

Turning management on its head

Leaders in Romania must change their management style as the recession bites further into the country's economy Report by Michael Bird and Teodora Vaduva

As the second year of decline attacks Romania's economy, executives have been forced to transform their business mentality from negotiating salary rises and hiring en masse to managing costs, firing staff and motivating whoever is left to work harder for less pay and no benefits.

"Until recently, managing was about development and supporting growth - now it is about efficiencies, restructuring and the retention of talent," says Anca Podoleanu, executive director at trade association HR Club.

But many CEOs and senior managers in Romanian-based companies are lacking these precise skills. Romanians tend to be good at starting businesses and working hard to grow these corporations, but find it hard to navigate their company through the vicissitudes of a fluctuating economy.

Around 28 per cent of CEOs and top executives in Romania state that the majority of skills shortages in Romania are focused on the "general management function", according to executive search consultancy Stanton Chase.

"There are a lot of leaders and entrepreneurs in Romania, but a shortage of real managers," says Ulrik Rasmussen, partner and head of southeast Europe at executive search company Pedersen & Partners.

This is a result of the business environment in a post-millennium Romania, which only witnessed exponential growth until mid-2008. "Many managers in Romania started working in business after 2000 and have not faced a significant decrease in business," says training company TMI Romania's managing director Octavian Pantis. "Their challenge was to meet growing demand, find new people, stimulate those people, give them bonuses and manage growth - now they must manage the reduction of this business."

Managers also have a great understanding of how operations work at a local level, but a lack of understanding of macroeconomics – which can be a concern in a recession, where the country's development is dependent on the fate of exterior markets.

"There are few visionary persons at the 'high level', who really have an overall economic vision," says training company Trend Consult's managing director Sabin Gilceava. "I think most of them are there because they covered a gap and were pulled in that direction, rather than because they knew for sure where they wanted and could go."

Threatening new business is a dependency on individual contacts, rather than a keen understanding of the supply and demand levels of the market. "Sometimes staff feel they do not need to perform, because they have informal networks," says HR Club's Anca Podoleanu.

Damaging to the efficiency of management today is also a reliance on organising too many meetings. "Rarely does any work get done in meetings," says Octavian Pantis. "[Management guru] Peter Drucker said meetings are a symptom of bad organisation - one either works, or one meets. Because people know meetings are not useful and take long, they sometimes bring in laptops and send emails. This is damaging."

An issue troubling for employee mobility at a time of necessary change is that senior staff often protect and insulate the information and contacts at their disposal. "There is a fear of sharing knowledge," says training and executive search company Premium Global's sales & management trainer Colin Lovering. "People are reluctant to coach because they are fearful of letting go of the knowledge which they feel protects their jobs."

A major communication problem affecting Romanian business is a reduction in the quality of writing skills, according to Daniela Necefor, general manager, Total Business Solutions (TBS). Her agency is now recommending giving writing tests to candidates across all management positions. "Many from the younger generation do not write Romanian correctly - they are very good at

talking, but when you ask them to write, they make grammar mistakes,” says Necefor. Romanian managers do have many pragmatic qualities – outsiders often praise their ingenuity and creative thinking during a crisis. “One positive skill is a determination to make things happen,” says Sabin Gilceava.

Romanians also have a direct attitude, which foreigners can mistake for rudeness. “This perceived insensitivity can be a plus,” says Sinclair Stevenson, CEO at Premium Global. “The British like to be polite [about a mistake], while the Romanian will say this is wrong and I do not agree.” Romanians get straight to the point.

Expats versus locals

Is the solution for a Romanian-based business in trouble to hire a “change manager” from abroad? All companies would prefer to recruit from the resident country, but with a national skills and experience shortage this can be tough.

“For top management, many clients we work for have expat teams, but are looking to replace them with Romanian partners,” says Olivia Franculescu, managing consultant at Kilpatrick Executive Search. “However, the difficulty in the sourcing process appears when the technical and business experience needed for major acquisitions and managed budgets cannot be achieved by locals.”

Nevertheless it is tough to attract the best executive candidates from abroad to Romania. Problems include the poor transport infrastructure in Bucharest, the inconvenient location of international schools and the high level of corruption. The question many executives ask themselves is – why bother going to Bucharest, when one can go to Budapest or Prague?

Between 2005 and 2008 the incentive was purely economic. “Before the crisis - with Romania experiencing a GDP growth of seven or eight per cent - it was a land of opportunities and the market was booming, so it was not so difficult to persuade someone to come,” says Athena Tavoulari, Romania regional manager at Stanton Chase.

Now Romania can sell itself as a location for an ambitious executive looking to impress head office. “Romania is for persons who want to accede to a presidential position in their headquarters,” says TBS’s Daniela Necefor. “It is a high challenge to succeed in a company in Romania. Doing business in Romania is difficult due to the fiscal and labour code in managing, as well as other impediments. The person who comes should see Romania as the main project of his or her life. An individual who can succeed to take a company out of the crisis in Romania is very valuable to top management.”

Pedersen & Partners’ Ulrik Rasmussen predicts a return of expats to senior positions in Romania. “Now the country needs people with change management experience,” he says. “These people are coming back for a premium and are building processes and procedures to find out where the company really hurts. These are real CEOs, real CFOs, real commercial directors with proper operational experience.”

An expat troubleshooter hired for Romania will probably need a big incentive package, which could include a profit share, stock option or a turnaround bonus, say experts.

Another reason for executives to choose Romania is the chance to access an “unprecedented talent pool in comparison to the rest of central and eastern Europe” according to Rasmussen. “There are some incredibly gifted youngsters - intelligent and hardworking and driven,” he adds.

Romania tends also to attract those who have experience of emerging markets.

“It is easier to attract people who have been expats before,” says Tavoulari. “It is more difficult if a candidate has been in his home country all his working life and in his 40s wants to stop everything and come to Romania.”

Germans versus Brits

Few human resources experts will go on the record to discuss whether one particular nationality works better in the Romanian business environment than another – because this is subjective and a bit racist.

Expat managers also tend to belong to a jet-setting class of nationless executives - sometimes having studied and worked in several countries for decades and adopting a generic "western" approach to business, but with an understanding of the need for "flexibility" in emerging markets.

But - pushed on the subject - one executive search consultant says: "Romanians tend to prefer managers from Austria and Germany - Romanians believe they can learn something from them."

This is due to a directness in the Germanic way of working and the clearly outlined responsibilities for each member of staff. In Transylvania, there is also a German cultural tradition which sometimes fits this region's way of working.

But one consultant says that this system can be restrictive to a developing market.

"The problem with German or Austrian management is that it is very rigid and Romanians do not tend to thrive," the consultant says. "But the 'Germanic' system works well in managing banking and finance."

On the whole, search consultants say executives from other ex-Communist countries find it tough to gain trust from their staff in Romania. "Romanians don't understand why people from these countries should be better than Romanians," says one consultant.

With the Anglo-Saxon way of business there is a debate on whether its management style is too open-ended for Romanians or strikes the right balance between rigidity and encouraging development. "The British can be a bit indecisive," says Colin Lovering. "While the Germans are more precise in management, the British are always asking employees for their opinions - they want to be inclusive."

However one consultant says the British and the Dutch are the best suited managers to Romania. "They don't take any bullshit," the consultant says. "Meanwhile the Americans can be a little naive about the expectations and size of the task to be delivered in Romania. It is not how it works elsewhere."

Meanwhile Pedersen & Partners' Ulrik Rasmussen adds: "Anglo-Saxons have a management style which is very hands-on, they work very hard, but have a sense of humour - this combination works well as an example for a Romanian team."

Graduate level: desperate

With the country now at 7.4 per cent unemployment - double the rate of mid-2008, recruitment agencies now spend a great deal of time processing heaps of CVs.

"Graduates are so desperate to have a job that they apply to any kind of job position," says Cristina Savuica, general director at Luger & Makler Romania. "There are candidates who accept salaries up to 50 per cent lower."

However the education system in Romania does not prepare candidates for fighting 20 similar qualified people for one position. A major problem is the lack of careers advice at schools. "CVs in Romania are dreadful - the amount of man-hours put in to filter through crap is enormous," says one recruiter.

Some candidates also believe that academic qualifications can be enough reason to be hired. "One candidate came in and slammed a CV on the table with the words 'MBA' in the header and stated - look - I am the right person for the job," says Colin Lovering.

But employers - particularly those from abroad - want to see skills in action, which means sometimes taking a CV and putting it to one side.

Another common trait that foreign companies point out about interviewees is a lack of presentation skills - often candidates come to an interview in jeans, without a tie or in short-sleeved shirts. "Sometimes this indicates a lack of experience," says Sinclair Stevenson. "A company may need to look below the person who wore jeans to the interview - they might miss a good candidate - it is important not to write off that person immediately."

There is also a common trend for candidates to leave their mobile phone on in interviews. "One interviewee to us sat down and placed five mobile phones in front of him - the message was clear: 'I have five mobile phones, I am important'," adds Colin Lovering.

Another cultural difference between Romanian businesses and international hiring is the issue of morality. When looking to hire, foreign employers emphasise technical competence followed by personality, while 'employee morality' is rarely taken into account, according to George Butunoiu, founder of George Butunoiu Executive Search. "This ratio is reversed in Romania," he says. "No further investigation is proceeded until the candidate gets a green line in terms of honesty. Personality skills come second - outrunning technical competence."

Candidates with a civilized behaviour, who are well-educated, moral and trustworthy have high chances to thrive in Romania, says Butunoiu.

Sales level: staff re-hiring

At entry-level and mid-management level, between 2006 and 2008, the sales and marketing business were the largest revenue bringer and the most profitable area for search consultant CVO Recruitment.

"Sales people were replaced all the time or a team needed to bring in new people," says the firm's country manager Delia Burnham. "As soon as the market started to change, there was a much lower attrition level, with people staying put and there was no need to expand."

In the 2009 there was a recruitment freeze, but now the market is beginning to see some sales managers have started to be hired again.

Interestingly, until 2009, CVO Recruitment says there was little appetite for hiring firms to search for marketing positions. "There were no requests because there was such an abundance on the market – but now we are working on quite a few," says Burnham. "There are huge numbers of marketing people who lost their jobs - a lot of them aren't any good - and now we see a need from clients for good marketing professionals. These are the ones who did not lose their jobs – so we have to head-hunt."

Hirings in construction and engineering were also high between 2006 and 2008 and have since dropped off - but while IT saw a fall in the last two years, recruiting in this area is also starting to re-emerge. There is also a huge demand in the oil and gas sector for professionals.

During the same period, hiring in accountancy and tax consultancy has been constant between 2006 and 2010, according to Burnham. Recently more companies have been interested in hiring in financial controlling. "Companies need a good financial controller through a recession," she adds.

Tough at the top

Romanian business is finding it hard to retain its existing talent at the top level. Around 80 per cent of Romanian-based CEOs say they are willing to relocate abroad, according to a recent survey by Stanton Chase. This compares to 50 per cent in Serbia and 32 per cent in Greece.

The majority of Romanian leaders want to leave to west Europe (23 per cent), east Europe (16 per cent) or North America (14 per cent).

Among CEOs and top management, 90 per cent were interested in looking for a new career opportunity. Romania is a nation of miserable bosses.

Wanted: crisis managers

Two years ago companies in Romania were demanding executives with sales experience, but now the market needs bosses with operational skills.

"Between 2005 to 2008 development in Romania happened at such a quick rate that companies [both foreign and domestic] were willing to sacrifice all their risk models for a piece of the cake," says Ulrik Rasmussen, partner at Pedersen & Partners. "They put sales staff into senior positions because they were afraid of losing them."

Companies are no longer looking for new hires, but to replace a departing manager or someone who has failed to prove their quality under pressure in a recession.

“Most executive and middle management positions which have been vacant in 2010 were opened due to organisational changes - only one third represent newly created business, a trend that is increasing,” says Diana Istrate, senior consultant, Kilpatrick Executive Search.

George Butunoiu, founder of George Butunoiu Executive Search, goes even further, stating that more than 90 per cent of contracts from clients are generated by the need for replacements.

“The duration of each closed deal has doubled,” he says. “Employers allocate more time to meetings with candidates. Detailed discussions are useful because it provides information about the market from the competition, even if they are sure that they are not going to employ that candidate.” Technology, consumer products and services firms are looking for new managers using executive search firms, including fmcg and retail, pharma, life sciences, manufacturing and energy. Around 90 per cent of firms hiring these services are international companies.

A large number of executive search companies have emerged in Romania over the last five years, but the professionalism of this unregulated industry is often questionable.

“Romanians were quite enterprising before the crisis - there was a very big number of so-called executive search consultants and small independent freelancers,” says Athena Tavoulari, Stanton Chase. “But many of these did not do competence-based research and instead acted on instinct when selecting people.”

A deep and long-term knowledge of the Romanian executive business environment is vital to succeed in this market, argues George Butunoiu. “All top managers in Romania are in my portfolio - whether they know it or not,” he says. The best candidates are now used to being wooed by search agencies. “They feel offended if they are not taken into account,” Butunoiu adds.

In executive search, companies tend to take 28 to 33 per cent of the annual salary and extras package of the executive whom they pursue. Roughly speaking, in Romania, a CEO can be paid between 150,000 and 0.5 million Euro.

But Total Business Solutions (TBS) does not take a percentage, but a flat fee - due to an imbalance in Romanian labour market. “It is possible to find a good CFO with 2,000 Euro per month and one with 5,000 Euro per month,” says TBS’s Daniela Necefor. “If I present the client with only those candidates who cost 5,000 Euro per month, he or she will think I am trying to do this to get a higher fee.”

Overall, international companies have maintained the budgets for key positions over the last two years, says Butunoiu.