

**NEWSLETTER**

**INTERNATIONAL**

 ENGLISH VERSION



## EXECUTIVE SEARCH IN THE EMERGING MARKETS



P. 2

INTERVIEW:

**Christian Tegethoff**

"SUITABLE CANDIDATES CAN BE FOUND  
IN EVERY COUNTRY" ▶



P. 4

INTERVIEW:

**Thomas Piontek**

"RUSSIANS MAKE QUICK DECISIONS" ▶

*More than 40 percent of European exports go to countries outside the European Union, with the USA, China, Switzerland, Turkey and Russia being the largest customers.*

*Accordingly, it is important for companies to organize their international sales effectively and to place strong candidates into the local management positions. However, executive search in the emerging markets poses some distinct challenges.*

## „SUITABLE CANDIDATES CAN BE FOUND IN EVERY COUNTRY“

### **How does executive search in emerging markets differ from senior recruitment in Europe?**

In countries such as India, Russia or Iran, it is important to assign the leadership positions with trustworthy personalities who understand how an international company ticks. Candidates with sufficient technical qualifications are relatively easy to find in most countries. More important is the intercultural fit. A Managing Director needs not only to deliver results in his respective country, but has at the same time to function in an international structure.

Important keywords here are compliance understanding, leadership style and familiarity with working in a matrix system with its multidirectional reporting paths.

In Germany, the United Kingdom or Denmark, these skills can usually be assumed. In the emerging markets, they are sought-for features of candidates with a track record in international companies.

Career moves and new appointments take place more dynamically in places like Iran, the Gulf States, Russia and Asia, than in Europe. In many countries, employees' term of notice is only a few weeks, and the willingness to change the employer is generally high. This is sometimes uncomfortable for European companies, whose decision-making processes often require a lot of time.

### **Can the experiences from one emerging market be transferred to the others? Does not the respective country's culture play an important role?**

Of course, the conditions are not identical in all emerging markets, but the observations described above can be generalized to some extent. The respective culture of the country plays a role, of course. However, it should not be the company, which adapts itself 100 percent to the country culture. Rather, the local executives should bring the skills to thrive in both the local and the corporate cultures. They assume an important bridge function between the corporate world and the local realities.

A multinational organization operates at all its sites according to fairly uniform principles. A Chinese or Iranian manager must adhere to the same rules as his colleague in Finland or France. Candidate assessment must thus focus on the ability to adhere to international corporate standards, values and procedures. Candidates without prior experience with international companies usually lack these fundamental skills.



**Christian Tegethoff**  
Managing Director  
CT Executive Search

### **What should companies consider when entering a new market?**

Placing the right people into the executive roles is the key to company success when entering a new market. As described, compliance awareness and management skills are key skills. If incumbents lack these, the subsidiary risks to start on the wrong tracks from the outset. The resulting problems can then sometimes be corrected only with considerable difficulty.

While some companies place due emphasis on a thorough and objective selection of candidates, they neglect the incorporation of the new employees and then exert insufficient leadership and control. This is one reason why we often see subsidiaries in the emerging markets that are largely detached from the parent company. Some develop their own lives. In these cases, local management tends to assign key roles with their people – often to the detriment of the parent company.

Local management can be creative when it comes to developing black schemes, as an example from Russia shows. The Managing Director of a manufacturing subsidiary in the Moscow region teamed up with the Chief Accountant. The duo cashed in while selecting suppliers, granted discounts in exchange for kickbacks and maintained a partly virtual payroll list, remunerating non-existent employees.

Without being paranoid, group management should be aware of the risks associated with remote and neglected subsidiaries. Control and firm integration into the group structures are proven methods to avoid such scenarios.

### **What are the salary levels for executives in emerging markets?**

Salary levels differ enormously from country to country. There are also considerable fluctuations over time, as foreign exchange rates can be very volatile relatively to euro and dollar. Of course, the remuneration levels also reflect the cost of living in the respective economy. For example, remuneration in Iran is very much below salary levels in the United Arab Emirates.

The regional labor markets are also quite heterogenous within the individual countries. For instance, the Chinese Tier 1 cities have little in common with remote provinces.

Because of the large number of influencing factors, generalized statements on this issue are impossible. A sensible answer can only relate to a certain position at a specific location.

### **Are there suitable candidates in all emerging markets? Should a company prefer to send an expatriate?**

In principle, suitable candidates for successfully managing a subsidiary can be found in every target country. However, the size of the corresponding candidate pool varies from country to country.

In Iran, which has been isolated for many years due to strict sanctions, the supply of internationally experienced candidates is currently relatively low. Other emerging markets are home to large international business communities, e.g. China or the Gulf States.

Accordingly, there are many managers who have been trained in international companies and are well-versed in multinational structures.

Locations like Shanghai, Singapore, Moscow or Dubai host many European expatriates, who have moved permanently to these cities. As „local expatriates“, they often represent an interesting alternative to native candidates and to „classic“ expatriates, who are seconded from the company headquarters.

However, local candidates are often preferred for sales-oriented positions. Dealing with customers and distributors requires a solid knowledge of the respective country's culture and language – here, most expatriates have deficits in comparison to native managers.

Expatriates are more valuable when the focus lies on transfer of technologies or processes. As the bearers of corporate culture, expatriates sent from headquarters can help to integrate local corporate structures more effectively into the international organization.

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## “RUSSIANS MAKE QUICK DECISIONS”

### **For which positions did you predominantly recruit in your time in Russia?**

Our vacancies were more in the technical management sector, rather than in the administrative functions. In the technical field, we were mainly looking for Rig Managers. As many positions as possible were assigned with internal candidates from the other countries in which KCA Deutag is active.

Our company policy preferred placing internal people, even though there might sometimes have been better external candidates. New colleagues from outside could have given new impulses here and there and would have had a fresh look on things. We have hired various IT staff, logisticians and other specialists, who had approached us directly. Our basic goal was and is nationalization. By employing Russian employees, we wanted to further improve the acceptance of the company with partners and customers. In many positions, we have placed expatriates only if no suitable candidates were found locally.

### **What are the specific challenges for recruiting in Russia?**

Sometimes the credibility of the information provided in CVs and other application documents is lower, certificates provided could be faked.

In principle, everything should be checked, including supposed professional qualifications - these are not always equivalent to European standards. We have often had the experience that we had to train supposedly „finished“ people on the job.

Consider the enormous regional differences in Russia. Moscow and St. Petersburg can be understood as „emerging markets“, the regions east of Urals can be considered as a developing country in some respects. The availability of specialist and managerial staff is lower here, although this depends on the specific position.

An example: We have drilled in Komi, towards the Jamal Peninsula. On the ground, there are practically no specialist workers, who must then be recruited and brought there from other places.

## INTERVIEW



### **Thomas Piontek**

has worked as Vice President HR at Cargolux and ASCOM AG. As a Partner in renowned German executive search firms, he later managed numerous national and international assignments. Piontek spent the last four years in Siberia, where he served as Regional Senior Manager HR for oil & gas service provider KCA Deutag.

### **How does recruiting in Germany differ from recruiting in Russia?**

Searching in Germany takes longer because there are differences in terms of legislation and work culture. Notice periods are longer, the candidates' willingness to move is lower. In Russia, changes happen faster and more spontaneous - which naturally has advantages and disadvantages.

The availability of qualified employees is generally lower in Russia, Germany has a higher "candidate density". The dimensions of „loyalty“ and „sense of affiliation to the company“ are less pronounced in Russia due to cultural circumstances. Russians make decisions more quickly.

In Russia, geography sometimes stands in the way of a simple personnel planning. If I want to move a manager from Tyumen to Moscow, then I have to offer so much more that the company is no longer ready for it. The differences between city and countryside are immense, which is much more pronounced in Russia than in Germany. In comparison, regional differences in Germany are negligible.

### **When do you think placing expatriates makes sense?**

Whenever a key position is to be filled and no local candidates of appropriate quality are available. However, the expatriate must be affordable from a commercial point of view. Often, assigning a headhunter with a search is worthwhile - inhouse recruitment instruments are usually not sufficient to identify suitable candidates.

We also have good experience with market mappings, as they are offered by some HR consultancies and executive search firms. "Market mapping" basically means an analysis of the candidate market. The HR consultancy determines which concrete persons work with competitors and peers, what their professional backgrounds are and if they are basically willing to change the employer.

This helps to optimize your own remuneration systems and, above all, to be able to approach potential candidates quickly if there is a short-term demand.

### **What advice do you have for HR professionals who need to assign a senior position in an emerging market?**

You need to get a sense for the target country and have a high degree of empathy. At the same time, you should bring a high degree of frustration tolerance.

It is important to see candidates not only "through your own glasses". The assessment should be based both on your individual values and the requirements of the target country. The candidate must be able to get results in Russia, otherwise the whole is „a knee shot“!

When identifying, approaching and selecting suitable candidates, a headhunter who is active in the country and who has experience there can be very helpful. The prerequisite is that he understands the requirements of the company and can assess whether a certain candidate is able to successfully operate in the target country.



## EXECUTIVE SEARCH



### EXECUTIVE SEARCH EXPERTS IN ASIA, RUSSIA&CIS AND THE MIDDLE EAST

CT Executive Search assists international companies in recruitment for key positions in middle and senior management. We set ourselves apart through a clear focus on the economic areas of the Middle East, Asia, Russia and the other countries of the former Soviet Union, and on sectors in which our consultants feel perfectly at home due to many years of experience.

Via structured and documented searches processes, our consultants ensure access to the best candidates on the market. They are experts in cross-border recruitment processes and familiar with the characteristics that candidates require in order to work successfully in multinational companies.

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