

HSBC Global Connections

02 July 2013

By John Rumsey

The right way to relocate workers to Latin America

Economist Intelligence Unit

Canadian companies eager to open offices in Latin America may find staffing up more difficult than they expected

Booming emerging market economies have set off a scramble for local talent, and that's encouraging many North American companies to relocate new or existing workers from up north.

Unemployment levels in countries like Brazil and Mexico are approaching historic lows, thus recruiting in their tight job markets is even tougher because of the relatively shallow pools of available Latin American talent. In the Economist Intelligence Unit's Learning Curve survey, which ranks 40 countries' cognitive skills and educational attainment, Mexico and Brazil were in the third to last and penultimate positions, respectively. No surprise, then, that last year job placement company Manpower found in its global Talent Shortage Survey of 41 countries that Brazil is the second hardest place to find qualified workers. Mexico is the twelfth most difficult.

Talent scarcity varies by title. Highly technical positions, such as chief digital officers, e-commerce heads and positions in big data analysis must often be filled by "imported" individuals, according to Francisco Ruiz-Maza, executive director at Russell Reynolds Associates, an executive recruiting firm in Mexico City. But, in other areas, such as sales and marketing, finding qualified people within the country can be easier. Brazilian citizen Adriana Bidegain, CEO of the Brazilian operations of telecom consulting firm Telcel, acknowledges how hard finding local talent was—even with her extensive

local network and the help of a senior human resources professional. Today, she has a 50/50 mix of Brazilians and Canadians at her new 10-strong Brazilian office.

Ruiz-Maza observes that the opportunity to gain some experience working in emerging markets can make relocation to Latin America an attractive proposition for some North Americans. Twelve years ago, that prospect, in part, drove the fresh-from-college Roger Lessard to Brazil. Today, he manages the Brazilian operations of Canada's diversified conglomerate GLV Group, which has a paper and pulp equipment business in Brazil. Lessard sought a dynamic and rapidly growing market and found Brazilian culture to be youthful compared with the "grey hair" culture of Quebec.

When searching for workers likely to be successful in a new country, Marie Berdini, vice-president of human resources and talent management at software company Infragistics, headquartered in Cranbury, N.J., reviews their work history, looking for "a collaborative nature—someone who quickly establishes trust and rapport at all levels—and versatility."

Accounting and financial management positions are often held by North Americans; these kinds of positions don't require the ability to speak the local language. Upper management often feels more comfortable with a transfer from the head office to oversee financial management, says Lessard. This may be particularly true in a region with high levels of fraud and corruption.

But reasonable local language fluency is indispensable for many other positions. "Spanish is critical for commercial roles, general manager positions and those that rely on business development strategy," reports Ruiz-Maza. Sales and marketing positions, in addition to needing linguistic fluency, require an understanding of local preferences and knowledge of networks, for example.

The trap for those who do not speak the local language can lie outside the office. English may be the global business language at the C-suite level, but Spanish or Portuguese is needed for day-to-day living and to relate to more junior employees, says Berdini. "Overall, I think language is the most important attribute of them all," she says.

Companies increasingly offer some type of training to employees willing to take the plunge. Acclimatization courses typically cover issues of business etiquette, such as how to conduct a meeting, social norms and when to buy and how to present a gift. For smaller companies without the budget, expat sites such as www.gringoes.com can help.

Packages to encourage North Americans to move south are considerably more modest than they were a few years ago. "They used to be very generous and extremely incentive-based, often with completion bonuses," recalls Berdini, who estimates they've

come down some 30% to 50% over the last 10 years. These days companies tend not to offer a salary increase and may even tweak salaries to local market levels.

Fringe benefits have not been spared the ax either. Tax advice tends to be part and parcel of any offer. But once-standard items like housing, local language training and children's private school tuition now need to be negotiated individually. More and more companies set out in the contract a time when the expat either must return home or convert to a local executive package.

When mulling going native, expats should be aware of wide regional salary and cost-of-living differences. Brazilian executives receive some 30% to 40% more than their Mexican counterparts, says Ruiz-Maza. Still, according to website Expatistan.com, the cost of living in Mexico City is 31% cheaper than in São Paulo, which is, in turn, 48% cheaper than New York.

Another topic for negotiation is titles, which can vary widely depending on the importance of the overseas office and local customs. Often sales or marketing people measure their worth in sales or revenues. As a result, shifting to a smaller operation can feel like a demotion, observes Ruiz-Maza. How to compensate? Through "a title upgrade," he asserts. "Emphasize the importance of the move to future career development."

Convincing executives with older, near-college-age children can be tough, says Lessard. For younger families, however, more affordable and available nannies, drivers and gardeners in developing countries often give them a higher quality of life. In fact, persuading expats to return to North America after experiencing life high on the hog in Mexico can be problematic.

An even bigger problem is navigating each country's widely varying visa requirements. Generally, more open economies such as Mexico and Costa Rica are pushovers, says Ruiz-Maza. More closed economies such as Brazil, however, have byzantine rules with a commensurate drag on cost and time. As long as six months may be required to obtain a Brazilian work visa, while a Mexican work visa generally takes only 30 days. Even so, last year Brazil issued 73,000 work visas, nearly triple the 25,440 issued in 2006. The development of more comprehensive embassy websites has facilitated the issuance of short-term work visas, which are generally well within the purview of the human resources department, although visas of a year or more may require professional help, according to Berdini.

The nitty-gritty of cultural adaptation can also be a source of frustration and apprehension. Typical questions include: "Can I walk by myself at night? Will the menus be in English? What is there to do?" says Bidegain. When she transferred an employee to Brazil from India, Bidegain showed the expat around the neighborhood, picked an

apartment within walking distance of the office so she didn't have to deal with São Paulo's notorious traffic, and even took her to the supermarket. "I helped her pick out basics such as detergent where brands are different and the labeling is not in English," she recalls.

After the move, employees often find it tricky to adapt to different work practices. "Striking up a business conversation without preamble in Mexico would be considered incredibly rude," says Ruiz-Maza. He suggests a "warm up . . . about the latest football match or weekend." Hints of arrogance or superiority can also damage wider relationships. More lax timekeeping and fluid deadlines, long lunch breaks and resistance to breakfast meetings are among local customs that need to be accepted.

In spite of the best preparations, some transfers will inevitably fail. Better to acknowledge the mistake early on, says Berdini. She once transferred a successful U.S. manager to supervise a customer support team. The transferee had come up through the ranks and was respected for her abilities and liked by colleagues. But she did not create the same connection with the team in her new location. Berdini hired a local manager to take over and shifted the expat to a position where she could act as mentor and even brought forward her return date. Hiring is not an exact science. "I've learned some of my most valuable lessons the hard way," she sighs.