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# **EMEA LEADERSHIP OUTLOOK**

*Looking Ahead With Measured Optimism*

*Perspectives from TRANSEARCH International*

If 2009 proved a year the world economy would rather forget, 2010 brings measured optimism for corporate growth across Europe, The Middle East and Africa.

Improved management confidence in the global economy, prospects for higher corporate earnings, and more buoyant (though still somewhat stressed) credit markets seem likely to empower the rebuild of organisational assets and plans forced to abandonment in the challenging days of what's been called "The Great Recession."

Companies across the EMEA region entered the New Year, however, with tighter spending and risk management controls, significant workforce and management leadership challenges, fiercer competition, more government regulation and, perhaps the biggest challenge of all, lingering uncertainty about where best to invest precious capital.

Welcome to "The New Normal," a business world more pressured by global concerns as big as global warming, the future of modern healthcare, and longstanding social inequity and increasingly punctuated by volatile commodity prices, stagnant wages, workforce discontent and weak export markets.

With this new and especially fluid business dynamic shaping business decisions from Stockholm and Tel Aviv to Moscow and Cape Town, consumers and investors alike await more signals of economic strength whilst employers still wonder whether the recession really is over.

What is clear is that nearly every business in the EMEA region is leaner than it was just one year ago, and perhaps smarter for having survived a torrent of economic obstacles on the road back to future-looking business planning.

The fact that more of them are planning and investing and hiring for the future today bodes well for a regional economic recovery and a return to growth and profit-making, albeit on a smaller, slower scale than has been seen in the not-too-distant past.

The EMEA region is poised for better days in 2010, but critical challenges remain. Given their unique viewpoints on the way forward, distinguished executive search consultants from a number of TRANSEARCH International offices across the EMEA region have contributed their unique market insight and client engagement expertise to inform some of the toughest leadership challenges that lay ahead.

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# The View From The United Kingdom – Positioning For The Upturn

Uncertainty about the fallout in 2010 from the global economic recession has opened a significant divide between the public and private sectors of the economy in the United Kingdom, says Beth Cauldwell, a consultant in the London TRANSEARCH office.

“In the private sector, companies have made radical cutbacks in headcount across the board. As a result, many are now feeling vulnerable as they are under-resourced for an upturn when it comes,” Cauldwell says. “In the public sector, there have been no widespread cuts yet, but the public sector is waiting for inevitable cuts to happen.” Private companies continue to be challenged by banks unwilling to loan money and the private equity market has been badly hit by the economic tumult of the past 15 months, she adds, exacerbating a general lack of available funding.

**“You can’t afford to field a ‘B’ team in this environment, ...it’s imperative to devote resources to talent development, acquisition and retention.”**

Downsizing by private companies has significantly increased the number of management executives in the job market, and the availability of so many experienced business leaders has lulled many organisations into the assuming they can simply shelve talent management strategy and avoid focusing on retention practices.

However, there will be significant consequences for companies that let the job market dynamic drive their talent practices and those who fail to proactively manage key leadership performance drivers , Cauldwell contends.

Having a top quality leadership team is even more important in an economy which is the toughest we’ve seen for 60 years,” Cauldwell says. “You can’t afford to field a ‘B’ team in this environment, so therefore it’s imperative to devote resources to talent development, acquisition and retention.” The task of acquiring new management talent isn’t made less difficult in times like these, in part because job security is paramount for those considering a move from a current employer to a new company. Also, some senior executives won’t even consider a career move unless they can negotiate a package to leave.

“Finding a win-win proposition is the same as ever,” Cauldwell shares. “Ensuring candidate and client fit and confirming that expectations are realistic on both sides is key” she adds, noting that companies and individual leaders acknowledge that all must operate within the limitations of the current economic environment.

Looking ahead at business priorities in 2010, Cauldwell urges companies to keep talent management on the board meeting agenda and to examine how a lack of injecting new leadership with fresh ideas may inhibit productivity and competitiveness as the United Kingdom’s economy emerges from a watershed period.

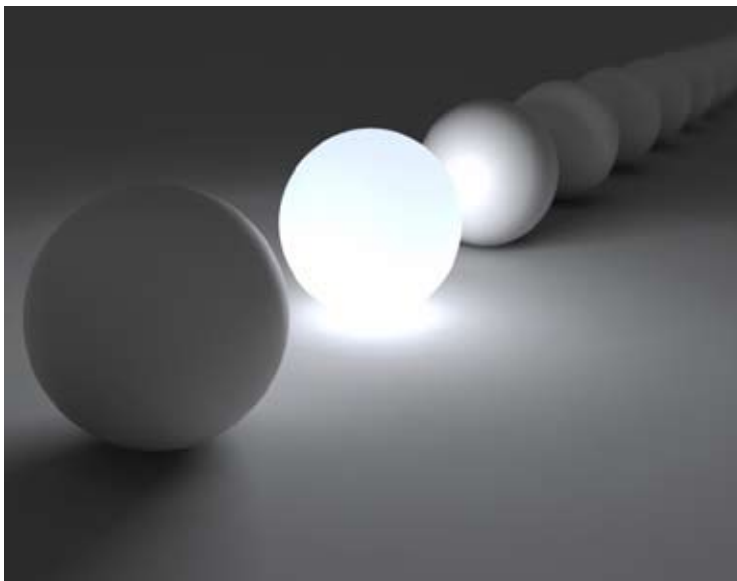
# The View From Russia – Significant Challenges Put The Focus On Innovation

In the wake of a very challenging year, Russia is confronted by a number of major economic challenges, chief among them the need to achieve higher productivity by making better use of labor and capital resources.

That will be no easy feat, says Stanislav Alexeyev, Managing Director in TRANSEARCH Russia, given Russia's continued reliance on commodities markets for oil, metal ores and coal.

Commodities collectively represented nearly 20 percent of Russia's Gross Domestic Product in recent years, and the global financial crisis has made raising capital for investments more difficult. Couple those realities with estimates that Russia's labor force could shrink by as many as 10 million people by 2020 and one begins to fathom how gains in productivity and innovation must drive the country's economy forward.

It will be essential, Alexeyev says, for Russian companies to put their focus on their strategic direction, leadership and team development in 2010 in order to consider different growth options, confirm goals and brainstorm the best paths to higher performance.



"Now is the time to clarify the vision and think through alternatives to ensure effective implementation," Alexeyev observes. Yet the execution of new or existing business plans will invariably force Russian enterprises to carefully assess the human assets required to get the job done. At present, Alexeyev states, only 10 percent of companies in Russia continue to cut staff, while most of the rest have leveled off the size of their workforce.

The sheer numbers of unemployed business leaders (including many experienced business managers) has helped sectors where there has historically been a major

talent deficit stock up on the people they need to drive toward corporate goals.

"Companies are actively using this opportunity to strengthen their team, especially by hiring experienced mid-level and top-level managers who will place the company in an even stronger position after the crisis is over," Alexeyev reveals. "We can say right now that most companies are expecting to hire 'star' candidates with solid experience for lower salaries."

But just as in the United Kingdom and other parts of the world, executives in particular have become more critical assessing new job opportunities. They are most likely to consider joining companies with proven track records, a clear strategy and truly committed senior management teams.

“Sustainable organisation excellence is often achieved through well-designed talent management and succession strategy plans,” Alexeyev adds. “Companies that develop credible successors will continue to attract the more loyal and talented executives.”

Beyond the acquisition and development of new leaders and workforce intelligence, however, one must also consider that companies doing business in Russia should not simply hire smart people and hope for the best results. Rather, these companies must assess new business executives – and the growth potential of their existing leaders – against the requirements of innovation for each of their business groups.

Forward-looking Human Resources officers already realise that they have a key role to play when it comes to enabling their talent management strategy around innovation. Human Resource leaders can identify the elements of corporate culture needed to support an innovative style of thinking and new behaviors and also play a role in selecting and promoting leaders who bring creativity to business problem-solving.

“The key issue in the nearest future is innovation,” Alexeyev says.

For business leaders to drive better results in the current economic environment, TRANSEARCH International’s consultants agree, it is crucial that they:

- Create a reliable, robust and attractive vision of the future that people will respect and believe in
- Communicate vision, and see the benefits as people work to the best of their abilities to successfully complete the projects their leaders initiate
- Be self-confident and inspire confidence in others
- Make good decisions under pressure, with the confidence that the homework needed for these decisions has been done
- Build a strong, flexible and highly effective team, expanding the group’s ability to deliver many times over
- Keep people on target and performing well together in a “firm but fair way” that gets the job done while respecting the rights of team members
- Learn to inspire and motivate team members so that they’ll “go to the ends of the Earth” to give their very best
- Become a truly inspirational leader, and enjoy the perks that come with this

Source: TRANSEARCH Russia

As Russia looks to 2010 and beyond, its business enterprises will require not only effective management but also solid leadership. “For companies to prosper and grow during the economic recovery, performance management efforts must be tightly intertwined with continued and reinforced leadership development efforts,” Alexeyev predicts.

## The View From South Africa – Change Tolerance Will Drive Pace Of Recovery

As with other commodity-dependent economies, the Republic of South Africa has witnessed market volatility that has served as a backdrop for companies like those in the platinum industry to put major projects on hold.

This while the whole African continent nervously watches for signals about China's ability to sustain medium-term projects relating to other natural resources.

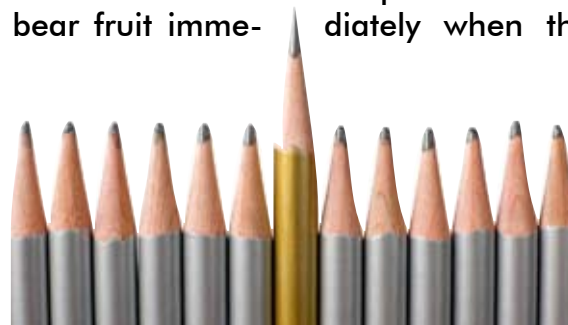
Lack of access to capital has adversely affected many organisations across all industries, with the mining industry being especially hard hit.

Difficult times have surfaced a growing need for South African companies to review their strategic business options, reprioritise projects in terms of their capital requirements and consider key opportunities to create longer-term sustainability, such as exploring joint ventures as a way of splitting risk and hedging against lingering economic uncertainty.

Additional pressures include wage demands, which, relative to inflation, have been excessive, putting further pressures on employers, production and employment at a time when anti-inflationary measures were starting to pay dividends. To some degree, these demands permeate industries preparing the necessary infrastructure ahead of the 2010 World Cup.

The common wisdom, reports Mike Shearing, a consultant in the Johannesburg office of TRANSEARCH International, is that the Southern African region will lag a world economic recovery by about six months. Therefore, he explains, "It is essential that competent leaders are in place to ensure proper strategic planning can bear fruit immediately when the opportunities for recovery present themselves."

Challenging times require a different type of leadership and being able to attract such leaders will definitely permit organisations across the Republic of South Africa and the continent to gain advantage over competitors by installing the systems and processes needed to ensure sustainability of production and cost containment.



"If anything," Shearing suggests, "despite the economic downturn, the need for executives and senior-management who can manage in bad times has not abated, as a different style is required than is needed for fair-weather management."

Further, he adds, "It is also an indication of the depth of the executive-level skills shortage that existed previously, that top skills are still in demand."

Because of the need for new ideas and new thinking, one emerging trend has companies in South Africa moving away from the traditional practice of developing and promoting from within to a greater willingness to recruit from the outside, and to acquire management talent from outside the industry.

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This implies a focus on quality recruitment and less tolerance of average performance within.

“Individuals are being judged on outputs to a far greater extent and this again indicates the need to recruit different managers with a more modern management outlook,” Shearing says.

“The larger employers in particular are trying to introduce far greater global awareness and exposure for their top talent, to aid their development in the longer-term interests of the organisation’s executive requirements,” he concludes.

Assuming that China remains a source of demand for raw materials and services from African countries and that signs of recovery in America continue to gain momentum, business leaders expect they will begin to feel the winds of recovery in the Republic of South Africa by the second quarter of 2010.

“Companies that have used this interregnum to position themselves for the upturn by crafting new or appropriately modified business models are the ones that will benefit most quickly from the improvement,” Shearing forecasts.

## The View From Poland – Sensing Opportunities Amid Economic Obstacles

As in many neighboring European countries, Poland witnessed an economic slowdown that overshadowed the first half of 2009 and extended into the early part of the third quarter, dragging down corporate performance, the labor market and public finances.

But unlike many countries, Poland in several important areas insulated its economy from the deteriorating impacts of the global recession. Its Central Statistical Office showed that Poland was the only EU country with a positive GDP growth rate in the second quarter of 2009 year over year.

The Polish economy, and the hiring environment it creates, will undoubtedly be influenced primarily by the macroeconomic situation in and outside Europe. However, a number of factors already suggest some limits on the downward pressure of the global economic crisis. This should position Poland in a favorable light not only in the region, but also within a broader European context, says Beata Zytka, Managing Partner, TRANSEARCH Poland.

**“taking an eye off executive retention will likely cost some companies in the unexpected departures of key business leaders”**

Polish companies, like businesses around the world, have pursued aggressive cost-cutting measures, which have had an immediate effect on workforce reduction. One approach has been to eliminate the highest cost position – either a Country Manager/President/CEO/or Managing Director – and replace that office-holder through the appointment of a more junior manager who, it was believed, might deliver the same results at a significantly lower salary level.

The merit of such decisions by some Polish companies remains to be seen.

“The question mark,” says Zytka, “is whether the companies after such decisions with such junior, less experienced managers will be positioned to capitalise on the recovery when it occurs.”



Other workforce initiatives pursued by Polish companies include the reduction of discretionary bonuses and reduction of base salaries in addition to furloughs and reduced operating hours.

Companies that analysed their labor force and the quality of leaders in their organisations to identify and retain key talent before instituting such cost-cutting measures are most assuredly in a better position to take advantage of the economic upturn, Zytka contends.

Taking an eye off executive retention will likely cost some companies in the unexpected departures of key business leaders. On the bright side, however, Polish employers may attract promising talent because of the sheer volume of managers available in the market.

“Building a sustainable leadership advantage is a key factor for the long lasting success of the company,” Zytka says. “Sustainable leadership should secure success over time and create a bright future for the enterprise, grounded in customer satisfaction and a solid corporate reputation.”

Looking back at the tough lessons of the global recession, the view from Poland is that companies can get mired in over-analysing the situation lest they miss an important opportunity to grow while the competition sleeps. “Companies can make the best use of the slowdown,” Zytka says. “This kind of pause in the economy is often the best opportunity to restructure accurately and to strengthen the organisation.”

## The View From Germany – Maintaining A Competitive Edge

Germany’s trump card during times of economic expansion – foreign exports – has proven its major liability during the global recession, framing a comparably dispassionate attitude about business growth prospects in the early part of 2010. Unemployment remains high in Germany, and employed executives are motivated to consider a career change only if the new employer can guarantee better job security than one’s existing employer.

There is, however, an opportunity for German companies to strengthen their organisations by attracting the cream of the crop from a deep and available pool of management talent.

"Companies that have done their homework in good times can now aggressively try to win new executive talent from weaker competitors," says Ulrich Ackermann, Managing Director, TRANSEARCH Germany.



In Germany and its German-speaking neighbors, Switzerland and Austria, there have been steady strides made in the assessment of leadership potential and succession planning.

"The number of diversity candidates has grown rapidly, especially on the female and international side," says Ackermann. "This has enabled many corporations to grow their market shares internationally. I do foresee that this trend will be stronger for the years to come."

The prospects for business growth in Germany in 2010 have most managers' eyes focused squarely on performance in the third and fourth quarters of the New Year.

The German economy, because of its continued reliance on the strength of its exporting market, will continue to watch as the global economy moves beyond the troubling specter of recession and closer to the resumption of business as usual.

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But it is essential that German employers not lose sight of the difficulties they have been forced to experience for more than the past year, and the tough lessons they have learned during that period.

"It is of paramount importance that investments in new technologies and new products be strengthened to constantly position the German-speaking markets – which are labor cost intensive markets – so they can maintain their technological leadership for years to come," Ackermann says.

## The View From Sweden – Taking Talent Management Into Account

Companies in Sweden, much like their counterparts across continental Europe, have been holding back investments and waiting for signals of economic resurgence.

Some, however, understand that the global economic recession has presented some unique opportunities to build market share while their competitors focus exclusively on cost containment, financial liquidity and risk management.

**“some employers are putting more stock in younger business leaders because of the unique complexities of today’s market environment, even though they may present a serious experience deficit when the going gets tough”**

Because companies and leaders at all levels of corporate management have been forced to work harder to produce results with fewer resources and far thinner workforces, interim solutions are being adopted, and in some cases, made permanent to ease pressure on the bottom line.

From an individual business leader perspective, executives, in particular, have been forced to demonstrate results far more quickly than ever before, making their effective on-boarding more critical and their learning curve far more accelerated, says Elinor Hartung, Senior Consultant, TRANSEARCH Sweden.

For this reason, some employers are putting more stock in younger business leaders because of the unique complexities of today’s market environment, even though they may present a serious experience deficit when the going gets tough. These same companies are putting their focus on innovation, technology and securing management leadership at a lower cost, at least for the short-term future.



As in other countries in the EMEA region, there has been a huge surge in the number of talented, experienced managers available in the job market. Many promising candidates are looking for stable companies and are prepared to earn less than their previous jobs just for the opportunity to get back in the game.

When it comes to talent management, companies in Sweden also mirror those operating in other countries in that few have coherent succession plans for their top management leaders and many also lack a sophisticated talent strategy that likely would have served as a guidebook for making some of the most difficult people decisions their enterprises have been forced to make during this historic recession.

“We recommend that companies invest in developing and educating their managers in times like this in part because they now have the time and capacity to make a commitment to learning and development,” says Elinor. “When business again takes off, this investment will help them achieve better results and drive higher team performance.”

## **“succession plans and talent management is crucial since employers can otherwise lose their best people when the economy improves”**

Despite Swedish executives' hesitance to leave their current jobs, the most talented among them will always have compelling opportunities to drive success for other companies.

“I really think that succession plans and talent management is crucial since employers can otherwise lose their best people when the economy improves,” Elinor observes. “Setting up leadership programs and developing meaningful employer branding campaigns can help attract the highest caliber leaders from a new generation of business executives.”

## **The View From Italy – Fundamental Reform Needed To Drive Business Results**



It is increasingly clear Italy needs to usher in comprehensive reforms to enable companies a fundamentally new and different set of value creation models as well as a medium through which to increase real net wages, says Mario Ceretti, Managing Partner of TRANSEARCH Italia.

Corporate governance has been and remains a major challenge in Italy. Very few companies are adding the kind of independent directors who can bring significant business experience to their boards and advise the CEO on strategic challenges.

The powerful resource Italian companies must tap into is creativity, which can drive

innovation if it is effectively applied. For this reason, companies across Italy must implement relevant initiatives to stimulate and promote more investments in research and development, Ceretti says.

He reports that companies in Italy have been taking steps to mitigate the impacts of the global recession on their businesses, including:

- Moving towards more efficient, priorities-focused organisations
- Taking advantage of measures to cushion the effects of unemployment
- Seeking to strengthen the business in those markets that are recovering faster than others
- Setting the groundwork for innovation at a much faster pace than before

Much like companies in Sweden, employers across Italy have implemented a variety of interim business solutions. Included among these are contracts with interim managers, who can bring significant experience without requiring a commitment to long-term employment.

Ceretti added, however, that despite the large number of unemployed business managers, "There is not an unlimited supply of talent."

The youngest generation of Italian executives compete for professional opportunities around the world, and most Italian companies are simply not attractive nor competitive enough to attract them.

The fallback, alternative solution for Italian employers, Ceretti explained, is to re-evaluate the experience/cost equation relating to the employment of an older generation of managers since

**"there isn't an unlimited supply of talent. The youngest generation of Italian executives compete for professional opportunities around the world, and most Italian companies are simply not attractive nor competitive enough to attract them."**

they can easily attract them in what has become a "buyer's market" for these individuals.

It is critically important, however, that Italian companies not lose sight of the potential for losing some of their best executives when the economy improves. "Whatever their recruiting needs," Ceretti says, "the retention of Italian companies' best executives should be the focus now, more than ever, and one of the CEO's top priorities."

## FINAL THOUGHTS

In the calm after the storm of a worldwide economic dislocation and one of the severest downturns, industry leaders are cautiously optimistic as they look forward to the twin promise of better economic times and growth.

Alain Tanugi, Chairman TRANSEARCH International, feels that the new decade brings interesting challenges highlighted by the following issues:

1. Success will be defined by organisation's ability to 'shrink and grow' – in other words maintaining a focus on costs, while growing talent and productivity and profitability. It will become increasingly important to target the right talent, more so than ever before.
2. The executive compensation debate is raging as the extreme volatility of 2009 exposed executive remuneration programs globally. As organisations review their executive pay structure they will seek to find a balance between shareholders interest and the organisations' need to attract and retain top talent.

3. The need for communication and strong leadership will be substantial as business inevitably picks up and employees review their options. The ability to engage employees and managing the uncertainty will be crucial as organisations aim to mitigate turnover risk.
4. Organisations might be reducing spend, but they are prioritising human capital areas for investment. According to a recent survey the areas include: leadership development and assessment; talent management and succession planning; learning and development; and work lifestyle benefits amongst others.

Tanugi concludes: "There is no doubt 2010 is going to be an interesting year. In 2009 we saw companies scaling down with wide-scale hiring freezes, now everyone is thinking about next quarter. We will see the competition for top talent intensifying as the year goes on – sustainable growth is just not possible without the human capital and leadership to drive it!"

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# About TRANSEARCH International

TRANSEARCH International has representation in most of the major economic centres of the world with over 50 offices in more than 30 countries and is currently rated as the 9th largest global executive search firm by Executive Recruiter News (ERN). TRANSEARCH International was founded in 1982 and celebrated its 25th Anniversary in 2007. For more information contact the TRANSEARCH Central Office ([contact@transearch.com](mailto:contact@transearch.com)).

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