

The Globe



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Global Reach - Local Knowledge

Newsletter of the International Executive Search Federation—the worlds largest executive search group

IESF Annual Global Conference (15-18 September 2009, Spain)

The International Executive Search Federation will hold its Annual Global Conference held in Madrid, Spain from September 15-18, 2009.

95% of IESF Partners have to date confirmed their attendance at the Annual Global Conference.

The event is kindly hosted by IESF partner - Iberian Executive Search and Selection.

The meeting will commence with welcome cocktails on Tuesday 15th Sept, there will be a client event on the afternoon of Thursday 17th Sept, and a closing dinner on Friday 18th Sept. Saturday will be a free day for your sightseeing.

**** Urgent Action Required! ****

If you have not yet done so, please send to :

ana.garciavillamil@iberian-es.com

the following information:

1. The name of the delegate(s) from your country
2. Dates of arrival and departure
3. Number of guest traveling with you so Ana can reserves rooms for you and also book dinners for the social events.

Looking forward to seeing you all in Madrid for an exciting and interesting conference.

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Madrid - Spain

The capital of Spain, located in the heart of the peninsula and right in the center of the Castillian plain 646 meters above sea level, has a population of over three million. A cosmopolitan city, a business center, headquarters for the Public Administration, Government, Spanish Parliament and the home of the Spanish Royal Family, Madrid also plays a major role in both the banking and industrial sectors. Most of its industry is located in the Southern fringe of the city, where important textile, food and metal working factories are clustered. Madrid is characterized by intense cultural and artistic activity and a very lively nightlife.

Outline Agenda

(detailed agenda will be issued early August)

Tuesday Sep 15th	
Afternoon	Arrival of delegates
Wednesday Sep 16th	
Morning	Internal IESF meeting
Afternoon	Internal IESF meeting
Evening	Dinner
Thursday Sept 17th	
Morning	Internal IESF meeting
Afternoon	Client Event
Evening	Dinner
Friday Sept 18th	
Morning	Internal IESF meeting
Afternoon	End of meeting



Trends in Product Strategy of Car Makers

For decades, prices for new cars have only moved in one direction: upwards. Driven by increasingly refined technical solutions, additional systems for increased performance and innovations such as electronic assistance and comfort systems, the average list prices for new cars have increased from year to year.

Whereas the average list price for new cars in 1980 was EUR 7,451 (excluding VAT), it almost tripled to EUR 20,884 by 2008. For the Q1 of 2009, the average price was EUR 18,137, which corresponds approximately to the level of 2001 (EUR 18,120).

According to Ferdinand Dudenhöfer, Director of CAR, the galloping vehicle prices in recent years have resulted in private customers having increasingly lost interest in new cars. New cars were increasingly registered by commercial users. A new low point was reached in Germany in 2007 with a percentage of only 38.1% of private customers having purchased new cars. It was not until the beginning of 2009 that this development changed and a

boom of private purchases was triggered by the car-scrapping bonus, which has enormously revived sales of small cars in Germany. The percentage of private car buyers increased to 59% in the Q1 of 2009. In the two months February and March, almost two thirds (63.7%) of all new cars bought were delivered to private customers.

If car manufacturers want to win back private customers, they should note the enormous success of the cheap brand Dacia in the German market. After having sold only 24 vehicles in 2004, the Romanian subsidiary of Renault sold 25,000 vehicles in Germany in the past year. For 2009, CAR/BDW Automotive predicts about 46,000 new registrations of Dacia vehicles. 80% of the Dacia models are sold to private customers. The study attributes the success of the Romanian newcomer with private customers to the unbeatable low price of the vehicles. The average price of a new Dacia was 8,174 Euro (excluding VAT) in 2008. This is EUR 12,710 less than the average price of the German new vehicle fleet.



The question arises whether the German automobile industry can go on like it used to where by each new model is even more efficient, equipped with even more technical innovation and of course more expensive than the previous model. Will it lose the private customers to new competitors from other regions of the world, which are entering the market with cheap cars? Another provider is raring to go. The Indian manufacturer Tata is planning to conquer the European market with the NANO in a few years and to considerably undercut the Dacia in terms of price.

Manufacturers urgently need lower entry level prices. The trend towards cheaper cars will affect manufacturers and suppliers equally since they have to increasingly think about the application of additional

technical refinements such as electronic assistance and comfort systems. Although these are among high margin vendor parts, they function, at the same time, as a sales booster for new vehicle models.

The drastic situation of the American automobile manufacturers should be a warning to Germany. The Big Three from Detroit have underestimated the effects of the attack of the Japanese, Korean and European manufacturers on their domestic market. Today, Chrysler and GM are insolvent. Ferdinand Dudenhöfer, Director of CAR, thinks that "Our results show that German car makers – especially the volume brands Ford, Opel, VW – are intensely reevaluating their pricing and product strategies and have to make adjustments".

>> Contributed by Achim Moraw, Country Manager IESF Germany + Global Head Automotive Practice

A Shrinking Workforce - Are you Prepared?



Over the next decade the developed world will see growth in the supply of labour slowing and then start to contract. This is because the number of baby boomers exiting the workforce is greater than the numbers of Generation X&Y entering the workforce.

This process has already resulted in a contraction in the supply of the productive population in countries like Japan, with US, UK, and Europe following suit over the next 10 years. Americas retired population will increase from 35m to 70m!

By 2020 we will be experiencing global skills shortage. Generation X&Y has chosen not to study maths, sciences and engineering. Shortages of

these skill sets are already apparent.

The opening-up of China and India is placing new pressures on the demand for a skilled workforce. Unskilled labour is also on the move from Mexico to the US, from Eastern Europe to the UK and from the Philippines to Dubai. Theoretically in our global flat world skilled labour can move freely to meet demand. However we have seen that

India has exported its IT talent over the internet and it has not physically relocated. Americans and European companies have set up R&D centres in China and India. This trend will increase. Industry is moving to where the labour is situated as this is a cheaper opinion. Most of a 747 is manufactured overseas as is 95% of the Airbus 330 airframe.

Continued on next page >>

A Shrinking Workforce - Are you Prepared? *continued*

Over the last fifty years, global markets in the developed world have benefited from the supply of talent and labour provided by the wave of Baby Boomers born since 1945. However from 2010 onwards when the first Boomer passes the age of 65 the supply of labour will start to slow down. While some Boomers may remain in the workforce longer than preceding generations due to better health and the traumas of the financial crisis the fact remains that this generation will one way or another will be exiting the workforce soon!

Generation Y is very different to previous generations. They are less loyal, require more individual attention and want specially tailored career plans. They also respond better to financial incentives. They will inherit considerable wealth from their parents and thus be more financially independent.

Companies need to re-think the issues they are likely to face. In the 1970s there was little global movement of talent other than at senior levels and few issues with the supply of labour as Boomers spilled into the professional labour market.

Business tomorrow faces increasing globalization combined with labour shortage. If your company is likely to be increasingly global over the next ten years then it is necessary to lay the groundwork now by establishing and developing talent pools in key regions. Not only will this provide the pool from which management skills may be leveraged in the future but it also ensures that this labour pool has developed the right relationships and cultural understanding to be able to generate successfully in the new environment.

Companies need to review and revitalize their programmes for graduate recruitment, management development and advanced management programs. As industries become more specialized in order to complete globally the pool of candidates will be shrinking. Get ready to cultivate young talent or face the risk of trying to hire good candidates from Generation X & Y when the crunch is on.

(Acknowledgments: KPMG : Eric Garland - "Future Inc")

>> Contributed by Mark Geary, IESF Joint President & CEO of Asianet Consultants, Hong Kong

What Gets Measured Gets Managed....

What Gets Measured is Easier to Sell.....

In these times of organizational efficiencies, process optimizations and profit maximization, it is hard to discuss any strategic business topic without hearing somewhere in the conversation "...so how do you measure that? Orhow does that compare with last year's figures or your competitors figures?"



It has been known for decades, numbers talk to business minds. They allow business executives at all levels of the organization to sell ideas, influence individuals and bring relevancy to their presentations. It is the essence of what they need in order to cut to the heart of the topic and make well analysed and thought through decisions.

Having said that, should it not be perfectly normal for us members of the human capital management world to include in our conversations, business presentations, and sales

pitches numbers that would help us drive home our competitive advantages and unique selling proposition which could help us answer the ever simple question to ask but equally complex to answer, "...So besides from knowing everyone in the market and working harder than your competition, what sets you apart from them?"

Why couldn't we answer with hard data? Numbers which could specifically present facts about our performance as consultants with metrics which reflect our ability to deliver on

issues that are relevant to the client and to the internal collaborators that he/she services.

IESF Canadian Partner Mandrake have created a set of metrics which reflect their ability to service clients with a timely, efficient, professional and thoroughly assessed talent process.

They are the following:

- % of times to deliver our short-list on (or before) the agreed upon deadline (timely)
- % of times clients hire from the initial short-list (efficiency)
- % of clients evaluating as delivering "above expectations" results on our search surveys (professional)
- % of candidates placed by firm who are still employed by the organization after 3 years of the hiring date

This initiative originated in the summer of 2008 has been used in all of our client

presentations. It has been the most effective way for us to provide precise and pertinent answers to the previously stated "dreaded question"

As business executives our challenge is to establish our unique selling proposition. As consultants, the challenge resides also in rising above the conceptual rhetoric and provide our conversation with measurable input and hard data. We will manage to get attention from the market and be able to differentiate ourselves in an already overly cluttered market place

Fellow executive search partners let's all remember that:

What gets measured gets managed....

What gets measured is easier to sell.

>> Contributed by Normand Lebeau, President & Gardien en chef de l'experience Mandrake, Canada

Taxing Career Opportunities - A case study

In today's world of globalization, one could easily assume that taxes such as VAT require just experts with local expertise. But the reality is totally different. Big 4 companies and Multinational Corporations depend heavily on VAT experts. Often internationally experienced tax experts work outside their home countries. A detailed knowledge of the local VAT law is not required so much. The best experts understand the logic of the different VAT systems, monitor the developments with supranational institutions such as the European Union and the OECD.

The current economic crisis has had a significant impact on the cash flow of companies. VAT experts can save millions of Euro or Dollar for their companies or clients. Take Andreas Franke, Senior Manager for Indirect Taxes for PwC in Budapest. 'One of my German clients had a significant VAT amount stuck due to the structure of the business between his German and Hungarian entity. I identified and made him aware of this problematic situation, which was the VAT on the processing services he received from his affiliated Hungarian contract manufacturer, although, the finished goods were shipped abroad to other EU member states. The volume was significant, hence, the financing cost of these transactions was huge for both group companies and the client, in addition had to administer quarterly tax inspections as he was in a permanent refund position. The solution was surprisingly simple: using his German VAT Identification Number instead of his Hungarian one shifted the place of supply for the contracted processing services to

Germany. No Hungarian VAT was due anymore and the German VAT was neutralized by a simultaneous deduction mechanism. At the end of the day the client freed up a huge cash-flow potential (in some months several 100,000€) saving him the regular payment of VAT to its own affiliated supplier with a recovery only 5 to 2 month later - plus, getting rid of tax inspections binding personal resources and causing further costs.

Andreas' career is not an unusual example of an international career in indirect tax. He is a German indirect tax expert who had been working in Hungary since 2003. Though, the whole story started in 1996 during his law education when he was accepted for an internship with Ernst & Young in Stockholm. Since then Andreas worked in the German HQ of Ernst & Young learning to play on the instrument of international VAT, at that time the 6th EC VAT Directive. His knowledge got a further kick

from his secondment to the Indirect Tax Coordination Centre in Amsterdam. The move to Hungary prior to its EU accession was initially motivated by training the local praxis in EC legislation and the corresponding jurisdiction. Later it became clear that there was a market for a German VAT specialist and, thanks to his experience with international VAT and his deep knowledge of the EC VAT rules he could easily adapt to the Hungarian VAT legislation system.

Let's have a look at an indirect tax expert working on the corporate side. Siegert Slagman obtained a Masters in Tax law (Groningen) and in 2007 a TopMaster in Indirect Tax law (Rotterdam) in the Netherlands. After graduating in 2000 he started his career as VAT adviser at Arthur Andersen in Cologne, Germany. For Arthur Andersen (and later E&Y) he was based in Germany, the Netherlands and Hungary. In 2005 he switched to a in-house job at the world's leading

biotechnology company Amgen. As the first Indirect Tax person in the company he built the VAT function and managed large global projects involving a lot of travel and in a later stage the complete worldwide Indirect Tax position.

In 2008 Siegert moved to Switzerland to take the Head of Indirect Tax role at Eaton Corporation. Recently, he became Manager of VAT at Philip Morris International, based in Lausanne. As in-house tax advisor the focus mainly on managing Indirect Tax risks globally as well as improving cash flow and identifying saving opportunities. Having worked in four countries and travelling to a lot of different places, Siegert is an example that working in the Indirect Tax area can be very international, extremely challenging and especially interesting!

Foreign investors require not only explanations of the national VAT legislation. It is important for them to have this advice embedded in an international context making it easier for them to understand the magnitude of an issue or a saving. Last but not least the skill set is rounded off by interpersonal capabilities to communicate effectively between different cultures.

Paul Binder, our IESF Partner for Hungary, has conducted searches for Big 4 (Big 6) firms and international law firms in the CEE region since 1995. The multinational client base of IESF member firms appreciates the fact that IESF is in a position to search globally for the best VAT experts who can have a major impact on optimizing a firm's tax structure and reducing cost.



Executive Hiring in a Down Economy

The best are harder to come by

I frequently hear, “there certainly must be a lot of good candidates in the marketplace today.” Well, we are definitely once again in an employer’s or buyer’s market. Unemployment is at an all-time national high, but that does not mean that the most attractive candidates are any more available. In fact, the opposite is true. The best are being retained more fiercely as their internal value has increased dramatically. Because search firms typically target and engage passive candidates as well as the visible marketplace, a larger pool of talent is considered, leading to better results.

Searches take longer in down economies

During financially difficult times, replacement positions at the

executive level become even more mission critical. Owners, boards and senior leadership expect an exhaustive search to be completed to identify the single-best candidate, so companies are spending more time on the interview process. Therefore search projects tend to be more critical and grow longer during recessionary times.

Short cuts are more costly in the long run

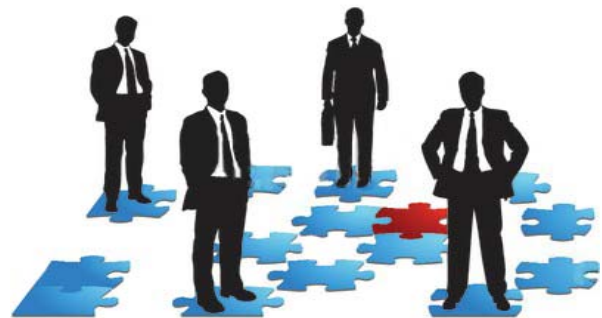
In this tight economy, people believe they can save money by experimenting with their own personal network of referrals and contingency firms until they realize that delay is costly. Retained search cannot be a backup strategy if there is a true “leadership void” and the sustainability of the company relies on the acquisition of a world-class candidate. Many articles have been written on

the cost of hiring the wrong executive and there is no short cut when pursuing top candidates for critical positions.

Don’t let the good ones get away!

To illustrate the value of retained search firms, please take note of two of our recent contracted engagements. Client “A” called us after making two unsuccessful offers in the open market for a senior financial leadership position. One candidate was unemployed and

merely accepted another offer that was more attractive. The other candidate was insulted by the offer and stayed at his current job. Similarly, after failed attempts, Client “B” called us three weeks before their CFO was leaving, which – given the short timeline – required an interim leader, which was costly but necessary. Both clients had fully exhausted their personal networking with no success, and as a result, were literally exhausted from the effort.



>> Contributed by Tim Smith, Managing Director of ALSON, USA

Women on Boards

Governance Metrics International (GMI), the corporate governance research and ratings firm has released new ratings and research reports for all 4,200 companies in its database.

The background and skill set of board members, plus their relationship to the company and to other directors, are of course fundamental corporate governance matters. Today’s boards need to be more diversified, not just in terms of



experience but also on fundamental issues like gender. “Companies that have diverse boards perform better than those with similar director profiles in terms of ethnicity, gender and skill sets”, according to a report recently delivered to the California Public Employees’ Retirement System’s (CalPERS) Investment Committee.

The report includes statistics to compare the percent of women on the board in question to the average for companies in the same sector and to companies in the same home market or region.

Some of the findings will not come as a surprise. There are clear sectoral differences, for example: 4.9% of the directors

currently serving on the average board in the Automobile & Parts sector worldwide are women, compared to 13.5% for Retail. The average for all companies is 8.9%.

Regional differences are even more apparent. In Japan, for example, women comprise less than 1% of the average board. Scandinavia, on the other hand, has the highest average representation by far as a region, with women representing 12.1% of the average board in Denmark, 21% in Finland, 35.9% in Norway and 23% in Sweden. Norway happens to be an interesting case study. In 2003, amendments to the Public Limited Companies Act provided for a requirement for certain minimum numbers of

directors from each gender. Depending on the number of board members, a company may be required to have somewhere between 33% and 50% of the board from each gender. This has led to a dramatic increase in the number of women on boards of Norwegian companies.

There was a clear company size effect. The S&P 500 fared best, where women currently represent 15.1% of the average board. By comparison, women represent 11.9% of the average board within the S&P MidCap 400 Index and 9.1% within the S&P SmallCap 600.

(Source: GMI)



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News in Brief

- **Cross Border Searches** : please remember to send to Popo Lee (popo@asianetconsultants.com) your completed returns on cross border searches as soon as possible
- **It's a Boy!** : Congratulations to Lucinda in Madrid on the birth of her son
- **New Website** : See the beta version of the new website: www.iesf.com. Please visit your country, Each Partner has a standard profile which needs your help to provide the data on your team, services, clients, etc. Please send this to : chris@iesf.com



Next Month's Edition

- Trends in the Global Search Industry - Mark Geary, Hong Kong
- Market Trends in the Biggest Automakers - Achim Moraw, Germany

More Stories are needed! Please tell us what is happening in your country! - Please send your stories to: laura@asianetconsultants.com so that we can include them in next month's edition.

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