

Pan-European Manager Survey 2004/05



In an environment of increasing competitiveness from outside, mainly from China and India, the European Union is trying to refresh the “Lisbon agenda” with which Europe aspires to become “the most competitive and dynamic knowledge-based economy in the world” by 2010.

The mid-term assessment made in Maastricht last December confirms that a long road is ahead of us and many actions must be taken in the next few years, particularly in HR, in all European countries.

EAPM and KPMG Advisory have jointly decided to survey an emerging role, which should be fundamental in this scenario, the “Pan-European Manager”.

This role ideally should be covered by a person who has competence, culture and flexibility, enabling him to work in any European country.

I want to thank KPMG Advisory S.p.A., and particularly Guido Di Stefano and Maria Alessandra Neri, for their helpful contribution to this survey.

Filippo Abramo
EAPM President

PAN-EUROPEAN MANAGER SURVEY 2004/05

PRELIMINARY

“Greater Europe” is progressively becoming a reality, as one of the four major business and financial centers in the world today.

To operate successfully in this borderless market, a new generation of managers is required, managers who consider Europe as their homeland and are therefore able to navigate their way through it with ease, both in thought and in practice. We call these people Pan-European Managers.

We all see how difficult it is to create a “united Europe” and consequently we can comprehend the problems all companies are faced with in building up a Pan-European class of managers, a breed of “super-talents”. Special care and appropriate planning are necessary to recruit, assess, reward, motivate, train and retain them.

The scope of this survey, a joint initiative of KPMG Advisory S.p.A. and the European Association for Personnel Management (EAPM), was essentially to gather information on how companies with HQs and subsidiaries in Europe are acting to cope with this problem/challenge/opportunity so as to produce a useful benchmark for all participants.

The Pan-European Manager Survey 2004/05 provides a profile of these managers, the way the 61 companies invited to participate have visualized it.

The following summary of key findings is intended to produce some of the highlights of the survey while recommending readers to refer to the specific sections for further information and details.

EXECUTIVE SUMMARY

The 61 companies invited by EAPM to participate in the survey have been grouped into three main geographical areas: Northern, Eastern and Southern Europe.

The aim is to focus on the peculiarities of the three rather different realities and to be able to allow comparisons between them and within each of them.

Participants range between 1,000 and over 20,000 employees (Table 3), with an average presence of 11% of Pan-European Managers compared with the total number of employees working in Europe, prevalently present in companies with either small or large turnover (Table 5).

On average the most significant changes (Table 9) which occurred involving the participants in the recent period were due to deregulation (51%) and acquisitions (34%), the former impacting prevalently in Eastern and Southern Europe whereas the latter seems to be a major issue in Northern Europe.

Pan-European Managers (Table 11) are primarily present in Northern (67%) and in Southern Europe (70%), and they are mainly employed (Table 12) in General Management (43%), HR (41%), Marketing (36%) and Finance (34%), all functions which are commonly recognized as critical in the current period of turnaround.

Eastern and Southern Europe (Table 13) are envisaging a need for Pan-European Managers in the next 18 months, both heavily engaged in recruiting them in the near future, primarily in the above-mentioned functions (Table 14).

From a strategic viewpoint, the reason for this need is driven by (Table 15) the impact of expanding globalization, the necessity to become more effective and more competitive, as well as to provide a better European coordination of the company/group business lines.

Conversely, the most significant benefits (Table 16) from using Pan-European Managers registered in the organizations seem to be a wider multi-national approach and culture (particularly in Northern Europe), improved knowledge sharing and broader regional competitive intelligence, especially true in Eastern Europe.

Nearly 50% of participants have a custom set of job profiles for these Pan-European Managers (Table 17) and the three preferred requisites for these "Euro-stars" seem to be an international mindset, previous international experience and multilingual capacity (Table 18).

They are preferably recruited through direct advertising, headhunters and Internet. The countries in which they are mostly searched are Belgium, UK, Germany, Italy and Sweden (Table 21).

Specific training plans are provided for this Euro population by 38% of participants (Table 22). In 87% of cases it is provided through a combination of both internal and external programmes (Table 23).

Careful attention (Table 24) is paid by the great majority of participants to identifying them through formal management appraisal (74%) and internal feedback (69%), but more than half of respondents find it difficult to recruit them, particularly in Eastern and in Southern Europe (Table 25).

Only 41% (Table 28) of participants (with Northern Europe at 54%) have strategies and policies in place for these managers, well aligned (48%) or partly aligned (52%) with their business strategies (Table 29).

Widespread attention is paid by half of participants (Table 30) to providing Pan-European Managers with specific employment and contractual terms, high level management programmes and stimulating pay structures.

With regard to rewards, 52% of participants believe to be competitive in terms of pay levels, particularly in Northern Europe (Table 31). The sources of benchmarks are normally the salary surveys available (Table 32).

In terms of reward packages, 84% of participants focus on bonuses linked to performance (Table 33), flexible benefits and long-term incentives. 61% of respondents (Table 34) set specific performance goals for their Pan-European Managers linked to an increase in revenues and/or market share and cost reduction (Table 35).

Two thirds of participants (Table 36) expressed a substantial alignment with competitors in terms of policies and plans for their Euro managers, with strong attraction policies and subsequent continuous attention (62%) in monitoring the level of satisfaction of this privileged population (Tables 37 and 38).

A well-set combination of inter-functional/inter-business/cross-countries career plans is provided by 54% of companies (Table 39) in order to assure a planned, well-structured system of growth in career.

PROFILE OF SURVEY COMPANIES

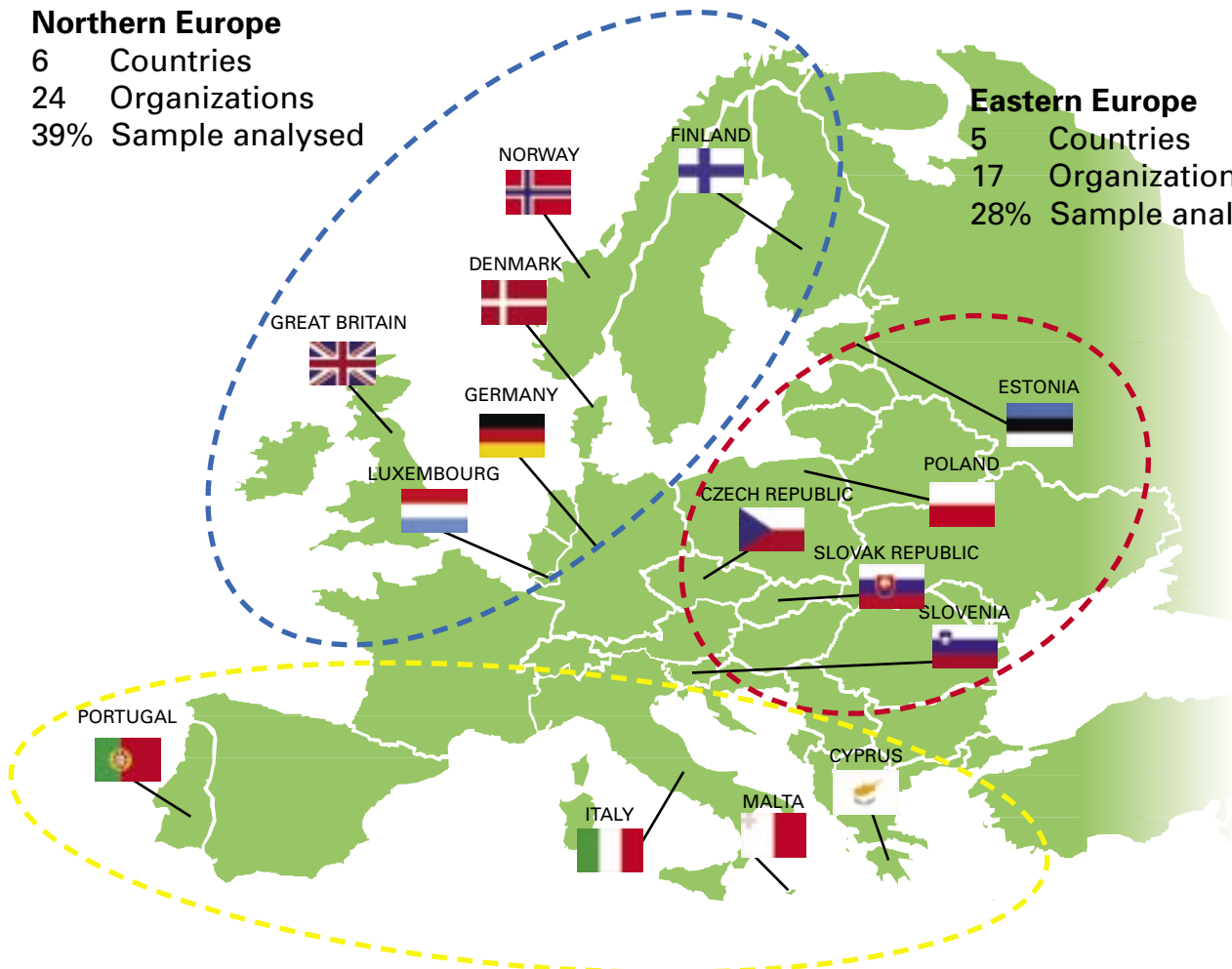
61 organizations belonging to 15 different European countries were invited to participate in the Pan-European Manager Survey 2004/05. Data gathered during the survey have been classified in the following three regional groups and analysed both globally and regionally.

Northern Europe

6 Countries
24 Organizations
39% Sample analysed

Eastern Europe

5 Countries
17 Organizations
28% Sample analysed



Southern Europe

4 Countries
20 Organizations
33% Sample analysed

Concentration amongst total participants:

Italy	8 companies
Denmark	7 companies
Estonia	7 companies
Germany	5 companies
Portugal	5 companies

The full list of participants is represented as follows.

Table 1 - Number and % of participating companies by country/region

	Average		Northern Europe		Eastern Europe		Southern Europe	
Italy	8	13%					8	13%
Denmark	7	11%	7	11%				
Estonia	7	11%			7	11%		
Germany	5	8%	5	8%				
Portugal	5	8%					5	8%
Great Britain	4	7%	4	7%				
Norway	4	7%	4	7%				
Slovenia	4	7%			4	7%		
Cyprus	4	7%					4	7%
Finland	3	5%	3	5%				
Poland	3	5%			3	5%		
Malta	3	5%					3	5%
Slovak Republic	2	3%			2	3%		
Luxembourg	1	2%	1	2%				
Czech Republic	1	2%			1	2%		

The following Table identifies the percentage of participants by primary business sector.

Table 2 - Companies' core business

	Average	Northern Europe	Eastern Europe	Southern Europe
Business services	20%	30%	12%	15%
Chemical/Pharmaceutical	15%	8%	29%	10%
Public services	15%	8%	17%	20%
Financial institutions	11%	5%	6%	25%
Non-durable goods	11%	8%	12%	15%
Energy	10%	17%	12%	0%
Telecoms	7%	8%	0%	10%
Durable goods	5%	8%	6%	0%
Other	7%	8%	6%	5%

The size of the analysed panel is shown by the following Table:

Table 3 - Number of employees (worldwide)

	Average	Northern Europe	Eastern Europe	Southern Europe
Less than 1,000	43%	33%	47%	50%
1,000 - 4,999	23%	18%	35%	20%
5,000 - 9,999	3%	4%	0%	5%
10,000 - 20,000	8%	12%	6%	5%
More than 20,000	23%	33%	12%	20%

Table 4 - Number of employees (Europe)

	Average	Northern Europe	Eastern Europe	Southern Europe
Less than 1,000	38%	21%	47%	50%
1,000 - 4,999	20%	21%	29%	10%
5,000 - 9,999	11%	12%	0%	20%
10,000 - 20,000	8%	12%	6%	5%
More than 20,000	23%	34%	18%	15%

On average, Pan-European Managers represent 11% of the total number of employees working in Europe. This percentage is considerably lower for Northern Europe (about 4%), but higher for Southern Europe (20%).

Table 5 - Company's global turnover (Euro)

	Average	Northern Europe	Eastern Europe	Southern Europe
Less than 100 million	34%	25%	29%	50%
100.1 million to 500 million	8%	0%	29%	0%
500.1 million to 1 billion	12%	13%	18%	5%
More than 1 billion	46%	63%	24%	45%

Table 6 - Presence of Headquarters in Europe

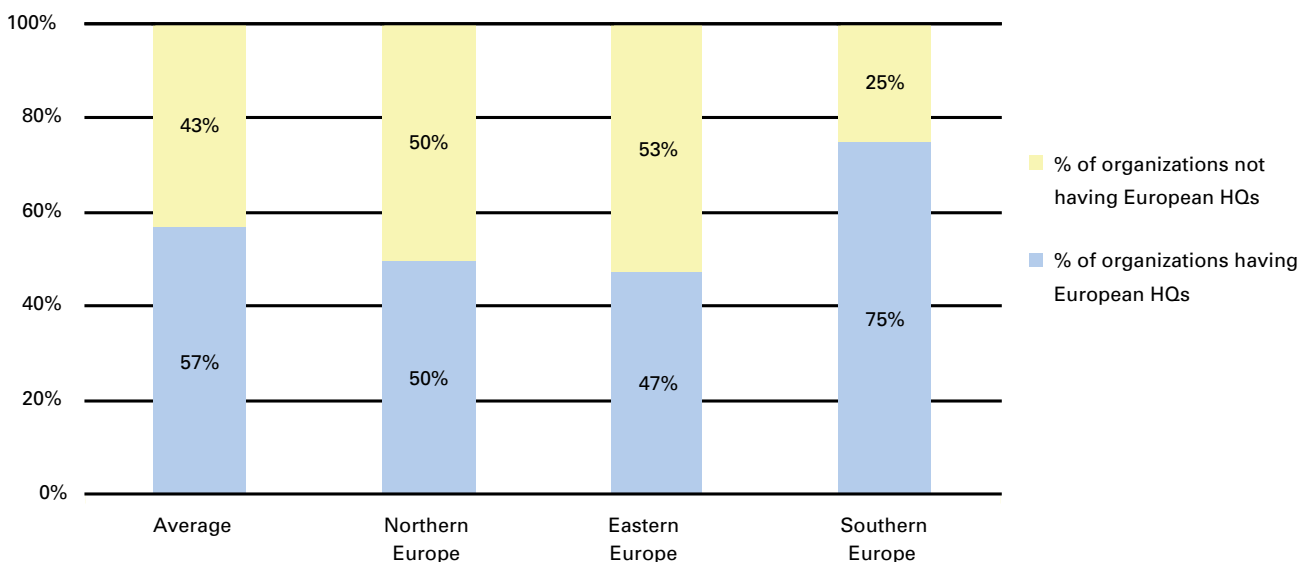


Table 7 - Location of European Headquarters

United Kingdom	15%	Malta	3%
Italy	13%	Luxembourg	3%
Germany	11%	Lithuania	3%
Switzerland	10%	Latvia	3%
Belgium	8%	Greece	3%
Poland	7%	Finland	3%
Spain	5%	Estonia	3%
Norway	5%	Cyprus	3%
France	5%	Austria	3%
Sweden	3%	Turkey	2%
Russia	3%	Denmark	2%
Portugal	3%	Czech Republic	2%
Netherlands	3%		

Results are a percentage of total participating organizations

In the following Table, the distribution of the participants' employees within the European countries is represented. It is interesting to note that respondents have indicated that they have employees in more than one country.

Table 8 - Location of employees in Europe

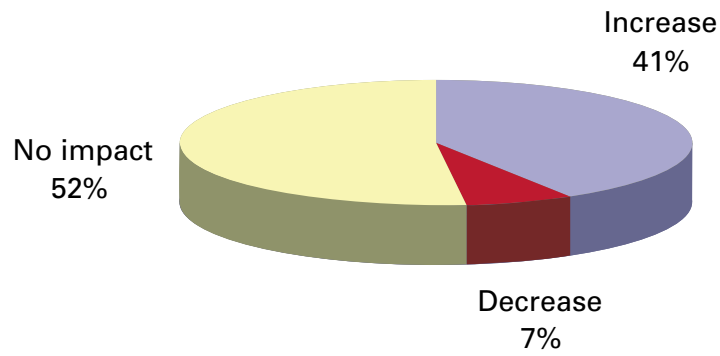
United Kingdom	53%	Hungary	34%
Germany	51%	Ireland	34%
Belgium	49%	Portugal	34%
Poland	44%	Greece	31%
Czech Republic	44%	Luxembourg	31%
France	44%	Estonia	30%
Italy	44%	Turkey	28%
Sweden	44%	Romania	23%
Norway	41%	Bulgaria	21%
Spain	41%	Slovenia	20%
Austria	39%	Latvia	20%
Denmark	39%	Cyprus	20%
Russia	39%	Malta	16%
Switzerland	39%	Slovak Republic	15%
Finland	38%	Other	13%
Netherlands	38%	Lithuania	3%

Results are a percentage of total participating organizations

Table 9 - Changes experienced by the organisation within the past 12 months

	Average	Northern Europe	Eastern Europe	Southern Europe
Deregulation	51%	33%	59%	65%
Acquisitions	34%	42%	35%	25%
Mergers	13%	25%	6%	5%
Going public	2%	0%	0%	5%

Table 10 - Impact of changes in the competitive framework on the employment of Pan-European Managers



As a comment on this graph, it is interesting to note that 41% of respondents register an increasing impact in the need to employ Pan-European staff, resulting from their competitive environment.

THE BUSINESS NEED FOR PAN-EUROPEAN MANAGERS

On average, 61% of participants employ managers with Pan-European responsibility in different departments. This percentage is higher in Southern Europe (70%) and Northern Europe (67%), while it is considerably lower in Eastern Europe (41%).

Table 11 - Presence of Pan-European Managers

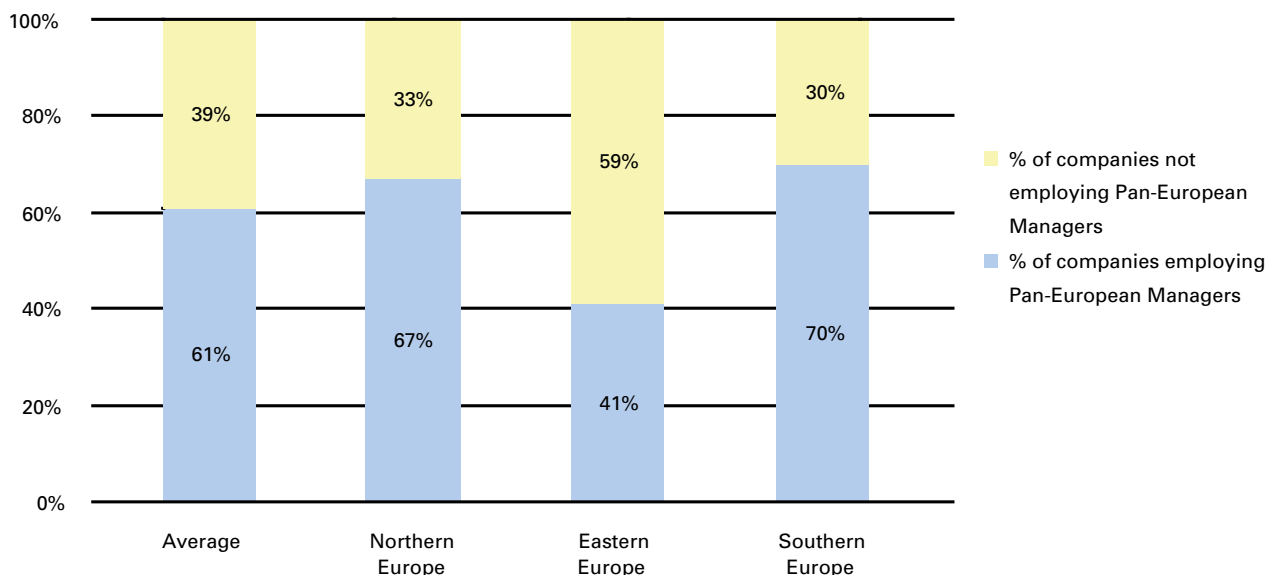


Table 12 - Distribution of Pan-European Managers in different departments

	Average	Northern Europe	Eastern Europe	Southern Europe
General Management	43%	46%	29%	50%
HR	41%	42%	29%	50%
Marketing/Sales	36%	37%	24%	45%
Finance	34%	29%	24%	50%
ICT	26%	33%	18%	25%
Operations	23%	25%	24%	20%
Customer Service	18%	17%	24%	15%
R&D	18%	21%	18%	15%
PR/Communication	16%	21%	18%	10%
Other	11%	17%	0%	15%

Results are a percentage of total participating organizations

Table 13 - Need for new Pan-European Managers within the next 18 months

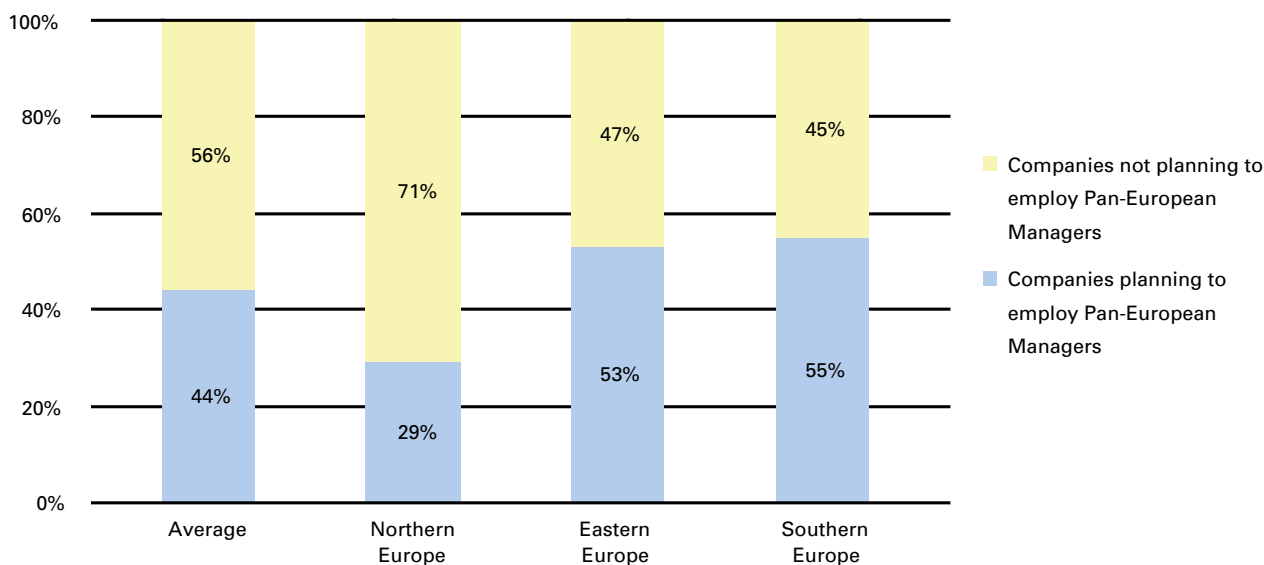


Table 14 - % of Pan-European Managers to be recruited during next 18

	Average	Northern Europe	Eastern Europe	Southern Europe
General Management	25%	21%	24%	30%
Marketing/Sales	25%	17%	29%	30%
Finance	21%	12%	29%	25%
HR	16%	17%	12%	20%
ICT	16%	17%	18%	15%
Operations	13%	8%	18%	15%
Customer Service	11%	8%	18%	10%
PR/Communication	7%	8%	6%	5%
R&D	7%	8%	6%	5%
Other	5%	4%	6%	5%

Results are a percentage of total participating organizations

Table 15 - Driving factors behind need for Pan-European Managers

	Average	Northern Europe	Eastern Europe	Southern Europe
Globalization of the business	56%	54%	47%	65%
Regional effectiveness	49%	50%	47%	50%
Competitive pressures	43%	42%	29%	55%
Co-ordination of business lines	43%	46%	35%	45%
Market needs	39%	42%	41%	35%
Strategy re-positioning	30%	17%	47%	30%
Other	8%	8%	6%	10%

Results are a percentage of total participating organizations

Table 16 - Benefits brought to the organization by Pan-European Managers

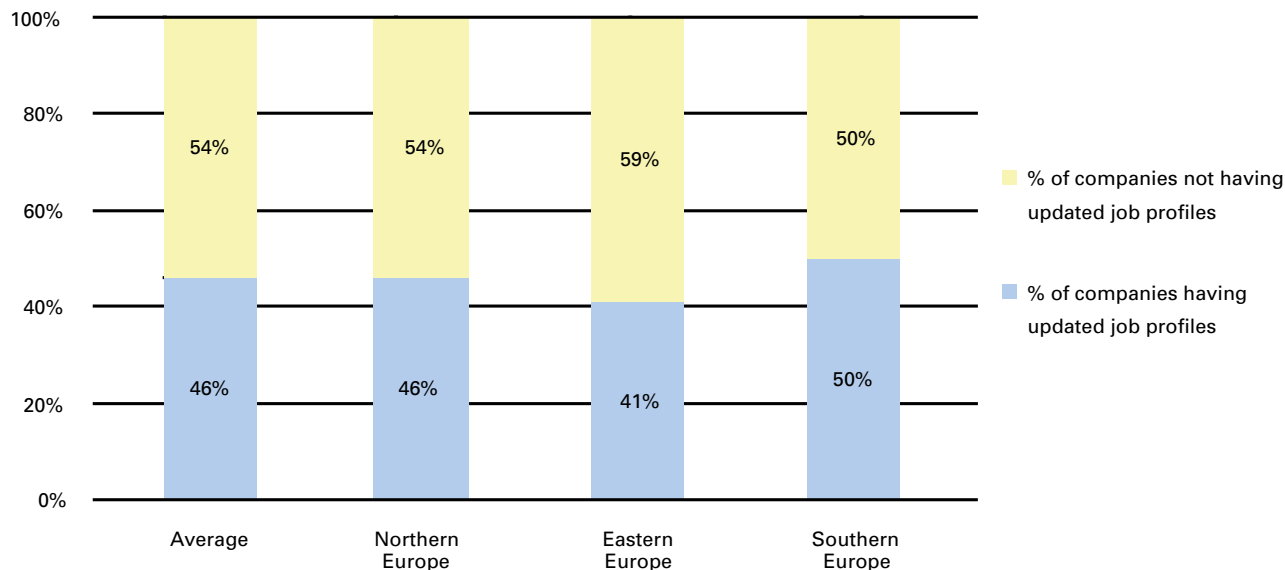
	Average	Northern Europe	Eastern Europe	Southern Europe
Multi-national and cross-cultural collaboration	74%	92%	59%	65%
Improved knowledge sharing	62%	58%	65%	65%
Regional competitive intelligence	57%	54%	71%	50%
Better alignment of local business strategies	44%	33%	71%	35%
Improved communication flows	44%	50%	47%	35%
Superior customer service	36%	38%	47%	25%
Overall European spirit	30%	33%	41%	15%
Streamlined decision making	30%	21%	41%	30%
Increased productivity	26%	17%	35%	30%
Others*	5%	4%	6%	5%

Results are a percentage of total participating organizations

* including coaching and guidance of local staff

RECRUITING PAN-EUROPEAN MANAGERS

Table 17 - Presence of updated job profiles for Pan-European Managers



Attributes which can be used to assess a candidate for Pan-European managerial positions are several, but organizations focus in particular on the presence of international mindset, previous similar experiences, multilingual knowledge, change management skills, European culture.

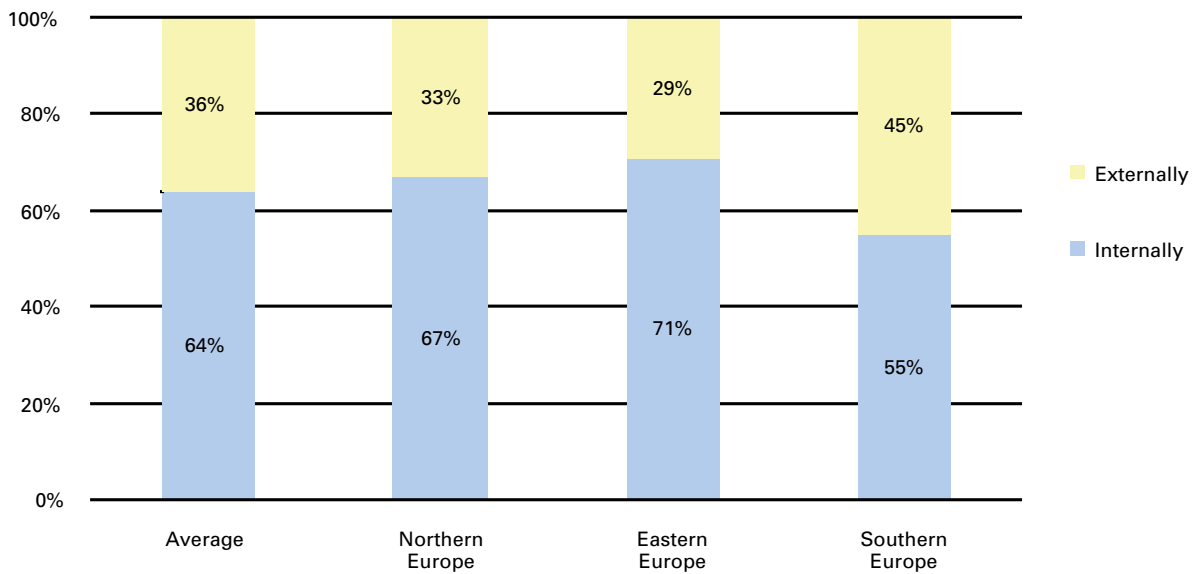
Table 18 - Ranking of candidate attributes

	Average	Northern Europe	Eastern Europe	Southern Europe
International mindset	72%	92%	47%	70%
Previous work experience at an international/global level	69%	71%	59%	75%
Bilingual or multilingual	59%	58%	65%	55%
Change management skills	56%	50%	59%	60%
European cultural awareness	56%	67%	41%	55%
Willingness to travel	56%	58%	47%	60%
Work experience in any European (incl. UK) country	52%	54%	53%	50%
Disposition to re-locate	44%	33%	59%	45%
Knowledge of European economic environments	39%	12%	71%	45%
Awareness of European regulatory systems	33%	38%	29%	30%
International degree/MBA	21%	4%	29%	35%
Long-term business risk exposure	15%	4%	24%	20%
Other	7%	12%	0%	5%

Results are a percentage of total participating organizations

On average, only 36% of participants recruited their Pan-European Managers externally.

Table 19 - Sources for recruiting Pan-European Managers



Organizations use both direct (internet and direct advertising) and indirect channels (head hunters and recruitment agencies) when recruiting externally. 7% indicated other means of recruitment, such as existing business relationships, networking or university contacts.

Table 20 - External recruitment channels

	Average	Northern Europe	Eastern Europe	Southern Europe
Direct advertising	23%	17%	24%	30%
Headhunter	21%	25%	6%	30%
Internet	13%	8%	18%	15%
Recruitment agency	8%	4%	12%	10%
Other direct channels	7%	0%	12%	10%

Results are a percentage of total participating organizations

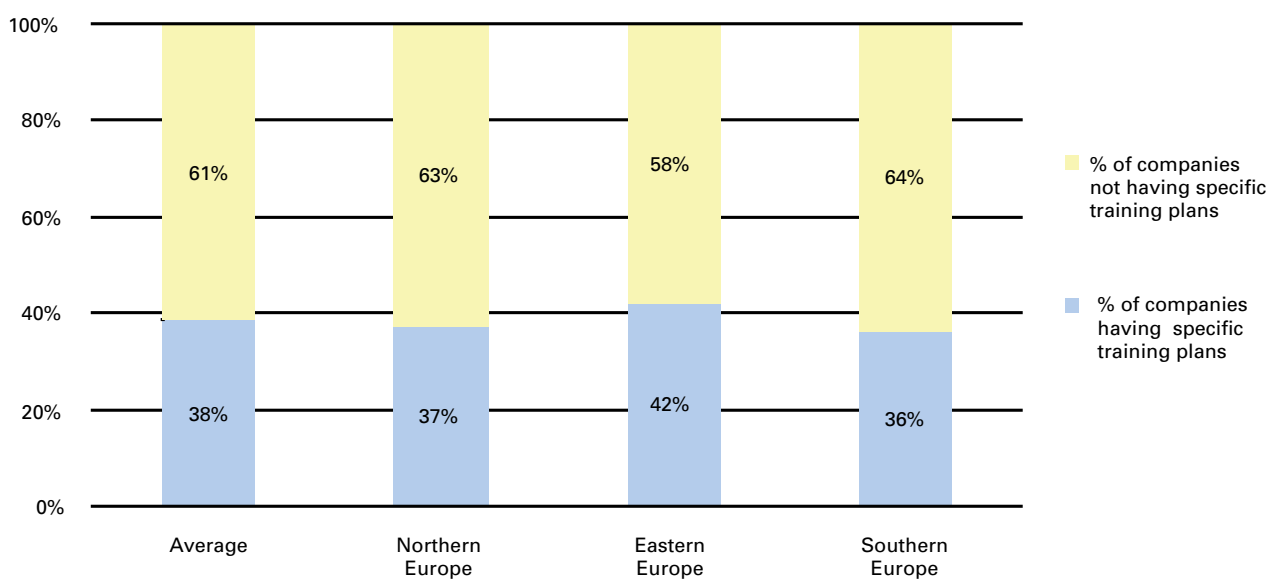
Table 21 - Countries in which Euro Managers are most frequently recruited

Belgium	11%	Netherlands	3%
United Kingdom	11%	Poland	3%
Germany	8%	Switzerland	3%
Italy	8%	Turkey	3%
Sweden	8%	Slovenia	3%
Denmark	7%	Austria	2%
France	7%	Greece	2%
Czech Republic	5%	Luxembourg	2%
Finland	5%	Portugal	2%
Hungary	5%	Malta	2%
Russia	5%	Estonia	2%
Spain	5%	Cyprus	2%
Ireland	3%	Other	5%

Results are a percentage of total participating organizations

Only 38% of the organizations recruiting Pan-European Managers internally indicated that they had specific programmes to prepare these employees for the position.

Table 22 - Presence of specific training plans for Pan-European Managers



The average duration of this preparatory period is about three months.

Training given to prepare an internal employee for a Pan-European Manager role is provided both internally and externally by 87% of companies. 13% of participants which recruit candidates internally prepare them on an internal-only basis.

Table 23 - Ways of training Pan-European Managers

	Average	Northern Europe	Eastern Europe	Southern Europe
Training provided internally	13%	17%	20%	0%
Training provided both internally and externally	87%	83%	80%	100%

These “rising stars” are typically identified by either appraisals or formal development tools (74%), or through internal feedback (69%). A substantial percentage of participants (31%) also rated external feedback as a means of selecting these candidates.

Table 24 - Ways of identifying Pan-European Managers

	Average	Northern Europe	Eastern Europe	Southern Europe
Formal management appraisal systems	74%	75%	76%	70%
Internal feedback	69%	75%	65%	65%
External feedback	31%	25%	41%	30%
Other	13%	21%	6%	10%
Results are a percentage of total participating organizations				

56% of participants acknowledged that they have difficulty in recruiting Pan-European Managers. Only 10% find it very easy.

Table 25 - Level of difficulty in recruiting Pan-European Managers

	Average	Northern Europe	Eastern Europe	Southern Europe
Very easy	10%	16%	6%	5%
Increasingly easy	34%	46%	23%	30%
Difficult	56%	38%	71%	65%

Difficulty in recruiting this kind of manager is quite different in the three panels observed.

Table 26 - Difficulties in recruitment

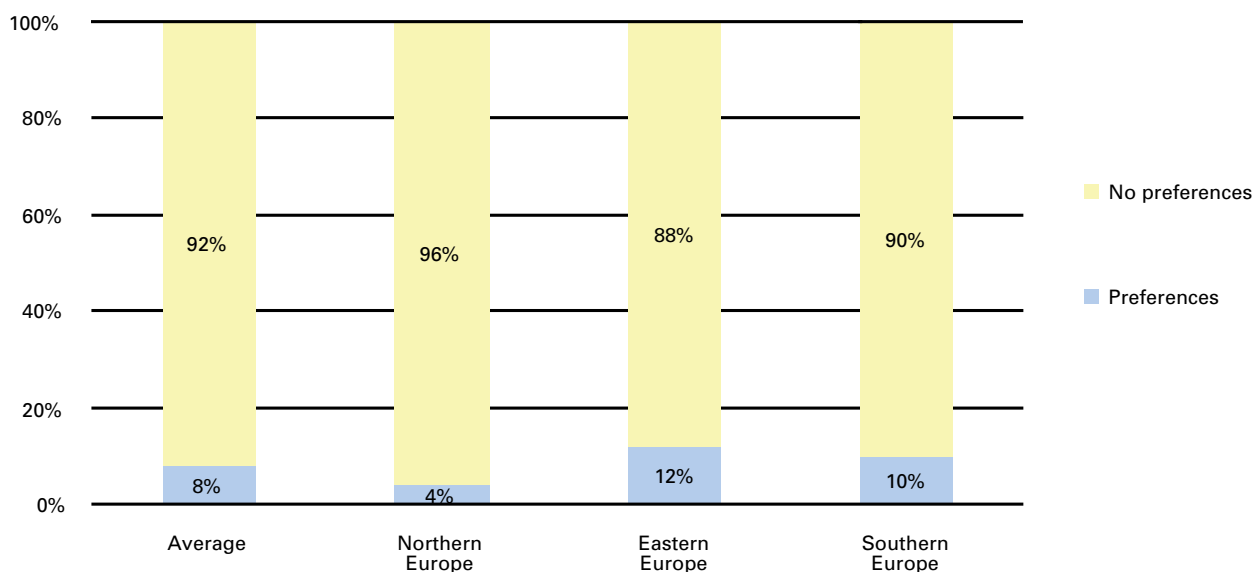
	Average	Northern Europe	Eastern Europe	Southern Europe
Short supply of managers	38%	29%	53%	35%
Remuneration package	28%	17%	35%	35%
Resistance to mobility	18%	17%	18%	20%
Economic reasons	13%	0%	35%	10%
Geographic location	11%	8%	24%	5%
Internal issues	10%	4%	18%	10%
Company appeal	2%	0%	0%	5%
Low industry turnover	2%	0%	6%	0%
Other	7%	8%	6%	5%

Results are a percentage of total participating organizations

Other factors given in addition to those listed above concerned lack of required profiles.

92% of participants indicated that they had no preferences regarding the nationality of candidates for these positions.

Table 27 - Preferences regarding nationality for Pan-European Managers

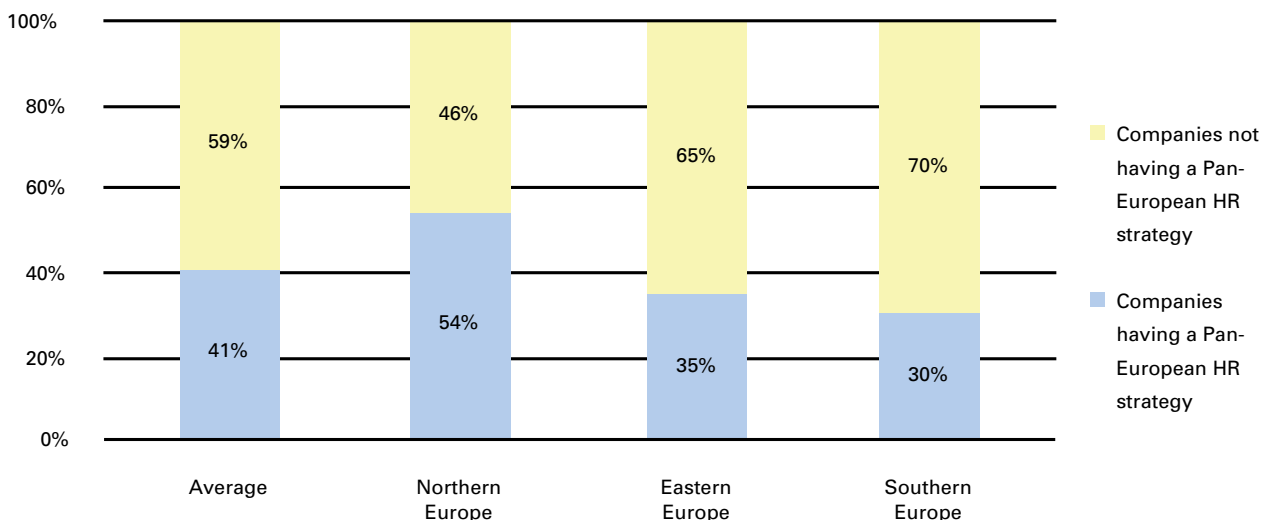


Concerns amongst those which expressed preferences focused on issues of language and culture.

REWARDING AND DEVELOPING PAN-EUROPEAN MANAGERS

On average, 41% of organizations surveyed have a Pan-European HR strategy or policy in place. This percentage increases to 54% in Northern Europe, while it is lower in Southern Europe (30%) as well as in Eastern Europe (35%).

Table 28 - Presence of Pan-European HR strategies or policies



48% of participants having a Pan-European HR strategy consider it to be very well aligned with their European business strategy, while 52% stated that it is only somewhat aligned.

Participants were asked to highlight which of the following HR systems/procedures they have developed specifically for their Pan-European Managers.

Table 29 - Alignment of Pan-European HR strategy or policy to business strategy

	Average	Northern Europe	Eastern Europe	Southern Europe
Very well	48%	46%	50%	50%
Somewhat	52%	54%	50%	50%

Table 30 - HR systems/procedures developed for Pan-European Managers

	Average	Northern Europe	Eastern Europe	Southern Europe
Specific employment terms and conditions or contract	59%	62%	47%	65%
Management training programs	48%	50%	47%	45%
Different pay structure	48%	33%	47%	65%
Specific competencies	38%	33%	35%	45%

An average of 52% of organizations are confident that they offer competitive pay levels to their Pan-European Managers, whilst 62% of Northern European organizations feel they offer such levels.

Table 31 - Perceived competitiveness of Pan-European Managers' pay levels

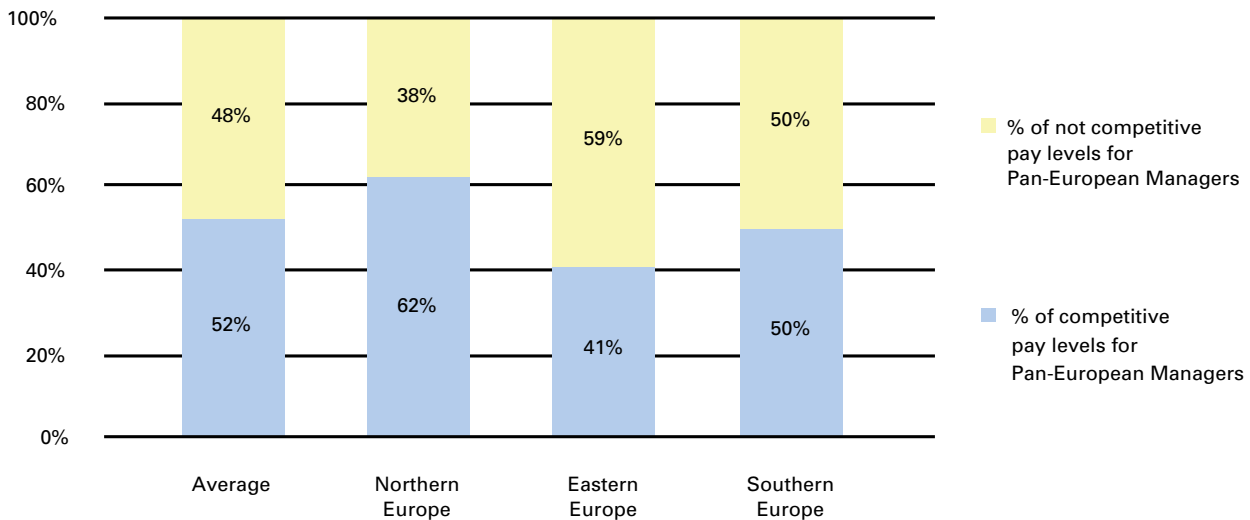


Table 32 - Sources of market benchmarking

	Average	Northern Europe	Eastern Europe	Southern Europe
Surveys	46%	50%	41%	45%
Consultants' market pricing	28%	33%	18%	30%
Databases	15%	25%	6%	10%
Other	8%	17%	0%	5%

Results are a percentage of total participating organizations

Other benchmark methods included belonging to salary survey groups, industrial and employers associations and networking with other companies.

Table 33 - Pay elements provided to Pan-European Managers

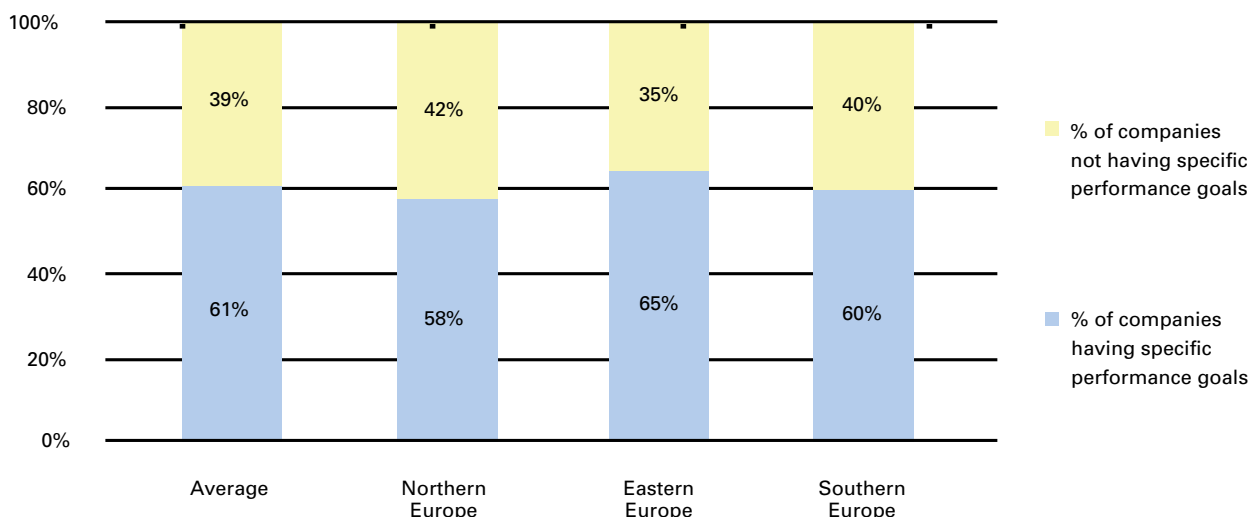
	Average	Northern Europe	Eastern Europe	Southern Europe
Bonuses linked to performance	84%	75%	88%	90%
Flexible benefits package	48%	58%	65%	20%
Long-term incentives	36%	25%	41%	45%
Stock ownership plans	25%	29%	12%	30%
Tailored pension scheme	18%	29%	12%	10%
Other	20%	25%	6%	25%

Results are a percentage of total participating organizations

Other pay elements included bonuses linked to competencies and private health insurance.

The majority of organizations have a separate set of performance goals for their Pan-European Managers.

Table 34 - Presence of sets of performance goals specific for Pan-European Managers



The next table lists the success measures presently in place.

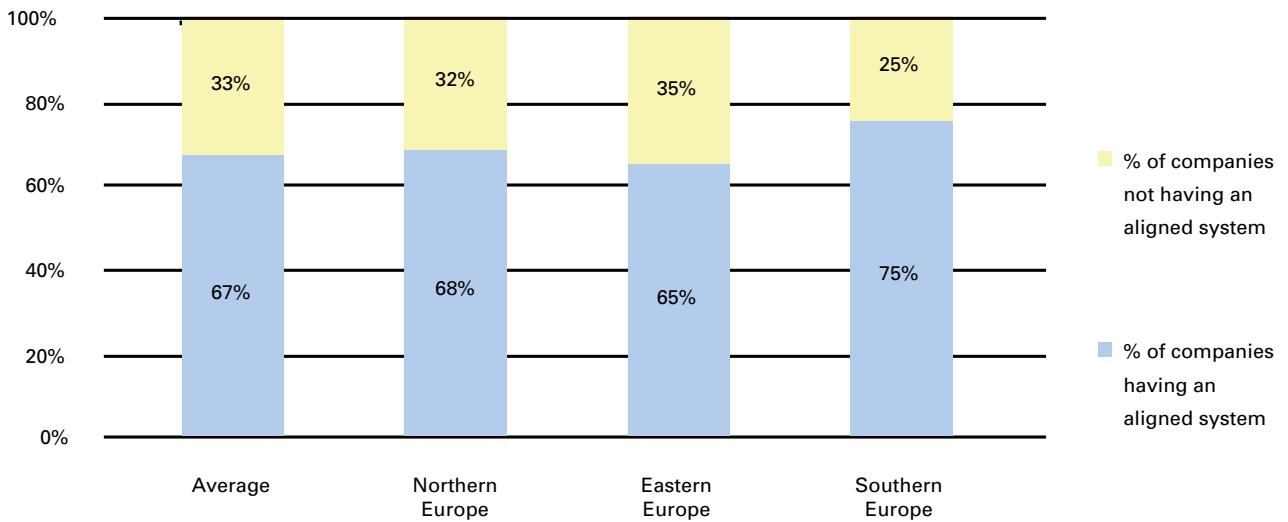
Table 35 - Success indicators

	Average	Northern Europe	Eastern Europe	Southern Europe
Increased local / regional revenues	43%	42%	41%	45%
Increased market share	39%	38%	41%	40%
Reduced local / regional costs	36%	29%	35%	45%
Increased image on the European market	33%	21%	53%	30%
Increased local / regional productivity	33%	21%	53%	30%
Motivated workforce	30%	21%	35%	35%
Improved local / regional co-operation	28%	29%	29%	25%
Superior customer service	28%	21%	41%	25%
Better marketplace awareness	21%	17%	18%	30%
Other	8%	12%	0%	10%

Results are a percentage of total participating organizations

Two thirds of participants consider their Pan-European Managers' performance, reward and development systems in line with the ones of their major competitors.

Table 36 - Alignment of performance, reward and development systems to competitors



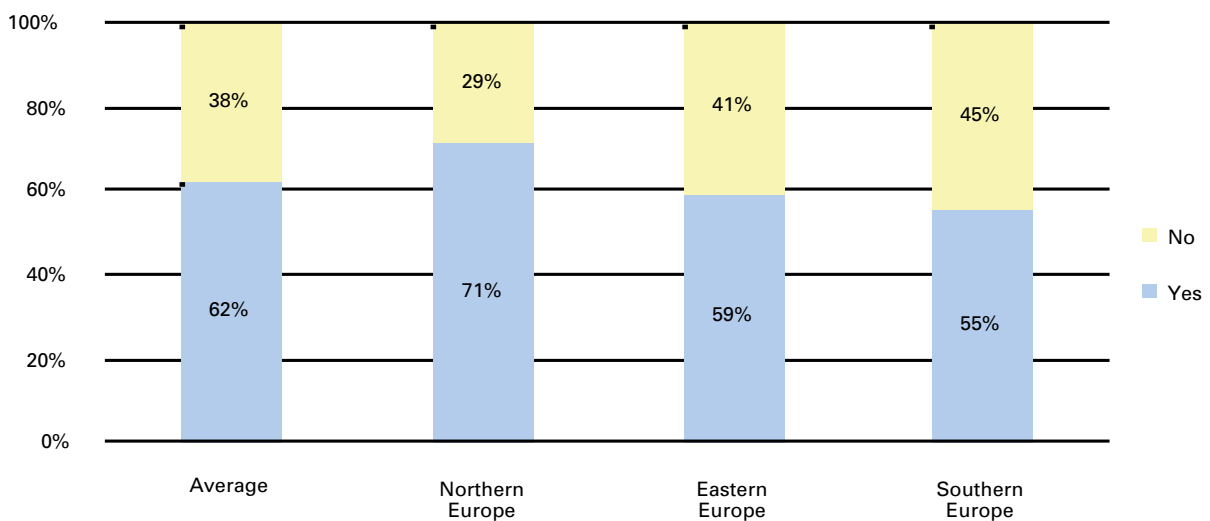
Globally, only 25% of organizations expressed their high satisfaction with the way they attract their Pan-European Managers, while 68% seem to be somewhat satisfied.

Table 37 - Satisfaction with Pan-European Managers' attraction policies

	Average	Northern Europe	Eastern Europe	Southern Europe
Very satisfied	25%	21%	29%	25%
Somewhat satisfied	68%	75%	65%	65%
Not satisfied	7%	4%	6%	10%

62% of organizations periodically monitor the Pan-European Managers' level of satisfaction.

Table 38 - Monitoring of Pan-European Managers' level of satisfaction



Professional development plans for Pan-European Managers seem to be primarily based on a combination of inter-functional, inter-business and inter-countries programmes.

Table 39 - Career development established for Pan-European Managers

	Average	Northern Europe	Eastern Europe	Southern Europe
Inter-functional	39%	38%	35%	45%
Inter-countries	26%	21%	18%	40%
Inter-business	23%	29%	18%	20%
Combination of all three	54%	54%	71%	40%
Other	10%	17%	0%	10%
Results are a percentage of total participating organizations				

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