

NEWSLETTER

INTERNATIONAL

 ENGLISH VERSION

EASTERN EUROPE



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How has the trade volume between Germany and Central Eastern Europe developed in recent years?

Germany's exchange of goods with Central Eastern Europe has been developing very positively for years. The region has become a top partner of the German economy. In 2018, Germany's trade volume with the Visegrád Group and the Baltic States amounted to more than 300 billion euros. The Czech Republic, Hungary and Slovakia rank in front of much larger countries such as Turkey, Canada, Brazil and India in terms of their trade volume with Germany.

The trade with Poland is developing particularly dynamically. Thanks to an increase of 7.5 percent, the German-Polish exchange of goods reached a record level of 118.5 billion euros in 2018. It is becoming apparent that Poland will soon replace Great Britain as Germany's sixth most important foreign trade partner.

In the coming years, the Czech Republic is expected to be the second country in the region served by our association to break the barrier of 100 billion euros.

Why is Central Eastern Europe an attractive manufacturing hub for German companies? Do you expect further German direct investments in the region?

The overall economic situation in Central Eastern Europe continues to develop very positively. Within the European Union, these countries are among the drivers of growth. The latest forecast of the European Commission of May 7th 2019 is based on growth expectations well above the EU average of 1.4 percent. These range from 2.6 percent in the Czech Republic to 4.2 percent in Poland. Thus, in an increasingly difficult foreign trade environment, important growth impulses for the German economy come from Central Eastern Europe.

The region's advantages include EU membership, geographical proximity to Germany and well-trained, qualified and creative professionals. In the case of the three Baltic States and Slovakia, all of which have adopted the euro, currency security is added. As an association, we also appreciate that economic development agencies and authorities in the countries are actively working for the success of foreign investors. This applies in particular to the manufacturing industry.

One of the largest current investments is the plant for battery cell production planned by Mercedes Benz Cars in Jawór, Poland. There is already a high-tech engine plant in the same location.



Adrian Stadnicki

Regional Director Central Eastern Europe, German Eastern Business Association (OAOEV), Berlin

The German Eastern Business Association (OAOEV) is the major regional initiative of the German economy for 29 countries in Central Europe, Eastern and Southeastern Europe, in the South Caucasus and in Central Asia. The OAOEV supports its members in their projects, arranges contacts and answers questions about market entry.

What are the main economic trends in East Central Europe? For which sectors do you see a particularly high potential?

The crucial issue for the region is the successful transition to an innovation-based and digitized economic model. The Visegrád countries now want to invest heavily in research and development and to develop into high-tech locations with the help of German investors.

The image of Central Eastern Europe is no longer that of an extended workbench. For example, Skype was invented in Estonia and the presentation software Prezi in Hungary; in Latvia, drones were designed to clean wind turbines.

We currently see great potential for German companies in the area of energy efficiency in Central Eastern Europe. By September 2022, for example, all 300,000 coal boilers in the Czech Republic will have to be replaced. The construction, IT, healthcare, service and logistics industries also offer numerous opportunities for German companies.

What is the availability of skilled workers and managers in East Central Europe? What is the impact of introducing the visa-free regime for Ukrainian citizens in this context?

The shortage of skilled workers is a huge issue in all Central Eastern European countries. As a result of the economic upswing, new employment records are being reached year by year, and at the same time wages are rising significantly.

German investors in the region sometimes have to reject orders because they lack manpower. Some companies are moving their plants to structurally weaker areas in Central Eastern Europe, hoping to recruit required workers more easily there. Other companies are increasingly investing in automation.

Ukrainians are not only employed in the low-wage sector in Central Eastern Europe. They already have become an important economic factor many companies rely on.

“COMPANIES ARE DEPENDENT ON DIRECT SEARCH”

What kind of assignments do you usually work in East Europe?

In Poland, the Czech Republic, Hungary, Southeastern Europe and the Baltic we mainly work for clients from West and Central Europe, as well as the Nordics. These are either medium-sized companies or large corporations that have been active in the region for many years and often operate local production sites.

There is some preponderance in the B2B sector, especially in capital goods. Our clients also include consumer goods manufacturers, retailers and health care or pharmaceutical companies.

We predominantly place senior management positions on the local C-level, e.g. Plant Managers, Country Managers or Sales Director. Expatriates are only sought in exceptional cases; most of our clients are interested in candidates from the respective country.

How is CT Executive Search positioned in Eastern Europe and how do you work in the region?

Basically, we execute assignments in Eastern Europe from our research hub in Moscow, which is staffed by employees from several countries of the region. In addition to Russian, German and English, we also have a Bulgarian-language research in Moscow. Our clients can turn to our liaison offices in Moscow and Berlin.

In addition, we operate a dense network of freelancers and partners in practically every country in Eastern Europe, which we can leverage in accordance with the individual task at hand. This unique network allows us to increase our research capacity flexibly to ensure optimal assignment success.

With this line-up, we are well prepared for transnational and research-intensive searches.

In your reckoning, what is important for doing business in East Europe?

Personally, I have always been interested in Eastern Europe. I studied Eastern European History and Slavic Studies, immersing myself into languages and cultures of the region.

This theoretical knowledge has helped me to navigate the „Eastern Europe patchwork“ and to develop a feeling for the diverse mentalities in the region. This is a lifelong task - many years in East European theory and practice are not enough to complete the picture.



Christian Tegethoff

Managing Director,
CT Executive Search

In business life, it is generally advisable to be cautious on political issues and to focus on non-controversial topics. This applies also and especially in Eastern Europe, the governments of which are assessed rather critically by Western European media.

Many Hungarians, Poles, Ukrainians or Russians have a different view on the issues that are being broadly discussed in France, Germany or Sweden. This view can be explained by different cultural and religious affiliations, historical experience and cultural differences. In a business context, it usually does not pay to engage in controversy on political topics.

The HR market is generally hot in Eastern and Central Eastern Europe, with strong demand in the executive segment. This applies in particular to production-related positions – such as Plant or Production Managers, as well as in quality management.

Which trends do you observe on the Eastern European executive markets?

Due to the high demand, companies are almost always dependent on direct search when recruiting into senior positions externally. Company attractiveness, location, and the compensation offered then decide how many candidates are available for placement.

The willingness to change is currently relatively low among potential candidates. People need a good reason to consider a new employer. Compensation is no longer the decisive factor; above all, the long-term perspectives a company can offer are crucial.

From an HR perspective, „Eastern Europe“ should not be understood as a single HR market. It consists of numerous national markets, between which there is hardly any exchange. A Hungarian Production Manager will neither be able to work in the Czech Republic nor be interested in such a move, given the immense linguistic and cultural differences between these countries.

As a rule, companies are reliant on the local pool of candidates in the respective country they want to hire for.

“HIGH LEVEL OF INTERCULTURAL COMPETENCE REQUIRED”

One of your responsibilities at Petrom was recruiting for the Romanian sites. What were the main challenges?

The biggest challenge was clearly the lack of qualified personnel in Romania. That is not really surprising, because 20 percent of the Romanian working population now work abroad.

In today's European countries, you will find strong Romanian minorities everywhere – blue collars and academics alike. Consequently, the supply of qualified candidates is limited in Romania.

In many sectors, such as the IT or automotive sector, virtually all international players are represented in the market. Oracle, for example, has just expanded and created 5,000 new jobs in Romania. The competition for good employees is currently tough for these reasons.

How is the Romanian HR market different from Germany?

The Romanian market is much more dynamic, with shorter notice periods making people available faster. The lack of qualified personnel is typical for both countries. The tax burden on income is lower in Romania.

Not all Romanian universities teach according to current international standards. This is one of the reasons why many Romanian parents are very interested in sending their children to foreign universities. Although the education system is catching up, it is not yet at Western European level in all respects.

Job hopping is a problem in Romania. However, employees are loyal to companies that take good care of their employees. Of course, money is always an issue given the relatively low salary levels in combination with rising living costs.

You worked in a company with a distinct Romanian cultural background. How did this affect your work and relationships with your colleagues?

The Romanian state owns 25 percent of OMV Petrom S.A., 51 percent are being held by Austrian OMV, significant parts of which are also in state ownership.

Working in such a company for sure requires a high level of intercultural competence from a German; the same is true for working in Romania in general. Many Romanians cultivate a strong sense of national pride. Corruption is unfortunately



Thomas Piontek

until recently served as Head HR Upstream at OMV Petrom S.A., living in Bucharest. He previously worked as Vice President HR at Cargolux and ASCOM AG.

As a partner in a renowned German HR consulting firm, he later managed numerous national and international assignments. Piontek also spent four years in Tyumen, Siberia, where he served as Regional Senior Manager HR for Oil & Gas Service Provider KCA Deutag.

potentially to be reckoned with when working in Romania.

However, if you demonstrate a willingness to learn and adapt to the new environment, then people will react positively. For example, learning the Romanian language shows your determination and interest in the country – it will help greatly to make a step towards acceptance by your Romanian colleagues.

Personally, I was lucky enough to acquaint with very open-minded, competent and socially pleasant colleagues at Petrom.

What do you recommend Western European companies wanting to recruit executives in Eastern Europe?

The decisive factor is the selection of the right executive search consultant. He or she should have a clear professional focus on the region, as well as access to local candidates. At least as important is the consultant's ability to assess candidates, making sure they fit into an international company with its corporate standards and compliance regulations.

In principle, reliable and well-trained managers are available in Romania. Many of these are mobile within Europe.

It is crucial to demonstrate the long-term opportunities to prospective hires. If a company is able to position itself as a reliable employer, it can expect motivated and loyal employees.



EXECUTIVE SEARCH

EXECUTIVE SEARCH EXPERTS IN EASTERN EUROPE AND THE EMERGING MARKETS

CT Executive Search focuses on placing key positions in Eastern Europe and the Emerging Markets – in Russia / CIS, Africa, the Middle East and Asia. 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 and the emerging markets, CT Executive Search has established itself as a reliable partner to well-reputed multinational companies.

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