



NGS GLOBAL

TRENDS IN EXECUTIVE TALENT

Update from Europe: Industry Trends and Human Capital Challenges

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NGS Global is quickly expanding its global footprint and recently established offices in Vienna, Austria and Helsinki, Finland. To better understand the human capital challenges companies in Europe face, we recently spoke with Roman Müller-Albrecht, Managing Partner at NGS Global in Frankfurt, Germany, to get his thoughts on the current trends and challenges affecting businesses. What follows is an excerpt from our conversation.

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Q: What general trends and issues have you observed in Europe that have had an impact on the executing recruiting and business landscape?

Roman Müller-Albrecht: The gas disputes between Russia and Ukraine continue to be a hot topic of concern in Europe. Europe imports approximately one third of its natural gas supply from Russia, with about half flowing through pipelines in Ukraine.¹ Germany imports approximately 38 percent of its gas from Russia, Poland about 60 percent, and Italy more than 30 percent, just to give a few examples.^{2,3,4} For countries that look to Russia for gas, much of their economic stability hinges on the European Union's ability to broker a debt repayment agreement between Russia and Ukraine. If Russia decides to close access to gas lines running through Ukraine, the gas prices and supply for all regions that import gas from Russia will be strongly affected. The closure will also impact the bottom line for Russia's energy giant, Gazprom, as well as major banks that have borrowed or lent money to international markets throughout this crisis.⁵ As we continue through the winter season, the ripples of the gas war will be felt across most industries in Europe, especially the industrial, financial services, and energy sectors.

Taking a wider lens on this topic, land disputes seem to be at the root of continued economic instability throughout Europe. Tension between Ukraine and Russia came to a head after Russia's annexation of Crimea; Scotland sought independence from the UK and asserted that their significant oil reserves in the North Sea would provide sufficient resources for autonomy; and Catalonia's push for secession from Spain has

¹ Matthew, Owen, "Russia May Get Cold Shoulder From Europe in Looming Gas Wars," *Newsweek*, September 24, 2014, <http://www.newsweek.com/2014/09/26/russia-may-get-cold-shoulder-europe-looming-gas-wars-272770.html>.

² Deuse, Klaus, "Just How Important is Russian Gas for Europe?" *Deutsche Welle*, April 17, 2014, <http://www.dw.de/just-how-important-is-russian-gas-for-europe/a-17574004>.

³ A.E., "Weaning Poland Off Russian Gas," *The Economist*, April 4, 2014, <http://www.economist.com/blogs/easternapproaches/2014/04/poland-and-russia>.

⁴ Conti, Domenico, "In Ukraine Crisis, Italy's Hunger For Russian Gas Weakens Western Coalition," *International Business Times*, March 6, 2014, <http://www.ibtimes.com/ukraine-crisis-italys-hunger-russian-gas-weakens-western-coalition-1559914>.

⁵ Matthew, Owen, "Russia May Get Cold Shoulder From Europe in Looming Gas Wars," *Newsweek*, September 24, 2014, <http://www.newsweek.com/2014/09/26/russia-may-get-cold-shoulder-europe-looming-gas-wars-272770.html>.

been festering for decades due to disputes around taxation and social benefits. Whether the disagreements focus on matters of natural resources, social programs, or cultural differences, the sociopolitical unrest and subsequent decisions on annexations and separations greatly impact resources, alliances, and trade agreements with neighboring and international economies, consequently shaping businesses' goals, productivity and decisions around leadership.

Q: Which industry sectors are thriving in Europe and which are struggling?

RMA: Europe is still recovering from the financial crisis that began in 2008, but many countries are making strides toward stability. The financial services sector continues to struggle in most regions. There is a lot of room for improvement within the advanced technology industry. Europe doesn't really have a Silicon Valley type of start-up culture; compared to the U.S. and Asia who focus more on innovation and trendsetting, there is significant opportunity for companies in Europe to tap into the technology industry and create new products and services to rival technology powerhouses in other markets.

The engineering sector in Europe is very stable and continues to thrive; European engineering companies used to focus on domestic operations, but over the last few years they have taken a more global approach to expansion and are now on par with more established engineering companies from other regions. Plant management and oil, gas, chemical and solar industries are particularly strong areas of expertise in Europe.

Narrowing in on specific countries, the financial services sector in the UK is still alive and well. Over the last three to four years, the UK has tried to strengthen its position in industries outside of the financial services sector and is making strides toward enhancing other industries.

Similarly, Italy is also trying to strengthen its economy by building out its industry expertise, especially in northern Italy. The country continues to struggle with the EU on issues around debt and unemployment, but they are beginning to emerge from the debt crisis. However, production output is very low and business investments have decreased, meaning that wages will continue to be bleak until the economy rebounds.⁶

⁶ Brown, David, "Struggling Italian Economy Poses Potential Threat to Whole of Europe," *South China Morning Post*, April 28, 2014, <http://www.scmp.com/business/economy/article/1498466/struggling-italian-economy-poses-potential-threat-whole-europe>.

Spain lost about 20 percent of its revenue since the Euro crisis and has been met with financial hardship. However, Spain has recently increased its export business and created more jobs. The prospect of losing Catalonia, Spain's richest and highest contributor to GDP, is creating instability throughout the country.⁷ Many Spanish companies across several industries are also consolidating in an effort to offset the effects of economic issues and maintain continuity of business operations.

France has a strong union presence and continues to face issues with balancing employee and corporate demands. Labor strikes are frequent and often disrupt the social balance in France. Additionally, the French government prefers to invest resources domestically rather than encourage global business expansion. Political mandates reflect this preference and ultimately do not allow organizations to conduct business across borders as easily as in other European nations.⁸

Germany is very strong in the industrial, manufacturing and automotive sectors; European original equipment manufacturers (OEMs) have a strong presence in Asia, as well. The German economy has been one of the steadiest, if not most productive, throughout the Euro crisis. However, geopolitical issues such as the gas pipeline dispute between Russia and the Ukraine have caused investment confidence to wane. As a result, the German economy has showed signs of sluggishness. Analysts believe that more investment in both private and public sectors is necessary to invigorate the economy and boost growth. Despite this recent slowdown, Germany is still on track to produce strong numbers in 2015.^{9,10}

⁷ Román, David, "Spain Raises Economic Growth Forecasts," *The Wall Street Journal*, September 26, 2014, <http://www.wsj.com/articles/spain-raises-economic-growth-forecasts-1411734961>.

⁸ Vinocur, Nicholas, "Vast Majority of French Against Globalization: Poll," *Reuters*, April 11, 2012, <http://uk.reuters.com/article/2012/04/11/us-france-globalisation-idUSBRE83A18K20120411>.

⁹ "The Sputtering Engine," *The Economist*, November 22, 2014, <http://www.economist.com/news/europe/21633832-germanys-economy-getting-too-weak-pull-europe-out-its-crisis-sputtering-engine?zid=295&ah=0bca374e65f2354d553956ea65f756e0>.

¹⁰ Bartha, Emese, "German Economy Grows Slightly," *The Wall Street Journal*, November 25, 2014, <http://www.wsj.com/articles/german-economy-grows-slightly-1416901277?KEYWORDS=germany+grows>.

Overall, Europe continues to rebound from the financial crisis but still faces a number of geopolitical issues that will shape the level of economic stability for years to come.

Q: What are the biggest pain points your clients are facing as it relates to executive leadership?

RMA: One of the biggest challenges businesses in Europe face is attracting and recruiting Gen Y leaders for senior roles. Gen Y candidates are unique in that most are motivated by roles that enhance, or at the very least, do not interfere with their quality of life. Twenty years ago, about 80 percent of candidates would jump at any opportunity that offered a higher compensation or upward mobility. Today, the first question Gen Y candidates ask is, "Where is the position located?" Their top concerns deal with relocation, whether or not their significant other or children will need to switch jobs or schools, respectively, and the specific amenities in the town in which the position is located. As a result, companies have had to rethink their recruiting strategies and tailor them to fit the preferences of Gen Y candidates. For companies that are situated in less than ideal locations or consistently reach out to candidates that live beyond a commutable distance to the organization, it is incredibly challenging to attract, recruit and retain top tier executives.

In addition to relocation, many Gen Y executives seek the flexibility to create their own hours or work from home. Europe is generally more advanced than the U.S. with regard to open work models, with the Nordic countries leading this trend. Many professionals have the flexibility to leave the office around 3:00 pm to pick up their kids from school, and then go back to work at their home office around 8:00 pm once again. Rigid structures, such as afternoon meetings or mandatory office hours, don't appeal to Gen Y workers and can cause companies to lose out on top talent for not adjusting to the preferences of the next wave of leaders. Organizations that find it difficult to recruit candidates into the region should consider more flexible work options to attract best-in-class executives.

Another hot topic across Europe is the issue of diversity in the workplace. We do not typically recruit a lot of expatriates to Europe; as a result, most companies are comprised almost exclusively of local nationals. Unlike the U.S. or Asia, many European governments are more focused on national affairs and less on globalization and don't push laws or mandates that encourage cross-border business. This regionally-focused mindset causes a disconnect between organizations that

want to expand globally and local political leaders who want consumers to spend in their own countries and companies to invest into their economies. The emphasis on local commerce lessens the demand for global-thinking executives to drive companies' international strategies.

Many companies recognize the importance of gender diversity. We have also seen a lot of legislation urging organizations to take action in hiring more women to board seats and senior positions. The issue with mandates and quotas becomes finding quality female executives to lead instead of simply checking the gender diversity box.

Q: How has social media impacted the way businesses use executive search services?

RMA: Similar to in the U.S., European companies' talent acquisition teams leverage social media as a CV brokerage of sorts to identify candidates. Organizations mainly reach out to executive search consultants for two reasons, the first being if they are trying to fill a high-level position with top quality candidates. In this case, the pool of executives on social media platforms is often too broad for talent acquisition leaders to hone in on best-in-class candidates and assess their competencies. The second is when the incumbent is still in place and the search is confidential. Search consultants have a comprehensive network of contacts and can sift through and review candidates quickly, giving companies an extra service offering that could only be developed after years of experience. Social media is a great tool and definitely expands the universe of candidates from which we are able to recruit, but our true value as executive search partners comes into play when the stakes are high and companies need partners to conduct due diligence to match the right candidate with the position with little to no room for mistakes.



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With offices across the Americas, Europe and Asia, NGS Global provides the extensive resources of major global executive search firms along with high-touch service, accelerated completion cycles and superior candidate access made possible by a mid-sized platform without external shareholders. Through our commitment to industry expertise, cultural knowledge and partner-led search execution, we deliver exceptional value to our clients.

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