

NEWSLETTER

INTERNATIONAL

 ENGLISH VERSION



## MARKET INSIGHTS INDIA, USA, HUNGARY

### NEWS:

P. 2

STRATEGIC ALLIANCE WITH ASCENTRIA:  
NEW U.S. NETWORK AND ADVISORY BOARD  
APPOINTMENT FOR KEN SCHMITT ▶



P. 3

### INTERVIEW:

 India

**Anne Krieckhaus**

„THE TRANSITION PHASE ISN'T ABOUT  
WAITING – IT'S ABOUT PREPARATION“ ▶



P. 5


 USA

**Ken Schmitt**

EXECUTIVE SEARCH IN THE U.S.:  
CURRENT TRENDS ▶



P. 7

 Hungary

**Dr. Eva Ratatics**

HUNGARIAN LABOR LAW: KEY FEATURES  
AT A GLANCE ▶



**Strategic Alliance with Ascentria:**

## NEW U.S. NETWORK AND ADVISORY BOARD APPOINTMENT FOR KEN SCHMITT

**CT Executive Search** and California-based **Ascentria Search Partners** have formed a strategic partnership aimed at expanding their joint capabilities in international executive search across North America, Europe, India, and the Middle East.

As part of the collaboration, Ken Schmitt, Partner and Co-Founder of Ascentria, has joined the CT Executive Search Advisory Board.

This partnership significantly amplifies both firms' success rates in delivering strategic executive search support to U.S. and EU based clients seeking top tier talent for senior leadership positions.

Ascentria's established local presence, combined with Ken's extensive track record advising European clients, creates a powerful platform for delivering successful outcomes.

"KEN BRINGS A STRONG, CONSULT-ORIENTED APPROACH THAT ALIGNS SEAMLESSLY WITH OUR STRATEGY, VISION AND WORK ETHIC,"

says Christian Tegethoff, Managing Director, CT Executive Search.

By combining their respective strengths, both firms offer deeper market insight and trusted guidance for complex leadership decisions in an increasingly interconnected global landscape.

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## „THE TRANSITION PHASE ISN'T ABOUT WAITING – IT'S ABOUT PREPARATION“

### **How would you assess the potential impact of the EU-India Free Trade Agreement (FTA) on the strategic market positioning of German companies?**

The Free Trade Agreement (FTA) has the potential to become a real turning point for European-Indian economic relations. For German companies, it means one thing in particular: significantly better planning security and a noticeable reduction in barriers to market entry. Particularly in sectors such as mechanical engineering, the automotive industry, renewable energies and medical technology. Lower tariffs and a clearer regulatory framework can create substantial competitive advantages in these sectors.

Another strategic element is the strengthening of supply chain stability. Many German companies are currently aiming to broaden their presence in Asia, and reduce dependencies. India offers robust industrial ecosystems, a skilled workforce and an increasingly innovation-driven economy.

### **In your opinion, how significant is the influence of the Free Trade Agreement on AHK India's current work priorities?**

Since the FTA was announced, enquiries from German companies regarding market entry in India have clearly increased. We are preparing to support companies through the new opportunities and changes in the legal and customs framework – from market entry and the development of local added value to supply chain issues.

A key focus will be on preparing companies for the operational implications at an early stage: Which tariffs will be abolished? Which rules of origin will apply? What new opportunities will open up in export, production or R&D? At the same time, we will further intensify our networking activities in politics, administration and industry to provide companies with the best possible advice. Basically, with an FTA, the AHK's role as a bridge-builder becomes even more important.



**Anne Kriekhaus**

Managing Director,  
German Representative Office  
of the Indo-German Chamber  
of Commerce, Dusseldorf

## **How should German companies leverage the transition period before the agreement comes into force?**

The transition period is not a time to sit back and wait. It is a time to prepare. Companies should use this time to strengthen their position in the Indian market by building partnerships, analysing customer needs, identifying local suppliers, and launching or expanding initial market activities. It is also important to prepare internal structures early on for potential changes, for example, in the areas of compliance, customs and origin documentation, or product certifications. Many of the benefits of an FTA can only be realised if processes are properly established.

Companies that are already present before the agreement comes into force will have a clear competitive advantage later on. They know the market, have established networks and can benefit immediately from the improved framework conditions. As experience shows, acting early pays off.

## **What key considerations and priorities should a German parent company focus on, when building its initial operational footprint in India?**

Building the right team. This is one of the key factors for success. Companies should pay particular attention to three elements:

### **1. Local expertise:**

India is diverse, dynamic and highly region-specific. Local staff understand market mechanisms, customer expectations and administrative processes. They are indispensable for gaining a foothold quickly and effectively.

### **2. Cultural sensitivity:**

Successful market entry requires mutual understanding. Managers should be open to the Indian working culture, communication styles and decision-making processes. Investment in intercultural training pays off in the long term.

### **3. Long-term commitment:**

India rewards companies that invest sustainably – including in their workforce. This means creating stable business structures, talent development and respecting the local decision-making process. Managing a local entity from Germany is rarely successful.

If these three elements are in place, establishing a local presence will not only be quicker but also more future-proof.

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## EXECUTIVE SEARCH IN THE U.S.: CURRENT TRENDS

**What is your assessment of the U.S. executive market today? Where are you seeing the strongest demand?**

The last few years have been a bit of a roller coaster ride for executive talent in the U.S. After working our way through covid, the global supply chain issues, high interest rates and inflation, and most recently tariffs, the market for senior level hiring has stabilized a bit. Given our focus on middle-market private companies, many of which are Founder-led or Private Equity owned, we're seeing a heightened demand for strong leadership. Many of the Founders we work with are building out their ELT (Executive Leadership Team) to better support their growth and eventual sale, while our Private Equity clients have had to extend their holding periods due to the cost of capital and unrealistic valuations. At the same time, consolidation among mid-market companies has increased. There are more private equity firms chasing fewer acquisition targets. Finally, with more than 10,000 people reaching retirement age every day in the U.S., there are fewer experienced leaders available to run these companies. The result is a market characterized by higher demand, lower supply, increased compensation and a more risk-averse talent pool that is increasingly selective when considering a job change.

**Are European companies currently hiring aggressively in the U.S., or taking a more cautious approach?**

Yes. Even before the tariffs and the U.S. government's focus on bringing more manufacturing and supply to the U.S., we saw an increase in European companies looking to hire and expand their teams here with U.S. senior level talent. In the last 18 months, we've recruited U.S. leaders for companies based in Spain, Germany, China, France, Canada and the U.K. While the current political climate has at times been more challenging for international partners, there is still a willingness to hire senior leaders across the U.S.

**Where do European firms most often encounter challenges when hiring senior leaders?**

We spend a good deal of time talking about three key areas when considering making a senior hire in the U.S.

1. The speed of the hiring process. In the U.S., a typical C-Suite or VP-level search takes 60-70 days. If the process takes significantly longer, candidates may lose interest.



**Ken Schmitt**

Partner & Co-Founder  
Ascentria Executive Search /  
Senior Advisor, CT  
Executive Search

THE RESULT IS A MARKET CHARACTERIZED BY HIGHER DEMAND, LOWER SUPPLY, INCREASED COMPENSATION AND A MORE RISK-AVERSE TALENT POOL THAT IS INCREASINGLY SELECTIVE WHEN CONSIDERING A JOB CHANGE.

2. Market confidence a cultural fit. U.S. leaders working for European-based companies need to feel confident that the products or services will be readily accessible to U.S. customers, ensuring timely delivery and reliable resources support Trust and the culture fit are extremely important to U.S. leaders working with overseas headquarters, and candidates typically need to speak with several members of the leadership team during the interview process to feel supported and heard.

3. Compensation and benefits. The structure of compensation in the U.S. is quite different from what many European companies are used to, and we regularly advise clients to consider higher base salaries, significant bonuses, commission for sales-related positions, and more comprehensive benefit packages due to the high cost of healthcare in the U.S.

#### 4. How do American executives typically perceive European employers?

Overall, quite positively. Many U.S. executives have worked for internationally based companies and are accustomed to the differences and the opportunity.

There are times when we are working with a senior leader who previously had a difficult experience with a non-U.S.-based company and decides not to go through that again. However, most leaders simply want to ensure they are aligned with the communication style, leadership approach, and growth goals of their European based bosses.

Regardless of where the company is headquartered, the key issue is whether the U.S. leader will be able to operate with sufficient autonomy, making decision based on the needs of U.S. customers and suppliers, rather than implementing a "one-size-fits-all" global approach that overlooks regional differences.

Overall, there is a great deal of synergy between U.S. and European businesses. While there will always be some cultural and stylistic differences, the key to building a successful cross-border partnership is clear communication, void of any assumptions or judgements. Every region of the world has their way of conducting business, but with transparency and clearly defined expectations, the entire operation will thrive.

MANY U.S. EXECUTIVES HAVE WORKED FOR INTERNATIONALLY BASED COMPANIES AND ARE ACCUSTOMED TO THE DIFFERENCES AND THE OPPORTUNITY.



## HUNGARIAN LABOR LAW: KEY FEATURES AT A GLANCE

### **What are the main differences between German and Hungarian labour law, particularly regarding termination, probation periods, and fixed-term contracts?**

Hungarian labour law is more flexible than German law in many respects, which may sound appealing to employers at first, but also has its own drawbacks.

#### a) Probation period

In Germany, the statutory maximum duration of the probation period is six months, during which employment can be terminated with two weeks' notice. In Hungary, the probation period is limited to a maximum of three months, with the option to extend it to six months via a collective agreement, and unlike in Germany, it can be terminated immediately by either party without stating a reason.

#### b) Fixed-term contracts

In Hungary, fixed-term employment contracts may not exceed a total duration of five years. A fixed-term contract may be concluded without a specific reason. However, if a fixed-term contract is extended or renewed shortly after its expiration, this requires a legitimate interest on the part of the employer. If such an interest is lacking, the employment relationship is considered permanent. The decisive factor here is not, as in Germany, the number of extensions, but rather the total duration and the existence of a legitimate interest. By comparison, German law allows fixed-term contracts without a specific reason for a maximum of two years with no more than three extensions.

#### c) Termination

In Germany, the Unfair Dismissal Protection Act imposes strict rules regarding grounds for termination, the selection of employees for redundancy, and the involvement of the works council. The situation is different in Hungary. While employers must provide a reason for termination, the requirements are considerably less strict. Termination based on "operational needs" is much easier to enforce in Hungary than in Germany. Notice periods depend on the length of employment and start at 30 days but increase with longer tenure. This is similar to Section 622 of the German Civil Code (BGB), though with slightly different scales. Note: Hungary also has specific grounds for protection against dismissal or prohibitions on termination, such as for pregnant women, mothers on parental leave, or works council members.



**Dr. Éva Ratatics**, Partner,  
LYNX, Budapest.

LYNX is an international  
business law firm for Central  
and Eastern Europe.

## **In your experience, which labour law aspects prove most problematic for German companies during the initial establishment and early operational period in the Hungarian market?**

Entering the Hungarian market often goes more smoothly than expected from an operational perspective, but challenges relating to employment law usually arise a little later.

### a) Requirement for written form

In Hungary, employment contracts must be concluded in writing. If this is not done, the employee may claim the contract is void within 30 days, whereas the employer cannot. Therefore, anyone relying on verbal agreements might face unpleasant surprises.

b) Mandatory information in employment contracts: The Hungarian Labour Code stipulates that employment contracts must contain certain minimum details, in particular, the basic salary and a job description. Many German companies simply translate their standard employment contracts into Hungarian, without checking whether they comply with local requirements. This can result in invalid clauses.

### c) Minimum wage

The statutory minimum wage in Hungary is adjusted annually and is set separately for unskilled and skilled workers. Anyone who fails to make these adjustments regularly may face fines from the Hungarian labour authority.

### d) Holiday entitlement

The Hungarian holiday entitlement system differs structurally from the German one. There is a basic holiday entitlement and additional holiday entitlement, depending on the employee's age and the number of children. An employee's basic holiday entitlement increases with age. Furthermore, the law assumes that it is not the employee who takes their holiday, but the employer who determines when the holiday is taken. Even though this is often disregarded in practice, this principle means that unused holiday entitlement does not lapse in subsequent years, which can lead to negative consequences for the employer and, upon termination of the employment relationship, to costly surprises.

## **What should companies in Hungary pay particular legal attention to, when designing variable compensation models, bonus schemes, or target agreements for executives?**

Variable remuneration is also widespread in Hungary, but the legal framework differs from what German HR departments are used to.

## a) The principle of freedom of contract – with limits

Basically, freedom of contract applies in Hungary. Bonus schemes and target agreements can be structured flexibly. However, once something has been agreed upon in writing in the employment contract, it is binding on the employer. Anyone who contractually promises a bonus cannot unilaterally withdraw it, which is similar to the situation in Germany, but is often underestimated in practice. There are various employer-friendly approaches to structuring contracts to avoid this outcome.

## b) Distinguishing between discretionary bonuses and contractually guaranteed bonuses

If the employer wishes to reserve the right to exercise discretion, this must be stated clearly and unambiguously. Vague wording such as “a bonus may be paid at the employer’s discretion” can lead to disputes in practice, if the employee has received a bonus for several years, and in cases of doubt, the burden of proof rests with the employer.

## c) Target agreements

If the employer links the bonus to the achievement of particular targets, they must ensure that the targets are actually achievable, clearly measurable, and fair. If targets are not agreed in good time before the start of the assessment period, the employer risks the employee claiming entitlement to the full bonus.

## d) Special provisions for senior executives

Hungarian law provides for special arrangements for so-called ‘senior employees’, which allow for greater contractual flexibility. Among other things, certain statutory protections may be waived. This is particularly important in the context of dismissals, which may be effected without providing reasons. In other words, protection against dismissal for senior executives is significantly weakened. However, this category is interpreted narrowly and requires that the employee actually possesses far-reaching decision-making powers within the company.

## **How are non-compete clauses and confidentiality agreements regulated in Hungary? What should companies pay attention to when drafting these contracts?**

Post-contractual non-compete clauses and confidentiality agreements are generally permitted in Hungary, but are subject to strict formal and substantive requirements.

### a) Post-contractual non-compete clause

A post-contractual non-compete clause must be agreed on in writing.

- Appropriate consideration from the employer is an essential element of the contract. The compensation must be commensurate with the scope and intensity of the non-compete clause but must amount to at least one third of the employee’s last average monthly basic salary.

Anyone who pays no compensation, or too little, risks having the non-compete clause invalidated. The obligation to pay compensation for a post-contractual non-compete clause is often regulated differently, or not at all, in German contracts.

- The maximum duration of a post-contractual non-compete clause is two years – just as in Germany.
- Geographical and material limitations: The non-compete clause must be limited to what is strictly necessary, both geographically and in terms of scope. A blanket, worldwide non-compete clause covering all areas of activity is regularly regarded by Hungarian courts as disproportionate and may be declared invalid.
- Furthermore, the clause may be drafted in such a way that the employer can unilaterally withdraw from the post-contractual non-compete clause. It is important that this notice is delivered to the employee no later than the termination of the employment relationship, as otherwise it will be of no effect.

## b) Confidentiality agreements

Unlike a non-compete clause, a confidentiality agreement is not limited to two years and does not necessarily have to be remunerated. However, it should clearly define which information is considered confidential. Clauses that are too broad and seek to cover all of the employee's knowledge may be restricted by Hungarian courts.

## **What role do employee representatives and trade unions play in Hungary, and what should German companies expect in everyday practice?**

For German companies accustomed to a strong works council and a corporate culture characterised by co-determination, Hungary is a different world.

### a) Works council

In Hungary, a works council can be elected once a company has fifty or more employees. However, its rights are significantly weaker than in Germany. It primarily has rights to information and consultation, but hardly any genuine co-determination rights as provided under the German Works Constitution Act (BetrVG). The Hungarian works council cannot block or enforce the employer's decisions. At most, it can demand consultation. This is a fundamental difference from the German system, where the works council has considerable influence over operational changes.

### b) Trade unions

Overall, trade unions play a less significant role in Hungary than in Germany. Union membership rates are significantly lower. In the Hungarian context, however, the automotive industry forms an exception to this. Where trade unions are present, they have the right to conclude collective agreements that may modify certain statutory minimum standards, both to the benefit and to the detriment of employees if the collective agreement so provides. Hungarian law allows for greater flexibility in this regard than German law.

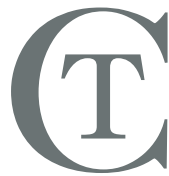
## What does this mean in practice?

German companies setting up a branch in Hungary can implement restructuring, transfers, or changes to working conditions quicker and easier than in Germany. However, the lack of a culture of co-determination can also be a challenge. Without institutionalised communication channels, companies must find other ways to ensure employee satisfaction and identify conflicts at an early stage.

## Important note for companies operating across borders

Any company with a group works council or a European Works Council in Germany must check if, and to what extent, the council's participation rights also apply to its Hungarian subsidiary. In practice, however, this is often overlooked.

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## EXECUTIVE SEARCH



### EXECUTIVE SEARCH EXPERTS IN EASTERN EUROPE, ASIA AND THE MIDDLE EAST

**CT Executive Search** focuses on placing key positions in Eastern Europe, Asia and the Middle East. We are experts in cross-border search processes and identifying high-performing candidates, adding value to international companies. Leveraging a broad network of analysts and consultants across Eastern Europe, Asia and the Gulf Region, CT Executive Search has established itself as a reliable partner to well-reputed multinational companies.

#### BERLIN

CT Executive Search Europe GmbH  
Central Office  
Französische Str. 12  
10117 Berlin, Germany  
Telephone: +49 30 201 88 370  
E-mail: office@ct-executive.com

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