

## Executives - Trends in Central Eastern Europe

By Poul Pedersen, Minerva Cernea and Todd Savidge from the executive search firm Pedersen & Partners



Poul Pedersen is the founder and Managing Partner



Minerva Cernea is Senior Consultant



Todd Savidge is a Regional Consultant

Searching for executives in Central and Eastern Europe (CEE) is quite different from searching for executives in Western Europe. In fact, this grouping is somewhat artificial, as inside what is commonly referred to as CEE we can identify several subgroups: South East Europe (SEE - Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Moldova, Romania and Serbia and Montenegro), Central Europe (CE - Czech Republic, Hungary, Poland, Slovakia, Slovenia), the Baltic States, Russia, and other CIS markets.

What differentiates them? This is often determined by the size of the markets, their present level of development, the role of government, as well as the capabilities of local executives. Larger economies like Poland's have benefited from their size and the larger consumer base to win larger scale investments. The proximity of Czech and Hungarian markets to Western Europe has allowed them easier access to export their goods and services there. Of course these countries were also the first to attract Western investments, consequently their labour markets are more developed.

Multinationals essentially represent the real institutional education system that produces future managers. SEE markets are not only smaller, but they are much less homogenous, and economic integration between countries is minimal. Since the '90s, economic transformation in Central Europe is more or less complete and newer mature, competitive markets have emerged. No doubt the smaller size and slower progress of the SEE countries has impacted development with respect to the influence of western human and capital resources. The SEE "Executive Market" has many similarities with the situation in the CE markets 5-10 years ago.

Russia has its own specificity: larger markets, bigger operations, with not so experienced managers as CE, although they are, in many cases, the highest paid in the Region.

Also important is the current "temperature" of the local employment market for executives. Most CEE markets have, since the early 1990's, experienced at least one downturn with impact on the demand for executives. 2004 is going to be a good year for

executives across the entire CEE, but the Russian, Slovak and Romanian markets are particularly “hot” this year.

In SEE countries and “hot” markets there is still significant ‘job hopping’ among younger executives. This is in contrast to the more developed CE markets where many senior managers have gone through this in the ‘90s. The more developed the market the less are career changes driven by salary or company image. Rather executives are more discerning in seeking challenges that will strengthen their value as executives.

Investors into the region should think carefully about their organizations in terms of development planning, structure and marketplace. There is no way for instance to ‘force’ the marketplace – senior executives with 10+ years of relevant management experience, language skills and a successful track record simply do not exist in large numbers.

In all countries in the region the key demands at the executive level are for leadership skills, good business judgment, hands-on operational orientation, and strong analytical skills. The shortage or limitations of these skills therefore requires that organizations focus more on human capital issues and prioritise the selection and development of managers to a greater extent than may be the norm in Western Europe. Often managers are not perceived as being results-oriented or strategic enough. Also, weaker problem solving and communication skills are frequently mentioned.

The Centre for Russian and East European Studies cites several areas of needs in the general culture of management. Older autocratic management styles make it difficult for some managers to recognize that they need to change their style of leadership. Efforts to promote Western style teambuilding may work well during trainings; however, they often may not suit the realities of local culture and do not translate easily into daily practice. Improving communication throughout the organization is another area identified. Many Eastern European managers are often surprised to learn that communication is a problem. Finally, addressing delegation issues, local managers often do not properly differentiate between responsibility and accountability. In one study, 85% of Polish managers agreed that if members of their team do not achieve goals, their ‘failure’ should be reported to the manager’s superior. This is in contrast to the principle of managers’ accountability for the results of their team.

Due to the scarcity of indigenous top executive talent, multinationals have relied on bringing their own managers – quite often Western Europeans - from the outside. In all markets there is however an active trend to look for local, experienced managers or for repatriates to come back to senior roles.

Opportunities for non-local managers are less than they used to be, but not at an end. Some sectors like FMCG, financial services, and technology – typically larger organizations, are centralizing certain functions such as shared services or marketing functions for the region or part of the region. For managers leading these types of operations nationality is not an issue given the pan-regional nature of these roles.

Also, in lesser-developed markets the need for expatriates will remain until local managers exist in sufficient numbers and skills to meet the needs of markets that continue to grow. Demand for non-local managers might also arise where significant change is needed in a short time or when a local firm wants to build export to Western Europe.

There remains a great opportunity to utilize CEE talent – talents in CEE have during the last 10-15 years learned to lead in a changing and entrepreneurial environment; a skill that will prove of big value, not just in CEE. The first “stars” from the Region have

already emerged as managers of the entire CEE or larger Regions within multinationals.

The development of the executive pool in CEE during the last 10-15 years is nothing less than amazing. The CEE talent factory is working at high speed and will continue to do so in the future.

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