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Commonwealth
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CENTRAL EUROPE



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Notes from the conference

Executive Search in Central & Eastern Europe

THERE NOW EXISTS DISTINCT SPECIFICITY IN THE SEARCH FOR TOP MANAGERS IN THESE COUNTRIES:

■ Western Managers set-up the new companies and train local Managers on European or Anglo-Saxon systems of reporting and productivity. This means of course taking certain transitional measures: obviously a "colonial" type of policy of importing managers is completely excluded in these countries with such prestigious history.

■ Managers who have emigrated to other countries, bestowed with diplomas from Western universities, have the advantage of speaking the local language and are also keen on coming back to their countries under good conditions.

■ Local Engineers and Managers who have been well trained from schools

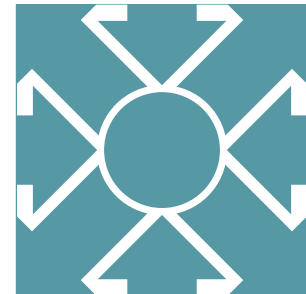
within these countries and who, after an internship abroad, would be capable of assuming the proper management of the companies under construction or renovation.

■ These assignments require a lot of finesse, taking into consideration the candi-

dates' culture, the languages they speak, and how their families feel about the possible life and career change.

■ The complexity of these different elements and the suitability of a person to a certain post comes out of the cooperative judgment

made, throughout the search, by the Search Consultants on site as well as those at the Group headquarters and the General Management of the local and international corporation who are recruiting, as well as the decided motivation of the candidates.



Alexander Hughes is a European Group of Executive Search Consultants, specialized in the direct search and recruitment of Board level Managers, Experts and Non-Executive Directors. We accompany our clients throughout their development across Europe, offering our knowledge in order to help them succeed in their new establishment or to restructure their existing business.

After structuring our presence in Western Europe as well as developing a fully global service as co-founder of AEA International Search (Americas – Europe – Asia Pacific), we have been dedicated to adding a very strong presence in Central and Eastern Europe, under development since 2001.

Our presence in Central and Eastern Europe is organized in three zones:

- ▶ Our office in Moscow covers **Russia** as well as the other member countries of the **Commonwealth of Independent States**.
- ▶ **Central Europe**, led from Prague, disposes of offices in the Czech Republic, Hungary, Poland and Slovakia.
- ▶ Our Bucharest office serves **Eastern Europe** (Romania & Bulgaria).

With over 30 years experience, our 18 completely incorporated offices, 80 Consultants and a total of over 200 professionals work to find the key individuals who represent major strategic stakes for the development of your company.



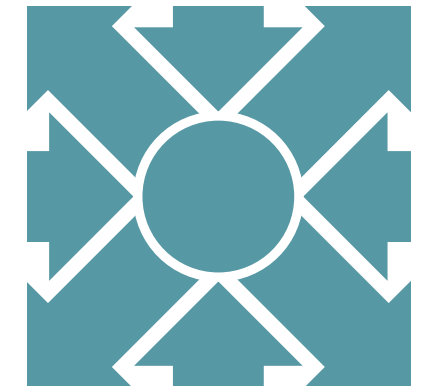
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Alexander Hughes
EXECUTIVE SEARCH CONSULTANTS
European Newsletter



THIERRY DE MONTBRIAL
Founder & President of the French Institute
for International Relations (IFRI)
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SEARCH



No 26

EDITORIAL

Human Capital in Central & Eastern Europe

The success of a company set-up abroad depends in large part on the key players put in charge of local subsidiaries. Expatriation of already-known collaborators is often the first essential step, however this is hardly satisfactory in the long-term as it is costly and not always most suitable to the unique situations in each country.

It is therefore necessary to search for and to find **top local management resources**.

Central and Eastern Europe is a zone which represents major stakes for international companies. Fostered by the admission of many of these countries into the European Union, they are going to experience a significant economic rebirth in a very short period of time. With their internal markets in full development, Central and Eastern European countries are going to open up to increased consumerism. Moreover these countries will be host to extensive manufacturing relocation.

The struggle to find top local talent will be challenging, though vital for the development of groups coming from abroad as well as local companies. Executive search

techniques are going to develop quickly as head-hunters, playing an essential role at the heart of this endeavor, are confronted more and more frequently by recruiting problems with new conditions specific to these complex countries.

The Executive Search professionals at Alexander Hughes chose to host an in depth reflection on this subject led by Thierry de Montbrial, Founder and President of IFRI. A conference, **Human Capital in Central and Eastern Europe**, was held in June 2003 with an audience consisting of Managers from large international groups and the Managing Partners of Alexander Hughes offices throughout Europe, including the **Czech Republic, Slovakia, Poland, Romania, and Russia**.



MAURICE ROZET
PRESIDENT
ALEXANDER HUGHES INTERNATIONAL

Alexander Hughes

EXECUTIVE SEARCH CONSULTANTS
Founding member of AEA International Search

A Geopolitical & Historical View of Central & Eastern Europe

TRANSLATION FROM FRENCH OF A CONFERENCE GIVEN BY MR. THIERRY DE MONTBRIAL FOUNDER AND PRESIDENT OF THE FRENCH INSTITUTE FOR INTERNATIONAL RELATIONS (IFRI) ON JUNE 10, 2003 AT THE AUTOMOBILE-CLUB DE FRANCE IN PARIS, FRANCE

IN ORDER to understand Eastern Europe, it is essential to recall the dramatic events of 1989 -which will forever be a landmark in Universal History - and the fall of communism. We must also keep in mind the dialectics of forgetting and remembering.

Since the 1970s, my work has taken me to many countries. I am quite familiar with Russia and most Eastern European countries, pre and post communism. On a trip to Poland, after the fall of the Soviet Union near the end of 1991, I was taken aback by a meeting with the Polish younger generation who



GÉRARD ARNOLD (RIGHT), INTERNATIONAL ADVISOR OF AHI AND A CONFERENCE GUEST

didn't seem to even know that Poland had once been communist. They were barely familiar with names such as Hitler and Stalin. It is a bit of a caricature, but this sort of phenomenon should not be misleading. After the trauma that lasted for decades in most of these countries, there is a need to forget and to dismiss the past. This does not mean that the past has vanished - on the contrary - it is very present. Many of those people who hold a position of responsibility in the eastern

European countries today were inevitably associated with the old regime in one way or another (notwithstanding the change of generations). I insist on this point because in Western Europe and the USA, we live in societies where we tend to believe that as soon as we have turned the page, the world is radically different. Fortunately, memories of the past still live on: this is what we call culture or civilization.

You often hear about the "reunification of Europe." This expression is irrelevant because, to my knowledge, Europe has never been united and the history of Europe is foremost fraught with disputes and conflicts. When it was united, it was only partially and for short periods of time under the rule of conquerors like Napoleon. There has never been a truly united Europe in the sense that union derived from the peoples' choice, as is implied today.

As a consequence, we should rather talk about the "unification" of Europe and not its reunification. And in this regard, the weight of history is considerable. If countries like Poland, Hungary, and the Czech Republic, who want to join the European Union, are doing so half-heartedly, it's because they don't want to give up their recently recovered sovereignty so quickly. One of the major reasons why these countries, among others, feel closer to the United States than to Europe is because they have not forgotten that the wars between France and Germany greatly contributed to putting them in dreadful situations.

Once again I insist on the fact that these cultural phenomena are deeply

rooted. Thus the fundamental question is: *What is Europe?* Because if we want to unify Europe, what exactly do we want to unify? Conventionally, geography books from the 19th century showed clear geographical boundaries: the so-called Ural Barrier, the Caucasus and the Turkish Straits.

"...we should rather talk about the unification of Europe and not its reunification"

Taking a closer look, we realize that these boundaries do not make any sense. On one hand the Ural Mountains are insignificant and are only a conventional barrier. On the other hand the Caucasus is indeed a barrier. But it divides Ossetia in such a way that South Ossetia is in Georgia and North Ossetia is in Russia. Thus, the Ossetians, ethnically the same people, end up being either Asian or European. Further more, if we consider the Straits of the Bosphorus and the Dardanelles as frontiers, it would mean that part of Turkey would be European and the other part Asian.

The history of Russia is quite different from the history of Western Europe. The Princes of Kiev in 10th century Russia



THIERRY DE MONTBRIAL AND DANA MORARIU, SENIOR CONSULTANT - AH ROMANIA



LAURENCE BAPAUME, MANAGING PARTNER OF AH RUSSIA CIS (CENTER) AND CONFERENCE GUESTS

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KEY FACTORS IN THE STRATEGIC SEARCH FOR HUMAN CAPITAL IN CENTRAL & EASTERN EUROPE:

Understanding Eastern Europe as constituted by Russia and a mosaic of countries whose common goal is to attract foreign investments and to create their own local industries. Eastern European countries, which are going to join the EU, are unequal in weight but have all assumed an important industrial culture and represent immediate and significant markets in full growth.

Taking into consideration the human and cultural importance of the past as well as the unique dynamics of modern society in this part of the World.

Recognizing the generations of well-educated and highly valuable experts

and engineers available across the zone, thus allowing companies to take on rapid development and establish new factories in these countries.

Realizing that despite the noticeable weaknesses within the managerial and financial fields, these countries have taken on the challenge of training the specialized Managers they were missing.

Taking advantage of the trend, which takes many of these Managers to Western universities to perfect their studies. Others have done internships or worked abroad; and still others, whose families have settled abroad and have had the opportunity to do their studies there, also speak the language of their native country, and eventually wish to go back to their roots.

Recognizing that all of these countries have been experiencing a significant rebound over the past few years, Russia being a very good example of a country coming back after its crisis of 1998. A very economically strong CEE zone will be very promising for the future of the 25-member Europe currently under construction.

"The construction of Europe... by far the most daring project of the 20th century"

had already established a relationship with Byzantium. One of the most important cultural choices, originating the great divide in this region, was made almost simultaneously by the Polish and the Russians: Poland chose the Roman Church and Kievan Russia chose the Byzantine one. This split between Western and Eastern Empires and between the Roman Catholic and Orthodox churches shaped the European history and continues to leave its mark all over Europe.

Let us now tackle the construction of Europe, as for me, it is by far the most daring political project of the 20th century. Unfortunately our contemporaries are largely unaware of this. This great endeavor began with the treaty of Rome in 1957, which means that the European Union is not even 50 years old. What has been done historically over the past 46 years is unprecedented in world history, despite lamentations and criticisms. The fact is that today we find it absolutely natural that all the Union members interact in a cooperative manner and that the temptation of war between European nations has become unthinkable. In the long run, the extraordinary importance of the ongoing process will be fully recognized.

Today, as accession demands daring economic reforms, the EU is first and foremost perceived as being a source of difficulties by incoming members. It is also perceived as a source of subsidies. Thus daily concerns take the lead on the historical project.

The new members' relationship with the United States also poses a delicate problem. Today the Hungarians and the Polish obviously have a rather strong American tropism.

In 1989, as the eastern part of Europe broke off from the Soviet Empire, it founds itself anew faced with the situation inherited from the period between

FURTHER READING...

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DOING BUSINESS IN EMERGING EUROPE by Francois-Serge Lhabitant, Yahia H. Zoubir, and Alan Wilkinson. (Palgrave Macmillan, 2003).

the two World Wars. At that time, the Austrian-Hungarian Empire was completely dismembered including a part of the territories belonging to Hungary, that was given to Romania. This brought along the problem of Transylvania, which remains a bone of contention for the Hungarians. What is noteworthy is that the perspective of joining the EU was enough of an incentive for Hungary and Romania to rein in potential disputes.

With regard to economic problems, after a rocky start, Poland, the Czech Republic and Hungary have performed remarkably well and have achieved economic as well as political successes, which must be commended. However let us not underestimate their burden and hardships.

On average, the economic growth rate in these countries should be higher than in Western Europe, however it will take several decades to get the two parts of Europe on the same level.

A very positive point should however be underlined. In all of these countries, including Russia, human capital represents a very high potential. In the communist system, one of the rare successes was the educational system, in both technical and cultural fields.

As a conclusion, I would like to insist on the time factor. Einstein once said: "If you put nine women who are 1 month pregnant next to each other, you don't get a child."

You have to take your time. ■

ALEXANDER HUGHES EUROPEAN NEWSLETTER

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Notes from the conference