2011* [8], organizations face particular challenges in attracting and retaining top performers and critical skill talent, though the scope of the competition varies by region, as recovery from the recession has been uneven. *Table IV* and *V* below show differences in the top attraction and retention drivers in emerging and developed markets

All employees value opportunities for growth and development, such as competitive benefits, career development opportunities, challenging work, job security and training. However, as shown in *table IV*, workforces in developed and emerging economies have different priorities.

¹ These figures are an average for developed and emerging countries covered in Towers Watson [5].

TABLE IV
TOP ATTRACTION DRIVERS

Emerging markets	Developed markets
Opportunities to advance my career	Competitive base pay
Competitive base pay	Challenging work
Opportunities to learn new skills	Opportunities to advance my career
Competitive benefits (other than retirement or health care)	Convenient work location
Reputation of the organization as a great place to work	Flexible schedule

Source: Towers Watson [5].

In the developing world, most people starting their careers are young and highly ambitious. They prioritize opportunities for career advancement and skills acquisition over a convenient worksite or flexible schedule. In India and China, for example, career advancement and learning and development opportunities are the top factors in attracting employees, whereas in Europe and the United States, employees rate competitive pay most highly.

TABLE V
TOP RETENTION DRIVERS

Emerging markets	Developed markets
Increased compensation	Increased compensation
Greater career advancement opportunity	Greater job security
Greater job security	Availability of/better pension
Availability of/better pension	Improved work-life balance
Improved work-life balance	Greater career advancement opportunity

Source: Towers Watson [5].

As shown in Table V, an offer of a higher salary appears to be the biggest influence on employees' decisions to leave their current organization in both markets, making salary the most important retention driver around the world. For workers in emerging markets, career opportunities are the next most powerful driver of retention, while workers in developed markets value job security more highly.

D. Differences in Three Key Dimensions: Career Development, Senior Leadership and Manager Capabilities

In this section, values that employees assign to non-financial priorities, such as career advancement, manager capabilities and senior leadership, are examined.

3. Emerging Market Employees Value Career Development More Highly

Fig. 2 further reinforces the finding that employees in emerging markets value opportunities for advancement more highly than do those in developed markets. In emerging markets, increased opportunity means much faster career progression than it does in the developed world [9]. Given the abundance of job opportunities, emerging market employees expect steady and frequent promotions. Moreover, workers in emerging markets exhibit a stronger preference for managerial/leadership positions over other advancement options than workers in developed markets [10]. Workers in emerging economies believe they can enhance their skills/career progression by receiving support such as coaching from managers and senior leaders, attending training sessions and networking with peers. Even after accounting for demographic and other differences, workers in emerging markets place significantly higher value on career advancement opportunities than workers in developed markets (Table VI).

4. Strong Senior Leadership Matters More to Emerging Market Employees

Historically, advancement in emerging markets has been based on personal connections and favoritism. Employees in these markets tend to value the brand name/reputation of their company and senior leaders because they believe a popular association will help them get ahead. Employees highly value strong leadership that challenges them to develop into future leaders and contribute to the company's growth. Fig. 3 and table VI reveal that emerging market employees are more likely to believe that senior leaders are effective in leading their organizations and value their guidance more highly.

5. Relationships with Managers Important to Workers in Emerging Markets

Relationships with supervisors and managers tend to matter more to employees in emerging markets because of their collectivist culture [9]. Employees require more interaction with their supervisor in managing their careers, which also affects their engagement with work. As shown in fig. 2 and table VI, workers in emerging markets place a higher value on a capable manager than those in developed markets.

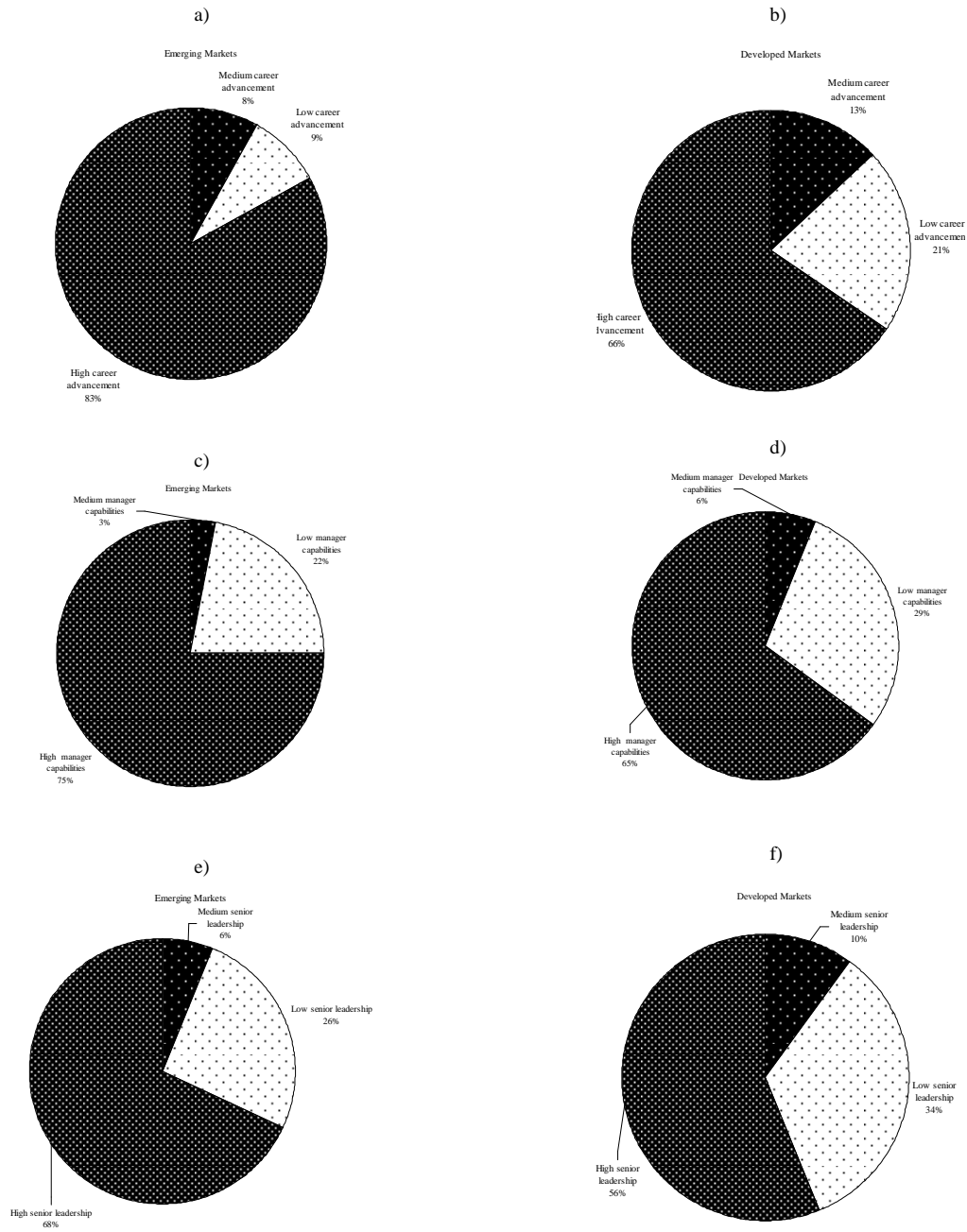


Fig. 2 Differences in the value placed on career advancement opportunities, manager capabilities and senior leadership

Source: Towers Watson [5].

Notes: The levels of career advancement, manager capability and senior leadership are calculated as follows: High level = Tend to agree/agree, Medium level = Neutral, Low level = Tend to disagree/disagree

TABLE VI
RAW AND ADJUSTED DIFFERENCES IN CAREER ADVANCEMENT, MANAGER
CAPABILITIES AND SENIOR LEADERSHIP

Regressors	Career advancement		Manager capabilities		Senior leadership	
	(1)	(2)	(1)	(2)	(1)	(2)
Emerging market (dummy)	11.26 (2.39)***	8.95 (2.01)***	6.59 (2.44)***	4.96 (1.89)**	7.35 (3.46)**	4.84 (2.82)*
Age group 35-44		-2.44 (0.73)***		-2.76 (0.56)***		-3.88 (0.48)***
Age group 45-54		-4.72 (1.03)***		-2.80 (0.80)***		-4.26 (0.83)***
Age group 55+		-6.07 (1.31)***		-1.38 (1.10)		-2.51 (1.01)**
Gender		2.93 (0.41)***		1.72 (0.60)***		1.80 (0.45)***
Grade		-3.51 (0.43)***		-3.67 (0.49)***		-4.98 (0.56)***
Industry		-0.03 (0.01)***		-0.01 (0.01)		-0.01 (0.01)
Organization size		0.04 (0.15)		0.32 (0.21)		-0.07 (0.23)
Constant	8.97 (1.12)***	17.76 (2.12)***	8.54 (0.81)***	17.59 (1.95)***	7.35 (1.03)***	19.02 (2.13)***
Number of observations	20,408	20,408	20,408	20,408	20,408	20,408

Source: Towers Watson [5].

Notes: Career advancement index, manager capabilities index and senior leadership index are the dependent variables here. Robust standard errors are in parenthesis. Significance levels are noted by *** for 1%, ** for 5% and * for 10%. Emerging market is a dummy variable where emerging market = 1 and developed market = 0.

V. CONCLUSION

This study throws light on the differences between employees in emerging markets and those in developed markets. It highlights important differences in employee engagement levels, attraction and retention drivers, and differences in the value employees assign to factors such as career advancement opportunities, manager capabilities and senior leadership between the two markets. On average, employees in emerging markets seem to value career advancement opportunities, manager capabilities and strong senior leadership more highly than do employees in developed markets.

Thus, it pays for multinationals to differentiate between employee preferences and values in developed versus emerging markets and reflect those differences in their employee value proposition. Especially in emerging markets where job opportunities are plentiful, offering targeted rewards can distinguish one employer from another. Effective segmentation of employee cohorts and a thorough understanding of local workforce needs and aspirations can help companies reduce costs and optimize employee performance on a global basis.

Recognizing that customers are heterogeneous and designing targeted customer value propositions have been important business developments in the last few decades. Similarly, with talent becoming a scarcer resource, recognizing differences among employee cohorts and tailoring employee value propositions accordingly could make all the difference in

attracting and retaining a talented workforce in the decades ahead.

VI. STRENGTHS, LIMITATIONS AND SCOPE OF FURTHER RESEARCH

Most of the studies focusing on the differences between emerging and developed markets employees have been qualitative in nature using case studies of successful organizations and experiences of professionals in the talent management field. This study adds to the literature by providing actual evidence of differences on a few parameters.

One limitation of the analysis is regarding the number of countries included. In future studies, it would be interesting to confirm these findings by including other emerging markets in the discussions, such as Chile, Columbia and Peru when discussing South America; Hungary and Poland with Europe; and Indonesia, Thailand and the Philippines within the Far East discussions. Future studies could also explore diversity in workplace behavior within both developed and emerging markets to further highlight the need to recognize and act on measurable differences between employees. Future analysis could also include the impact of different dimensions of culture on workforce behavior by incorporating culture in regression models.

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