

# HR challenges for the next five years

**In July and August 2009, The Amrop Hever Group surveyed the HR agenda of main investors already established and operating in the Central & Eastern Europe and/or the Commonwealth of Independent States. This survey aimed at comparing their last five years' key priorities with today's main concerns, ambition and targets by 2014.**

About 300 CEOs, and regional country human resources directors responded; all industries were represented in the sample. The survey is addressing the main areas of strategic HR Management: regional governance (centralization vs. decentralization), expatriation policy, talent management, training & development, executive search & recruitment. Even though the full results will be available early in 2010, some of the first findings the Amrop Research Center has made available are really interesting:

- Despite the global economic downturn, the strategic appetite for Central & Eastern Europe (CEE) and the Commonwealth of Independent States (CIS) remains almost intact for investors who already operate in the region. According to the survey, 61% of respondents maintained their initial investment plan while the rest of the sample decided to postpone it; only very few really simply stopped investing. The withdrawal movements are rather rare in CEE & CIS as investors remain confident in the significant potential of the region on the long run.
- The upgrading and restructuring of sales and marketing functions come first in the ranking of priorities to recover performance in the region, before cost-cutting programs.
- Management development, personnel cost optimization and strategic HR planning are the three main areas on where

investors are willing to focus their attention to 2014.

- The role of regional headquarters will be reinforced by 2014. 61% of respondents declared their intention to implement a higher degree of centralization in the near future. The motivation is mainly financial with the generalization of savings programs, the desire to reinforce management control therefore, or the need to implement and coordinate new cost synergies at regional level.
- While the results of our research show a high importance placed on management development, 60% of surveyed companies have already or plan to freeze their training budget by 2014. The development of the management will look for new alternatives and approaches; such as in-house engagement programs rather than traditional executive education. For example, the demand for coaching is to increase by 25% during the next five years in the region.
- One third of the studied sample plans to decrease the contingent of expatriates in CEE and/or CIS region(s). This movement illustrates the desire to empower the local country management team.
- Recruitment freezing and staff downsizing are the main measures widely implemented by organizations operating in CEE and/or CIS to recover the profitability affected by recession. As many as 75% of surveyed

companies have already done it or plan to do it.

- Furthermore, 43% of the surveyed organizations believe that attracting and recruiting talents for key positions is to be just as difficult or even more difficult by 2014 despite the current downturn, in comparison to the recent fast growth, in a general context, within the region.

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The word used for "crisis" in Chinese has the meaning of both danger and opportunity. At this

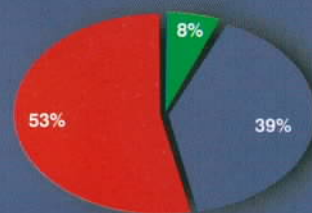
current time, there is no doubt that the majority of organizations investing in the CEE and/or CIS have to cope with difficult trade-offs and make uneasy decisions that will shape their business trends and condition their performance by 2014.

However, investors who look for opportunities, adopting a positive approach to their talent and business initiative, will certainly overcome the recession and prepare the ground to grow and recover rapidly with an advanced "people advantage" once the downturn is over. Actually, the ability of any organization to take over and develop further the market share lost by competitors will require the adequate "HR reservoir" strong enough to do it. Therefore, winners will be the ones who keep investing in talent. Consequently, HR Directors will have to show their creativity, and sometimes innovate to tackle the downturn by combining approaches that focus not only on cost cutting, but also, and above all, on talent development and engagement. In other words, the first outcomes of our study show that developing talent and enhancing employees' commitment are to become the most important topics by 2014.



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**Evolution of Regional Headquarters' role over the next five years in CEE & CIS regions**



Greater decentralization by giving higher degree of freedom & autonomy to country level

Greater centralization by limiting the degree of freedom & autonomy at country level

Hyper centralization by recentering all decision making power at regional level