

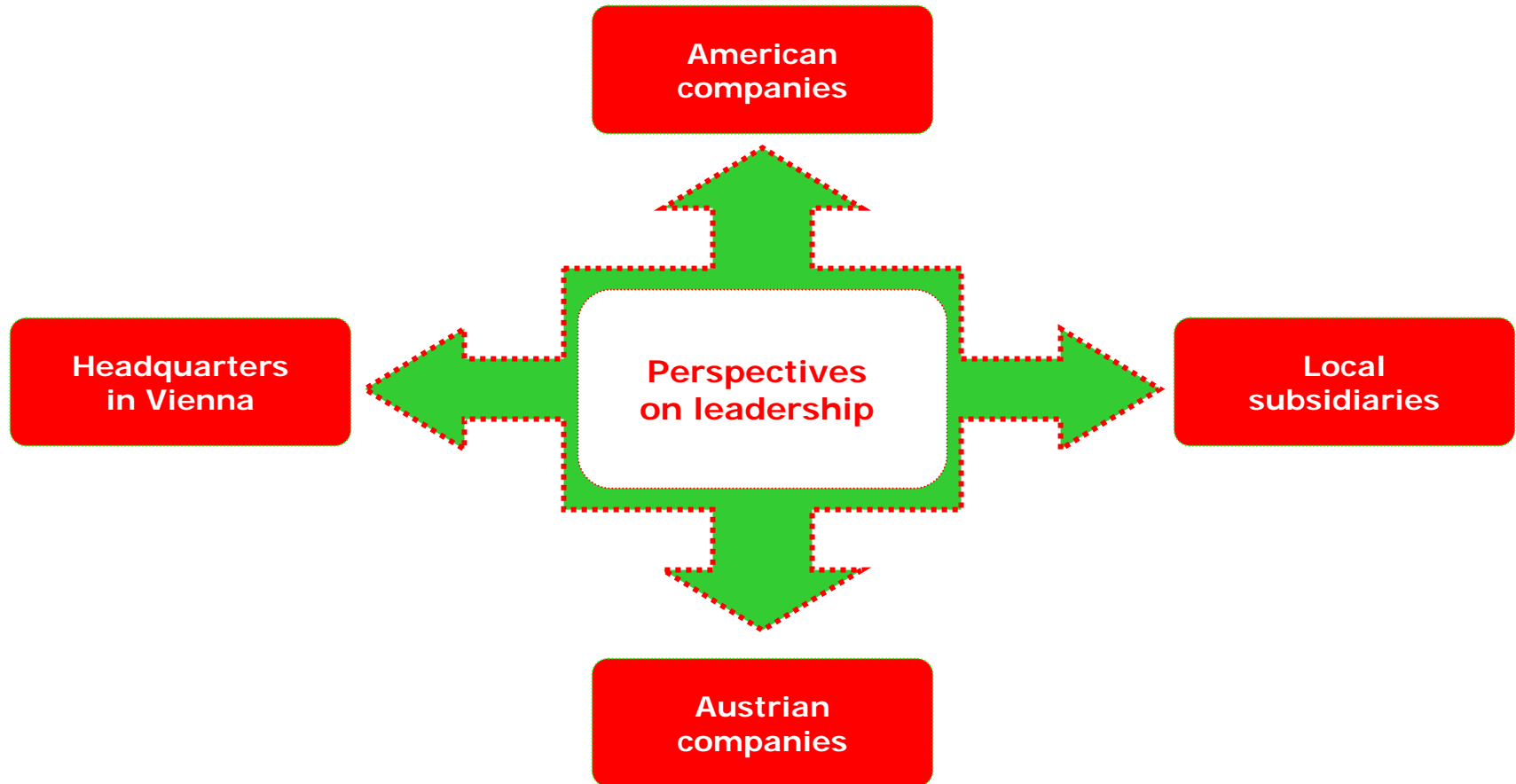
Leadership Survey - CEE Countries

- What's on the mind of executives at Eastern European headquarters of international corporations?
- What challenges do executives at local subsidiaries of international corporations face today?
- When it comes to leadership issues, are there differences between
 - ✓ US
 - ✓ and Austrian companies?



Objectives of Practical Study on Leadership

Analysis of leadership issues and challenges from different perspectives:



Results of Phase 1

Qualitative Survey

- Targeting human resource managers and strategy managers at headquarters of international corporations (Nike, Böhler-Uddeholm, Erste Bank, etc.)

General Findings (Qualitative Survey)

- **Statistically significant differences in management and leadership models** between **US** and **Austrian companies**.
- In **US companies**, the **degree of responsibility and leeway for decision** seem to be **more restricted** yet **more unambiguous**; while being **more ambiguous in Austrian companies**.
- We noticed that **US companies** follow **matrix structures** in their organization much more closely than Austrian companies and that **processes and tools have been standardized on an international level**.
- Surveyed companies **having an Austrian background** rather see themselves as **service-oriented organizations**. They give a lot of thought to the following question: **"How much autonomy do local subsidiaries need and to what degree should we interfere?"** However, there has been a **tendency towards standardization** regarding this issue as well.

Challenges in the industry

- Surveyed **US companies**...
 - ✓ Are concerned about **extreme cost and sales pressure** (shareholder value)
 - ✓ Show short-term **thinking and focus on numbers** ("quarter-to-quarter thinking")
 - ✓ Face frequent **reorganization**
 - ✓ Have not yet **concluded the transition process towards centralization**
 - ✓ Are **increasingly being controlled by their parent companies**

- Surveyed **Austrian companies**...
 - ✓ Are concerned about **"moving business"** (i.e. the relocation of the value chain from Western to Eastern Europe; markets move and so do production sites)
 - ✓ Are concerned about the question of **"investments"** ("The challenge is making the right investments. Finding the right timing between too early and too late.")

Challenges in Eastern Europe

- Slovenia , Croatia, the Czech Republic, Slovakia, Poland, Hungary as well as the three Baltic countries are described as already being very Western.
- **In all other Eastern European countries, respondents still experienced major differences** compared to the situation in Western Europe:
 - ✓ **Income gap:** "Financial controllers in Austria make three times as much as those in Bulgaria."
 - ✓ **Personal connections:** "Promotions are based on personal connections."
 - ✓ **Legal challenges:** "Our employees from Belorussia need an official authorization in order to participate in our international training sessions."
 - ✓ **Language problems:** "I recently was in charge of holding a training session myself. There were 22 participants and I had to work with 7 interpreters."
 - ✓ **Large differences between urban and rural areas**
 - ✓ **Safety issues:** "A couple of years ago, a bank director in Romania was shot dead because he had refused to authorize a loan."
 - ✓ **Competitive thinking is not yet a habit:** "It is especially older people who are not yet accustomed to the competitive environment - they adhere to the notion of "the state as provider".
 - ✓ **Young and older generations:** "A national director who has worked with us for 20 years now works alongside a 25-year-old who grew up in a radically different society and majored in business administration. The challenge is for the young and the older generation to find common ground under these circumstances."

Opportunities in Eastern Europe

- **Change happens more quickly here:**
 - ✓ "Change happens much more quickly here - there is much more motivation for change and achievement, given the relatively low level of prosperity."
 - ✓ "As of today, Lithuanian shops are already more modern than German ones, because in Lithuania everything is being created from scratch."

- **Making a successful international career for oneself is possible at a younger age than elsewhere:**
 - ✓ "On average, executives are 15 years younger than in Western countries."

- It is especially makers of FMCG companies who mentioned **solid language training and good education:**
 - ✓ "Our people there have the same level of education, they went to top universities and they have to deliver the same quality as all others when working on international projects."
 - ✓ "In Slovakia for example, many European shared services functions are being created because Slovakia offers a large number of good employees who speak a minimum of two languages fluently. People over there are highly ambitious and dedicated."
 - ✓ In Madrid, nobody speaks English; in Poland, even the taxi driver does."

Issues on the mind of executives and human resource managers at headquarters

- **Qualifications for leadership:**

- ✓ "Our executives feel insecure and are overworked/they are not used to self-responsible work/always consult others before making decisions."
- ✓ "Qualified leadership enjoys more prestige in Austria. For example, giving bottom-up feedback is impossible in some countries. People do as they are told."

- **Virtual leadership**

- ✓ "We constantly build country and position clusters. Positions for Austria and Switzerland are filled with one employee only."
- ✓ "We are currently discussing where the new headquarters will be located, if we need it at all or if everybody is free to choose where to work."

- **International executive training programs**

- **Talent management**

- **Change management**

- **Cross-cultural awareness**

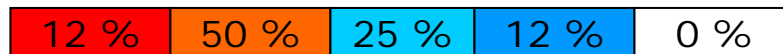
Hypotheses

- Below please find the hypotheses developed in phase 1.
- We asked all surveyed persons to check these hypotheses once again and provide their opinion:
 - ✓ Fully agree
 - ✓ Rather agree
 - ✓ Rather disagree
 - ✓ Fully disagree
 - ✓ No answer

yes	rather yes	rather no	no	no answer
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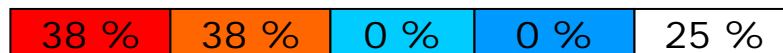
Hypotheses

- Western Europe could be described as being "old/consolidated/stagnant"; while, in comparison, Eastern Europe could be described as "young/up-and-coming/dynamic".

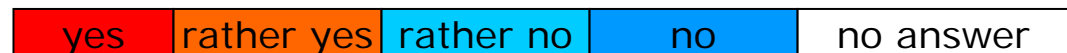


62% approval

- There are statistically significant differences regarding leadership/management between companies headed by Americans and companies having an Austrian background:
 - ✓ Centralized vs. decentralized management
 - ✓ Control vs. self-responsibility
 - ✓ "One size fits all" vs. "assistance upon request only"

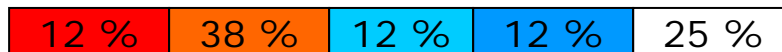


76% approval



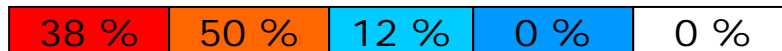
Hypotheses

- It appears that local companies with an Austrian background receive mixed signals from their headquarters. On the one hand, objectives and strategies are determined centrally at the headquarters, whereas their implementation is required to take place on a local level with as little headquarter involvement as possible. This indicates that the adequate way to go has not yet been found. Americans often have a more centralistic yet (probably) more unequivocal approach.

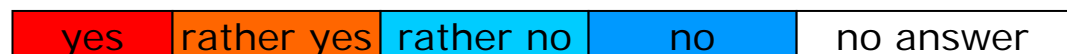


50% approval

- Due to their near-exclusive focus on economic issues, companies headed by Americans face the risk of reducing their attention regarding other environments/aspects.

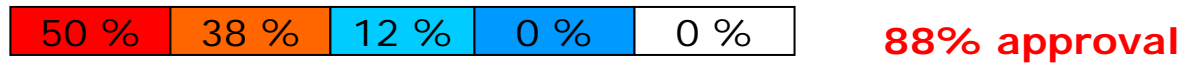


88% approval



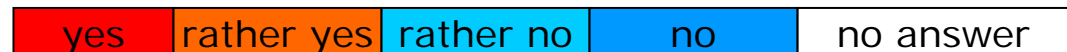
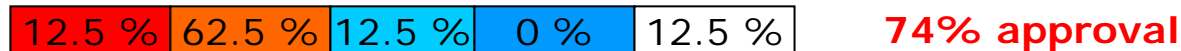
Hypotheses

- All companies appear to have considerable difficulties finding qualified staff.



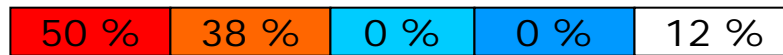
- Many countries show a two-class-society regarding employees: those working for international corporations and those working for local companies:

- ✓ Different levels of education (top universities, multilingual skills etc.)
- ✓ Extremely wide income gaps



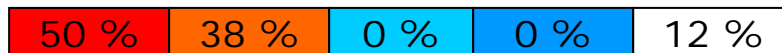
Hypotheses

- In the countries belonging to the former "Soviet Bloc", important cultural differences (between the young and the older generations) prevail:
 - ✓ The young generation was raised in Western thinking
 - ✓ Older people are accustomed to the notion of "the state as provider"; competitive thinking is foreign to them; the same is true for independent decision-making
 - ✓ In long-established companies, both generations work side by side, making it imperative to deal with this social phenomenon.



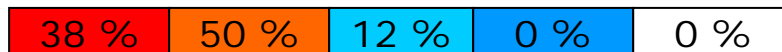
88% approval

- Virtual leadership has been gaining increasing attention, but there is a widespread lack of adequate strategies.

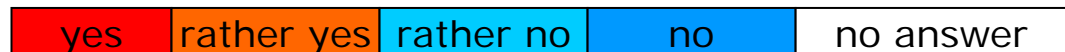


88% approval

- International training courses for executives or prospective executives, open to participants of different companies and cultural backgrounds, are very much en vogue.



88% approval



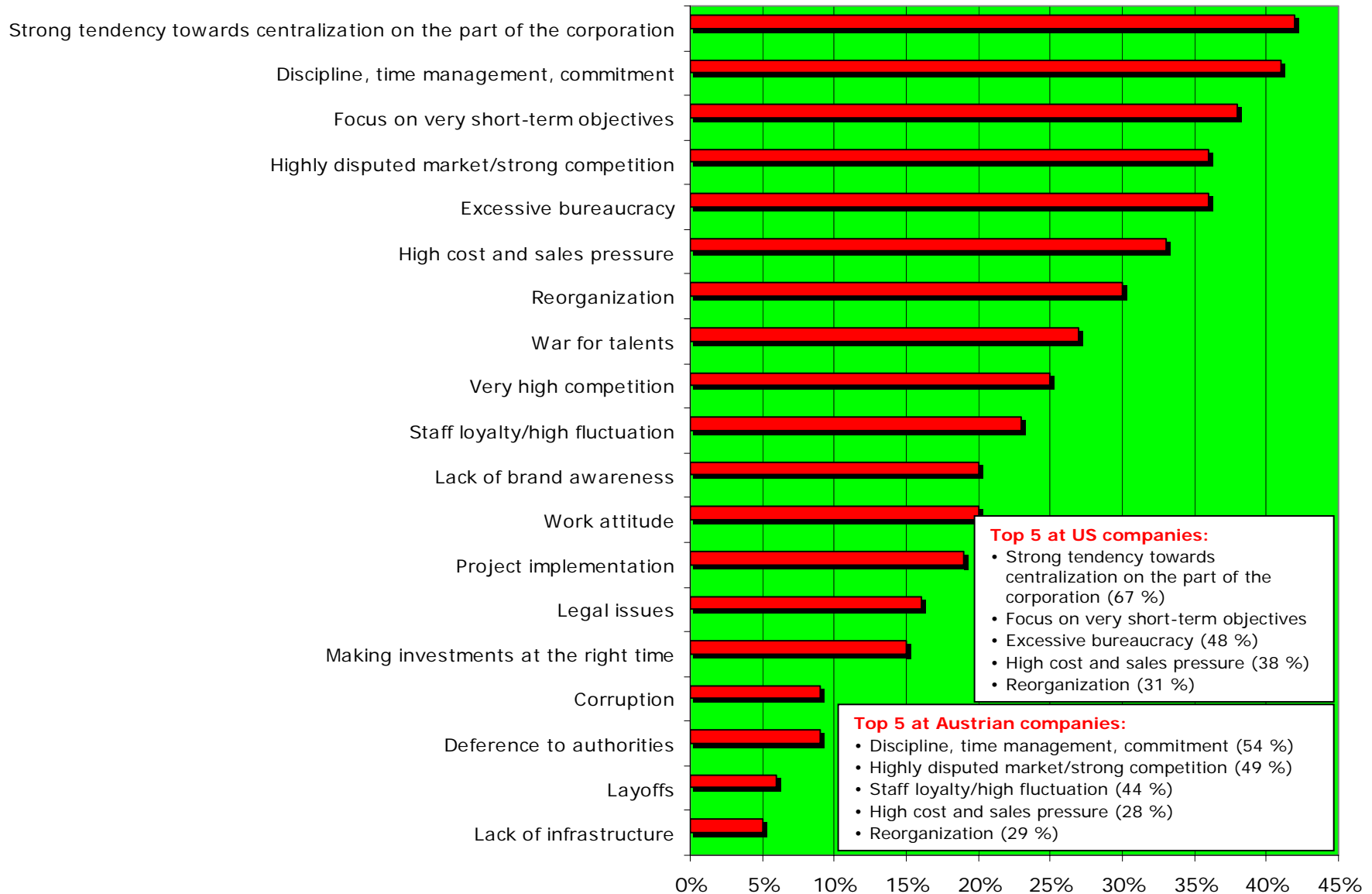
Results of Phase 2

Qualitative Survey

- Including 115 executives and human resource managers (n= 115)
- In 14 different central and Eastern European countries
(Bulgaria, Estonia, Croatia, Austria, Poland, Romania, Russia, Switzerland, Slovakia, Slovenia, the Czech Republic, Hungary, Serbia, Ukraine)

Major challenges on the job

Question 4: What are the major challenges you have to deal with on your job?



Top 5 at US companies:

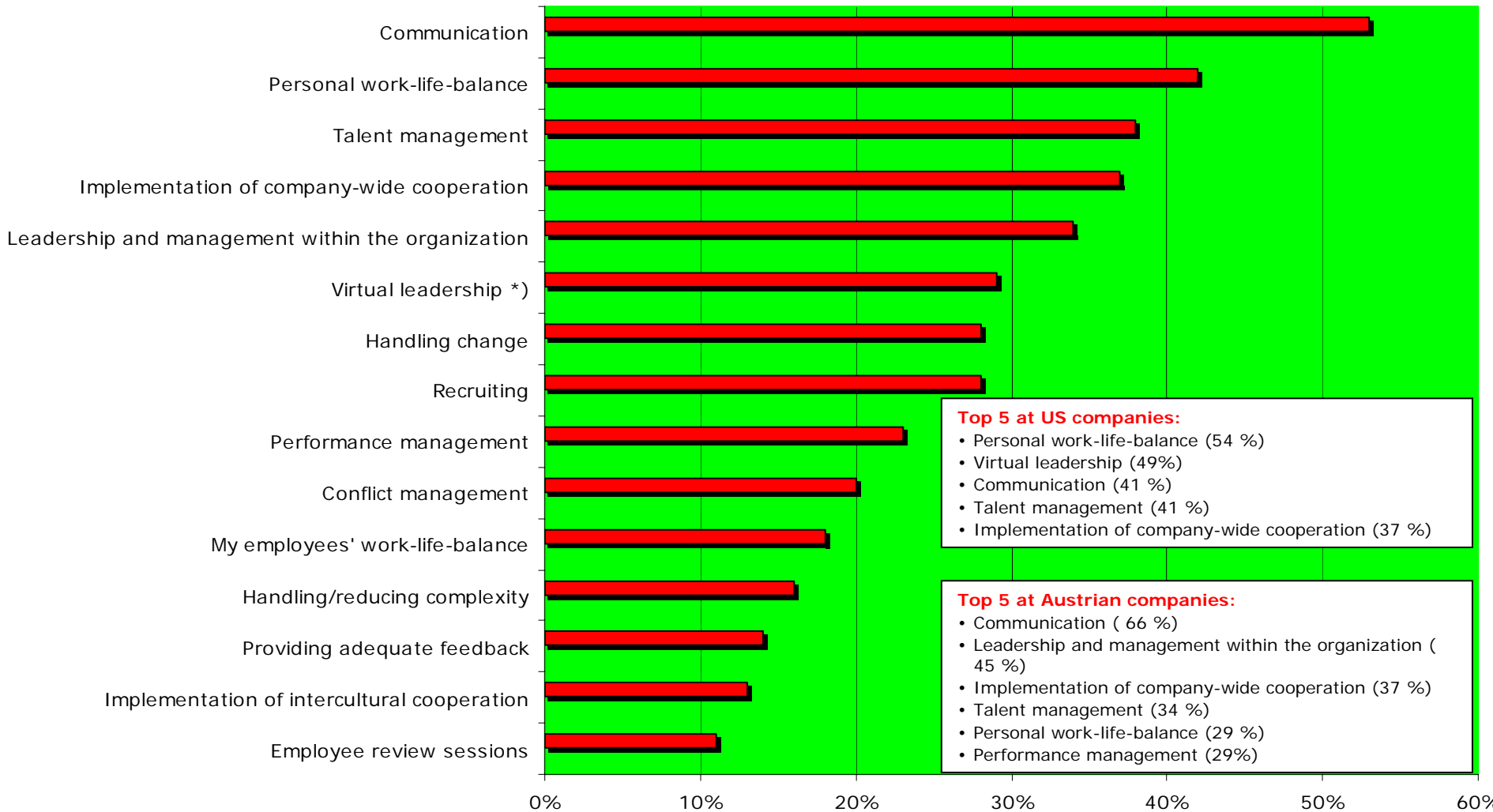
- Strong tendency towards centralization on the part of the corporation (67 %)
- Focus on very short-term objectives (48 %)
- Excessive bureaucracy (48 %)
- High cost and sales pressure (38 %)
- Reorganization (31 %)

Top 5 at Austrian companies:

- Discipline, time management, commitment (54 %)
- Highly disputed market/strong competition (49 %)
- Staff loyalty/high fluctuation (44 %)
- High cost and sales pressure (28 %)
- Reorganization (29 %)

Most important issues on the mind of executives

Question 5: Being an executive/human resource manager, what are the most important issues currently on your mind?

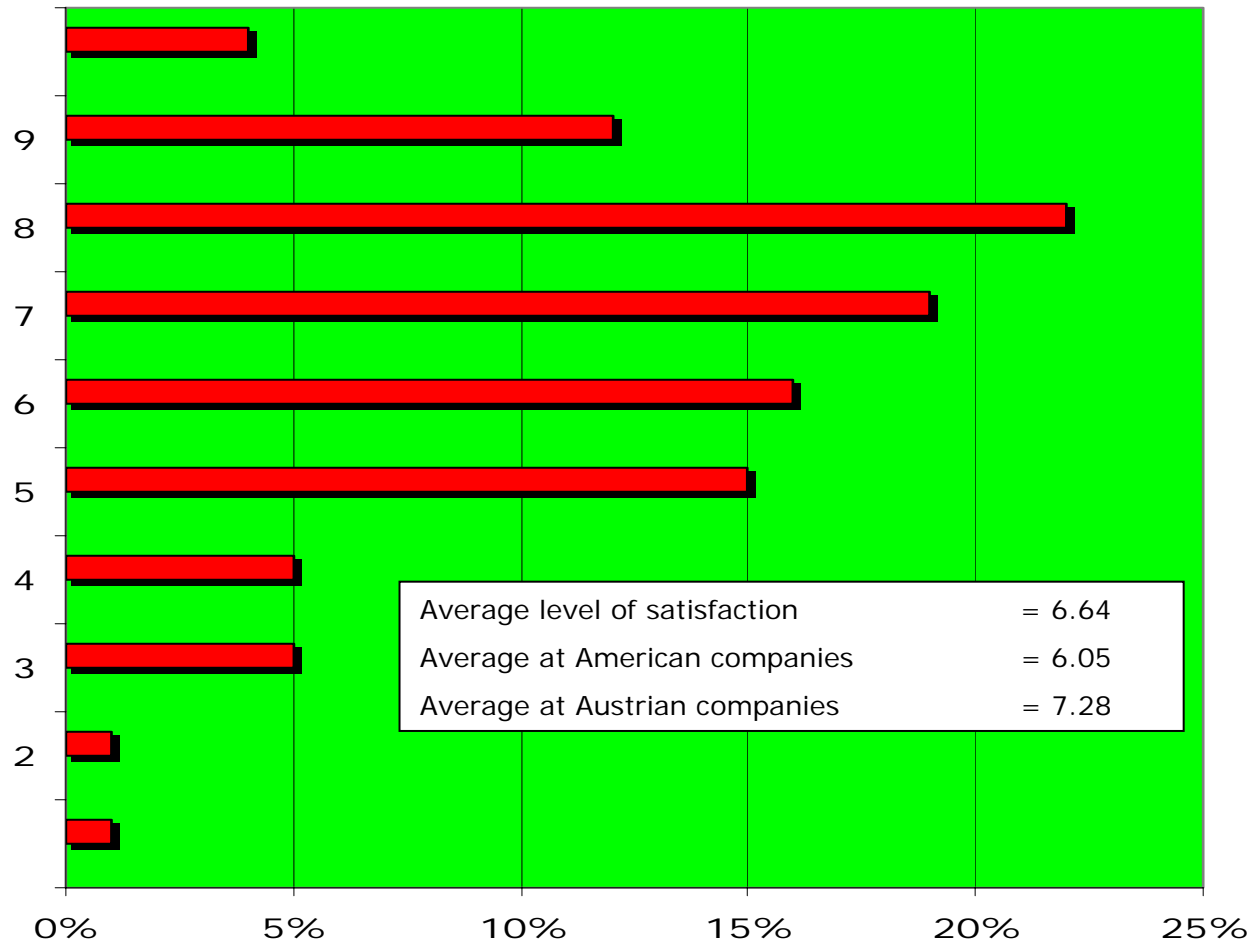


*) Long-distance leadership or leadership without reporting structures

Satisfaction with personal leeway for action

Question 6: What is your level of satisfaction regarding your leeway for action as an executive or expert?

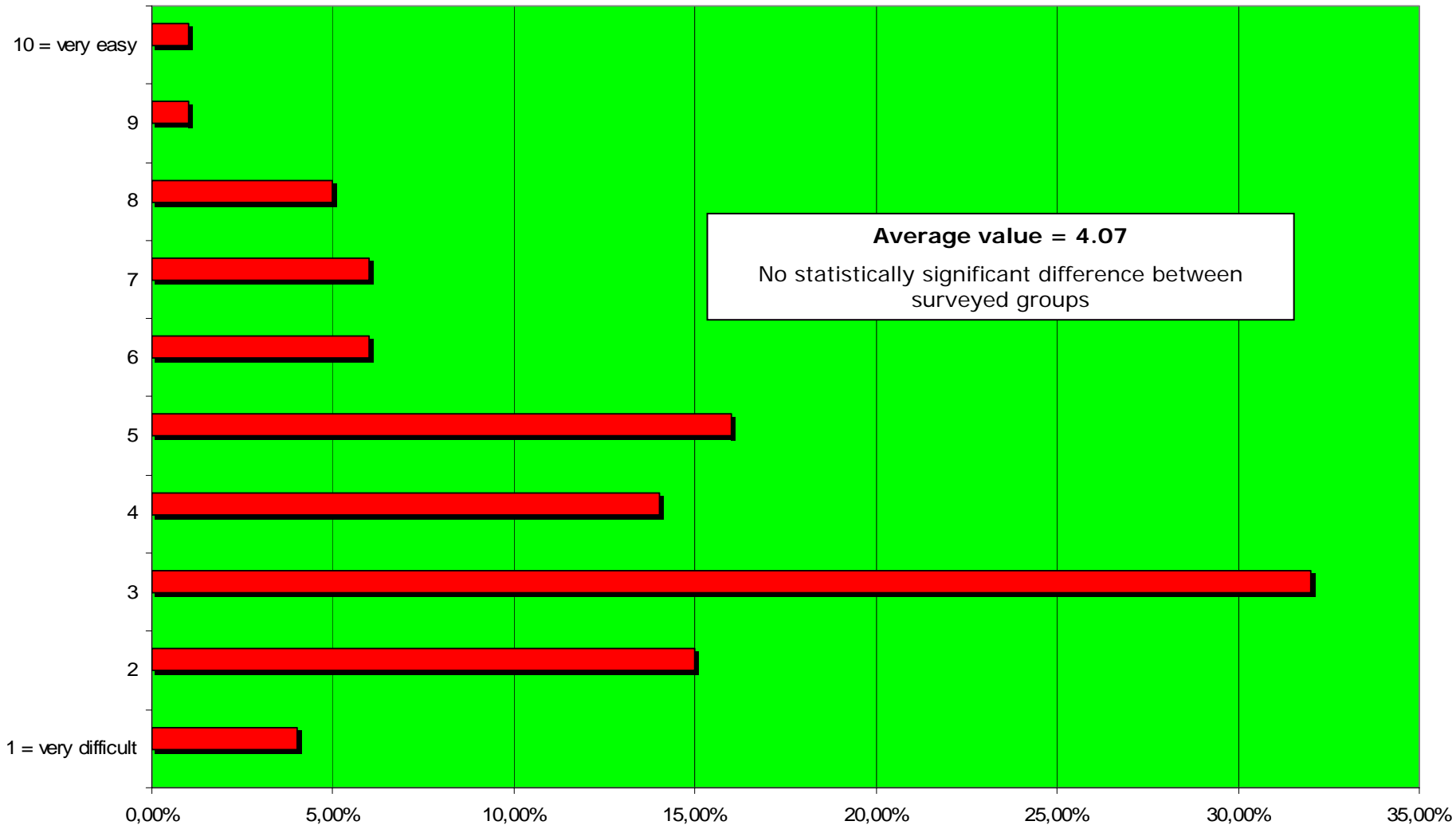
10 = Very high



1 = Very poor

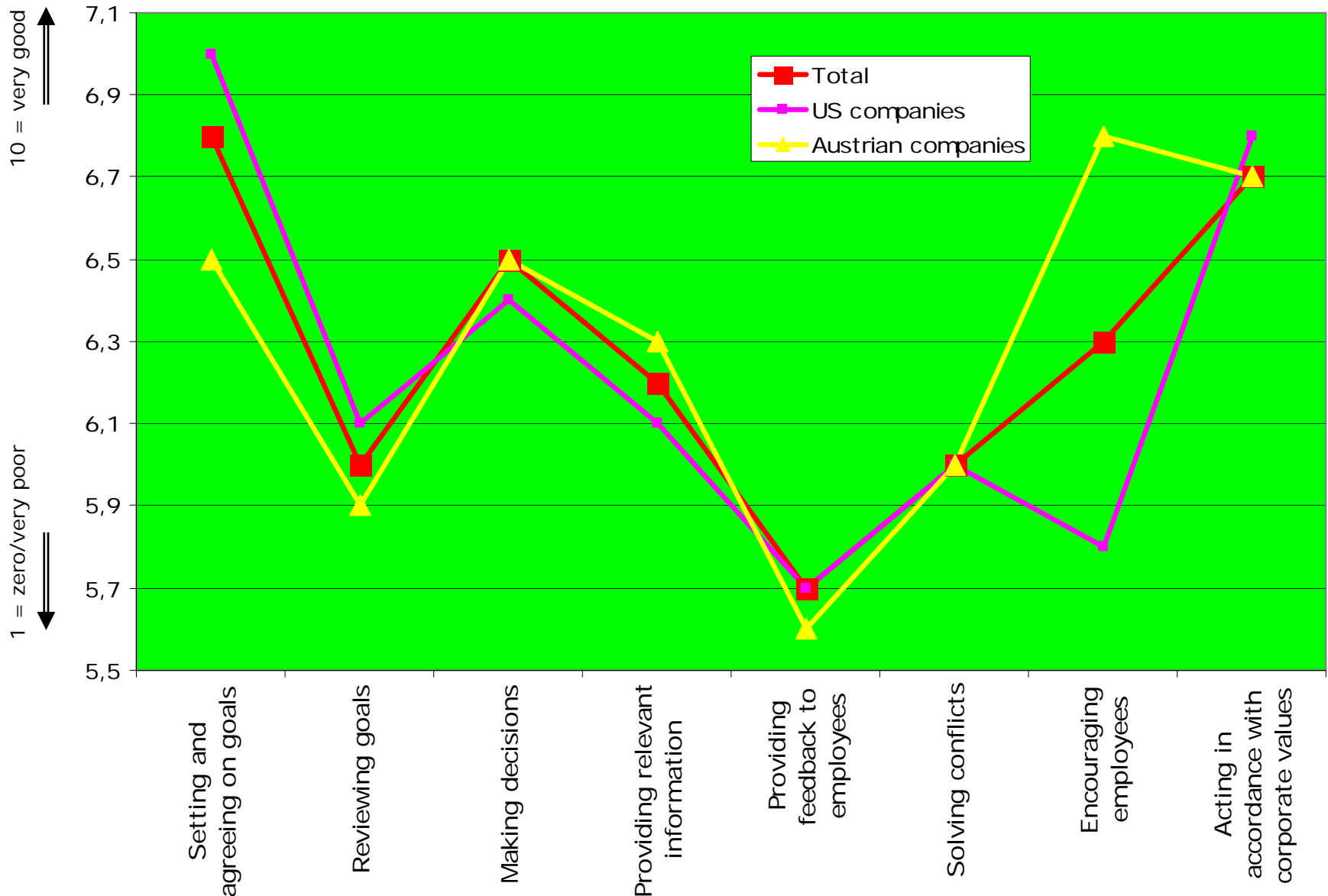
Recruiting good employees

Question 7: How easy is it to find good employees for your local subsidiary?



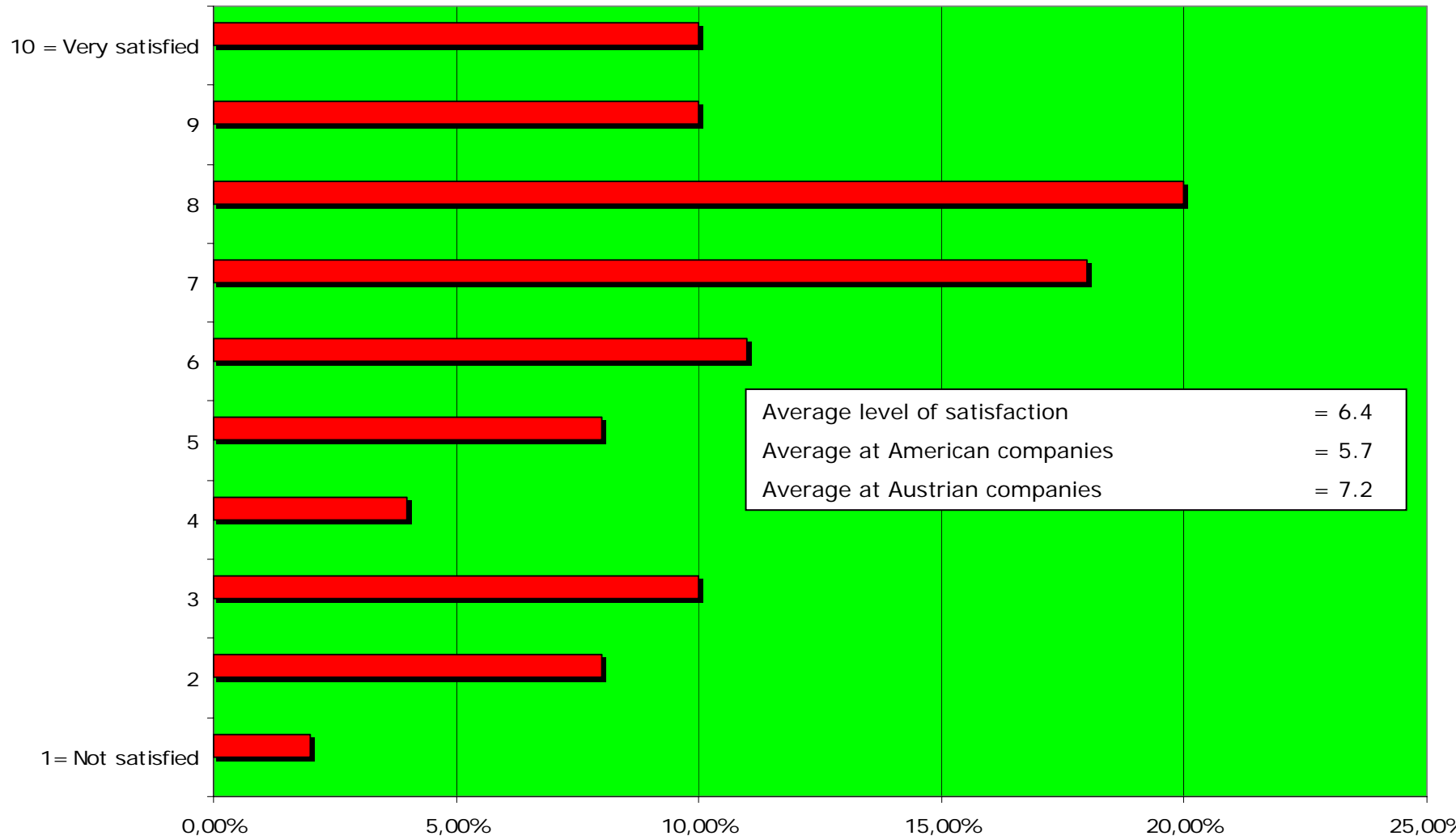
Assessing the accomplishment of specific leadership tasks

Question 8: Generally speaking, how good of a job do you think is being done at your local subsidiary when it comes to accomplishing the following leadership tasks? (scale of 1= zero/very poor to 10 = very good)



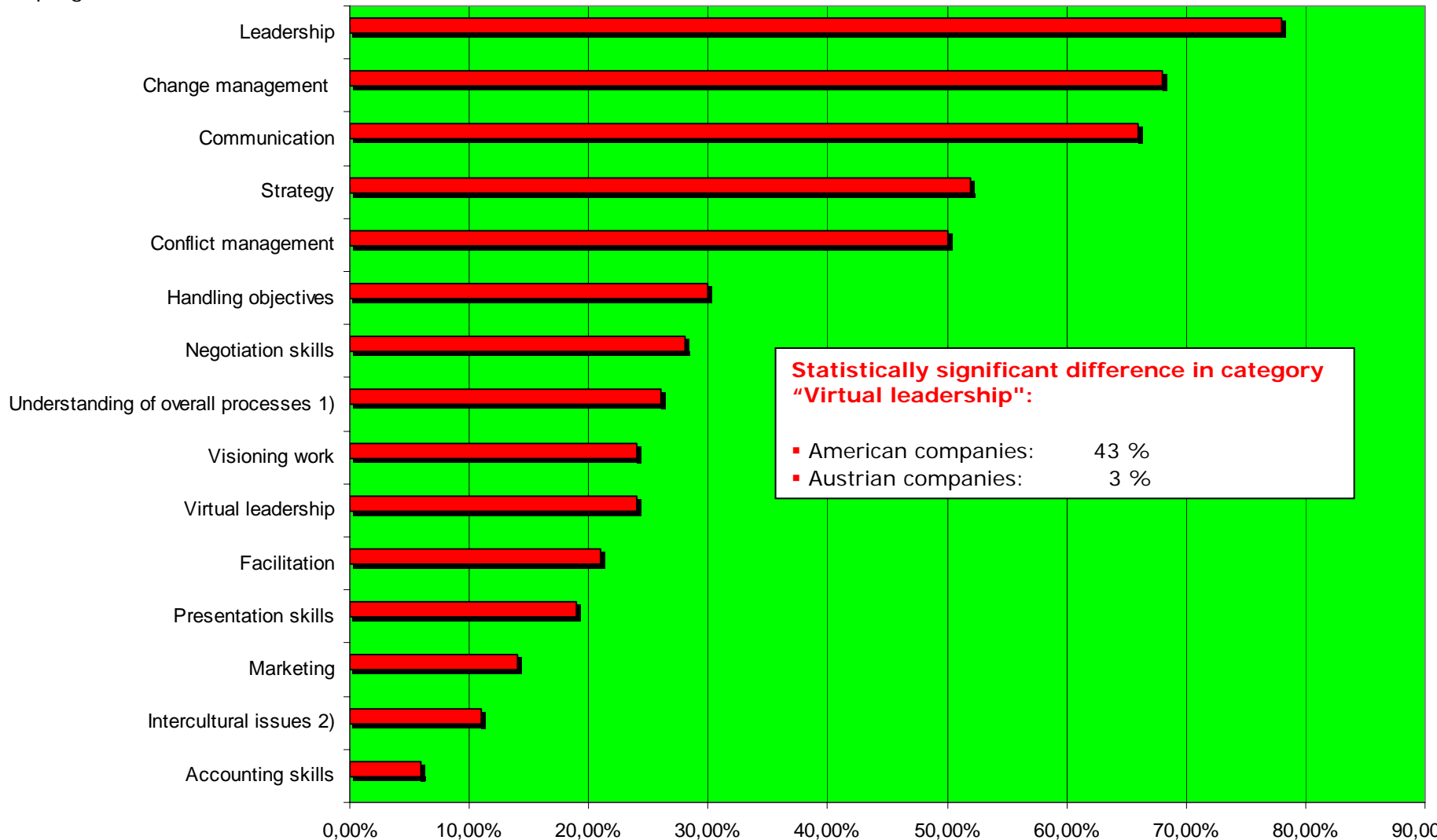
Satisfaction with training opportunities offered by headquarters

Question 9: How satisfied are you with training opportunities offered by your headquarters? (scale of 1= not satisfied to 10 = very satisfied)



Subjects covered in professionalization programs for executives

Question 12: In your opinion, which skills should be addressed during executive training sessions/ professionalization programs?

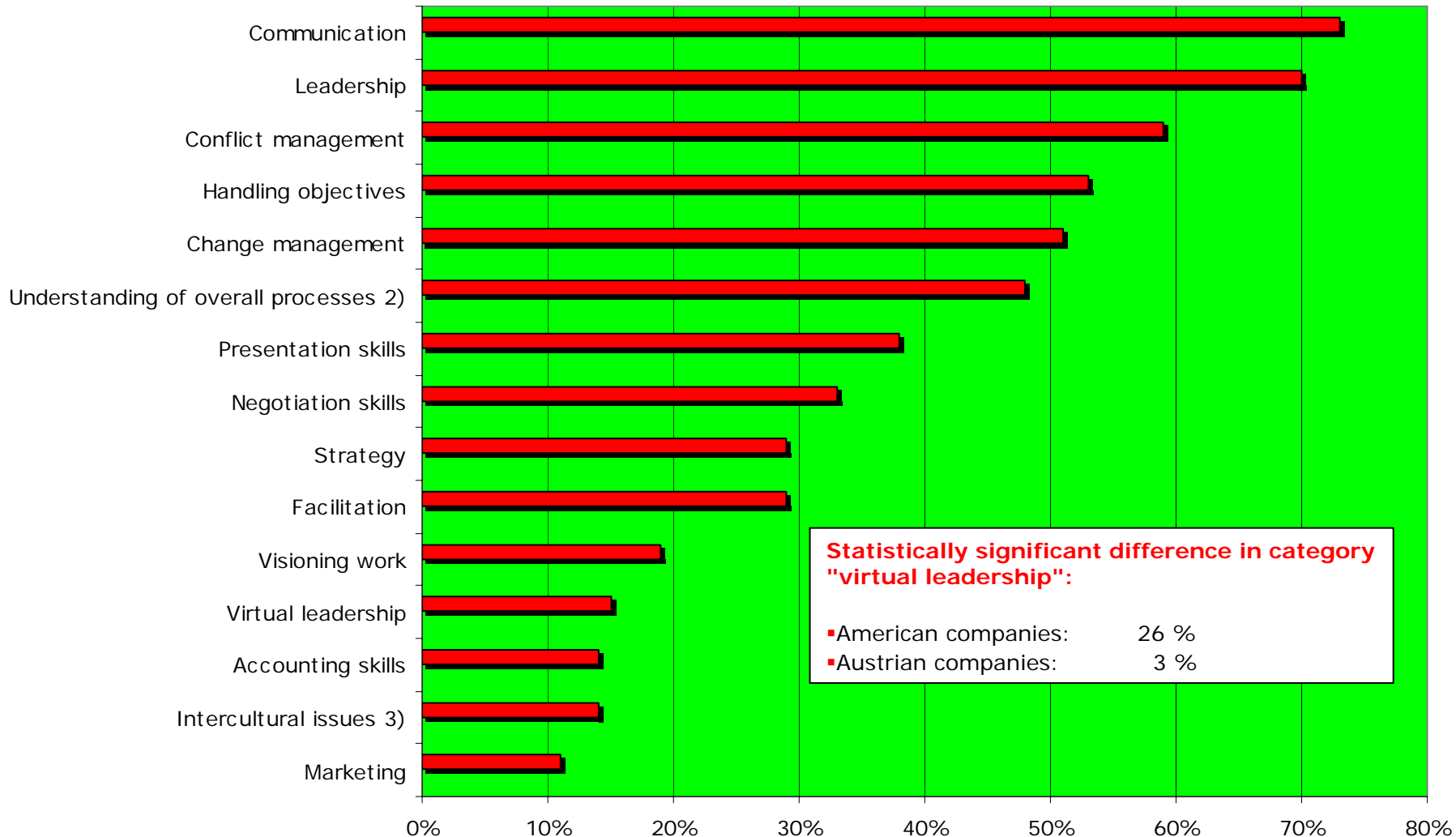


1) Business understanding (business simulations etc.,...)

2) Interaction with other cultures, diversity

Subjects covered in professionalization programs for junior executives

Question 13: In your opinion, which skills should be addressed during junior executive training sessions/ professionalization programs? 1)



1) Definition of junior executive: potential executive or executive with a maximum of two years' experience in a management position

2) Business understanding (business simulations etc.,...)

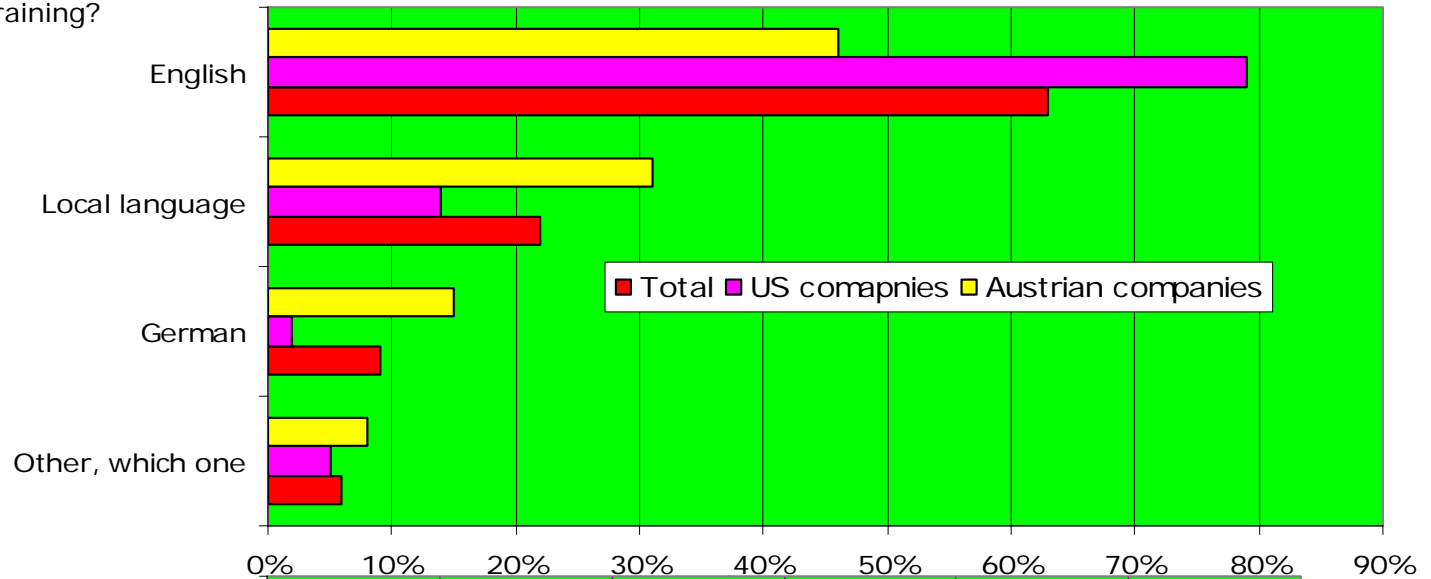
3) Interaction with other cultures, diversity

Language used in training

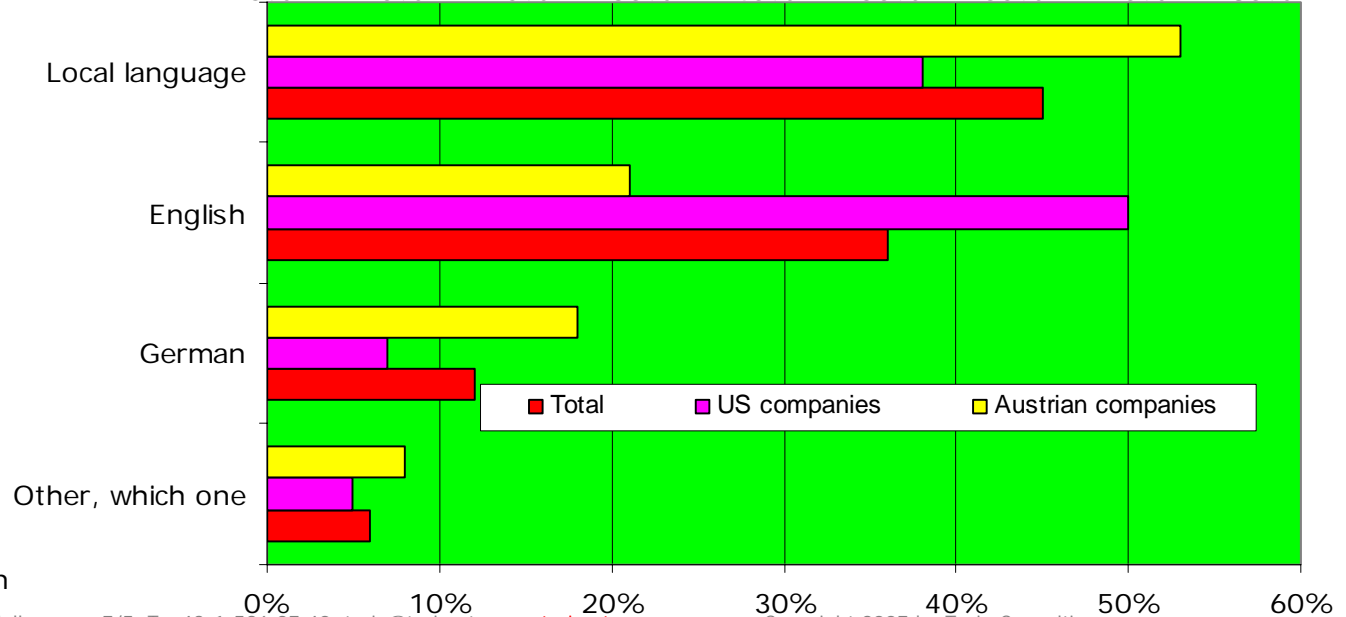
Question 14: Assuming that you could make the decision for your local subsidiary: which language should be used for executive training?

Question 15: Assuming that you could make the decision for your local subsidiary: which language should be used for employee training?

Executive training



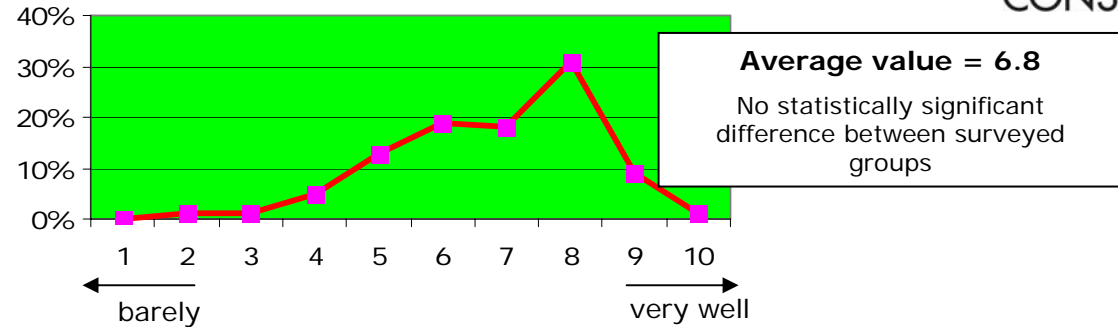
Employee training



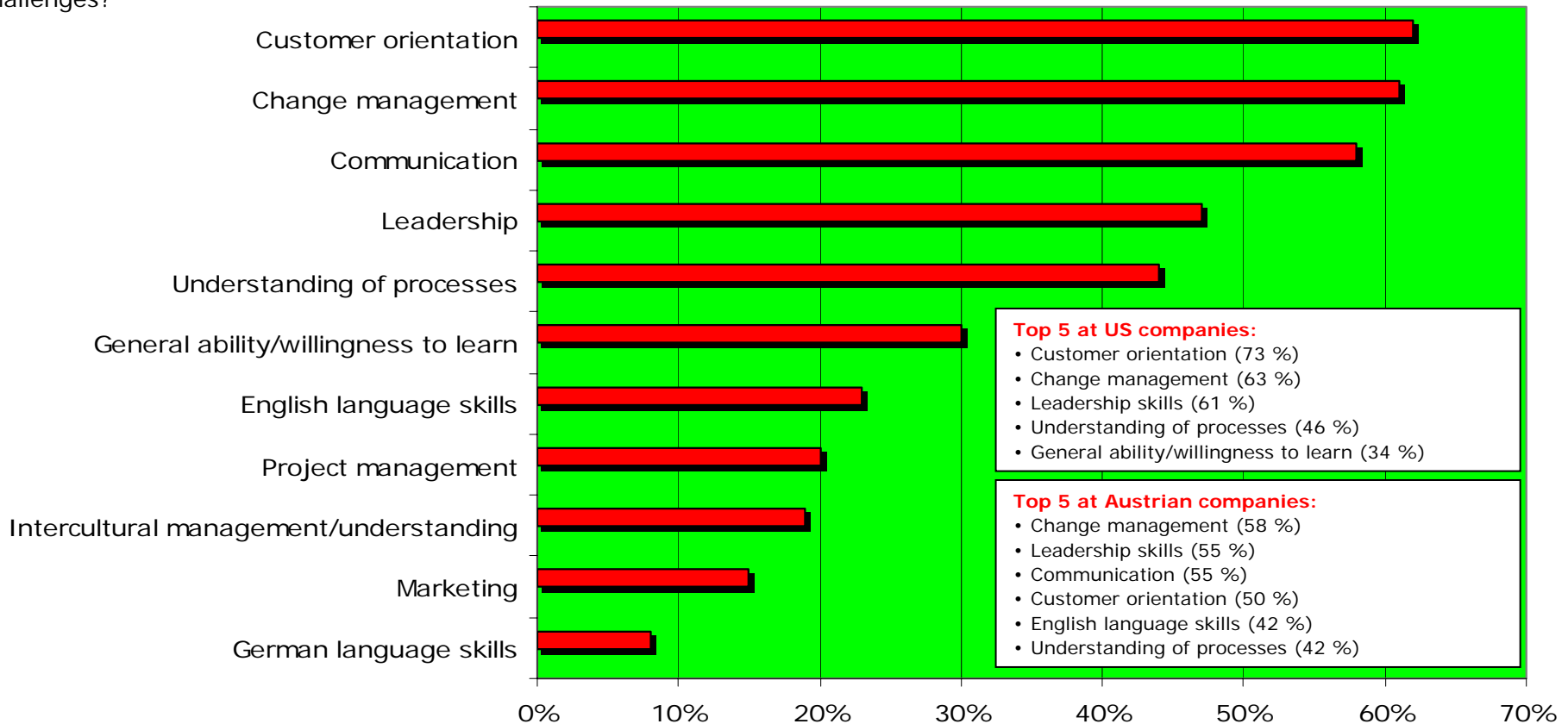
*) Optional or Russian

Assessment of organization's preparation for the future

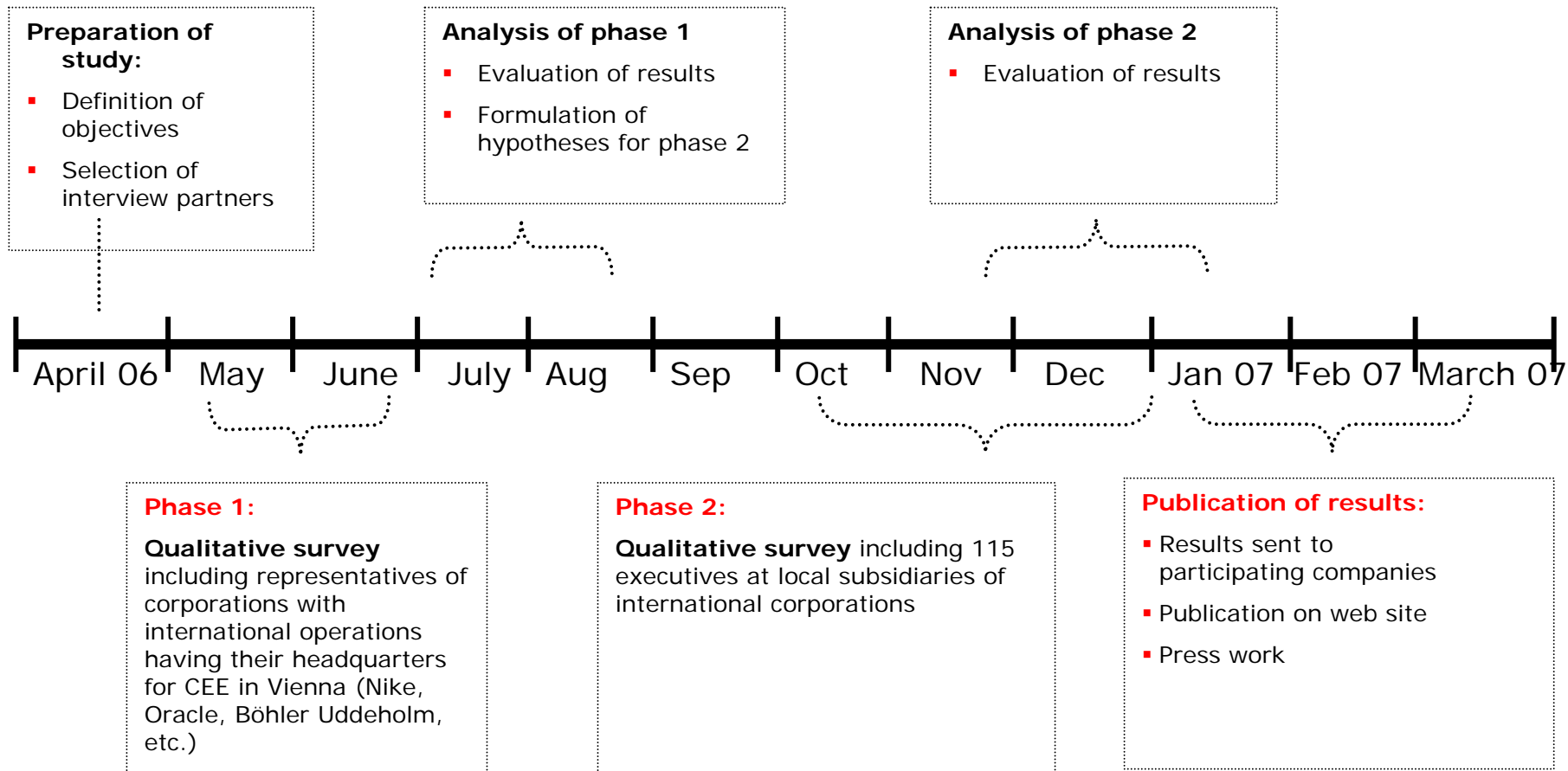
Question 16: In your opinion, how well prepared is your organization for future challenges?



Question 17: Which kind of know-how does your organization need to build in the years to come in order to meet upcoming challenges?



Methodology and timeline of study



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Ruth Seliger
Managing Partner



Lothar Wenzl
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C. Wenzl-Wintersteiger
Senior Consultant &
Study Director

Objectives of the study



SOS-Kinderdorf/SOS
Children's Villages

