

Central Eastern Europe: The changing chemistry of employee motivation

“Know yourself, know your employees”, is how one IT company CEO describes his vision of leadership. Findings from Hewitt Associates’ 2006/2007 Best Employers Study confirm that employees hold the key to survival – and success – in Central Eastern Europe, a region of growing international importance as the outsourcing destination of choice for more and more businesses.

About 90,000 employees, 1800 leaders and HR professionals from 504 companies and 10 Central Eastern European countries took part in the research to find out what drives employee motivation in the region today. The results showed that, however strong the business or financial rationale behind their decisions, companies and leaders will be disappointed with performance if they underestimate the human factor or fail to keep pace with rapidly changing employee motivation in an expanding EU.

“Business leaders and HR professionals must understand that employee expectations are rising,” comments Rita Veres, who leads Hewitt’s engagement practice for the region. “Attracting and retaining talent is already a burning issue for companies in the region and will become even more difficult in the future. Only the Best Employers will manage to stay on top of this changing chemistry of employee motivation, successfully aligning business and HR strategy with employee needs.”

A diverse region

Diversity is one of the main hallmarks of Central Eastern Europe, with its rich tapestry of unique countries and cultures. Fortunately for the HR professional, there is also some common ground which differentiates the region as a whole from Western Europe and offers some pointers in getting the people factor right.

One noticeable characteristic is the high level of satisfaction with colleagues, manager support and the work environment – good for employee retention if not for motivation and inspiring improved performance. Limited opportunities for career development and performance-related pay are two more difficult areas. One in four employees feels unrewarded for a job well done, both in terms of money and praise or recognition from the company.

“People are treated as ‘bio-robots’, not human beings”, complains one anonymous survey respondent. “Unfortunately this is a common problem in Central Eastern Europe,” agrees Zsolt Szelecki, Consulting Leader of Emerging Markets for Hewitt. “The fact that, in many cases, people feel – and often are – overqualified for their jobs does not help. Getting extra skills at low rates is great news in the short term but if companies are ultimately unable to offer these employees the career development they need they become dissatisfied and disengaged.”

The big three factors

According to the research findings, the three most important factors for boost-

Best Employers in Central Eastern Europe 2006/2007

| 1 MICROSOFT | | | | | | | |
|---|--|----------------|----------------------------|------------------------------|--|----------------|-----------------------|
| SMALL AND MEDIUM SCALE COMPANY CATEGORY | | | | LARGE SCALE COMPANY CATEGORY | | | |
| Rank | Company | Country | Industry | Rank | Company | Country | Industry |
| 2 | The Ritz-Carlton, Istanbul | Turkey | Hospitality | 2 | Pannonpower Group | Hungary | Energy |
| 3 | MAPEI | Hungary | Building Material Industry | 3 | Schering-Plough | Turkey | Pharma |
| 4 | Hofmann Personalleasing | Austria | Employment Services | 4 | GlaxoSmith-Kline | Hungary | Pharma |
| 5 | Wrigley | Slovenia | FMCG | 5 | DHL Express | Turkey | Express Logistics |
| 6 | Syngenta Crop Protection | Hungary | Agriculture | 6 | Masterfoods | Hungary | FMCG |
| 7 | Cisco Systems | Hungary | IT | 7 | ER-BAKIR | Turkey | Metals & Mining |
| 8 | CROWN Packaging | Slovakia | Petfood Packaging | 8 | SGL Carbon, a member of SGL Group - The Carbon Company | Poland | Carbon-based products |
| 9 | Nemetschek | Bulgaria | IT | 9 | GlaxoSmith-Kline | Slovakia | Pharma |
| 10 | Sinergy | Hungary | Energy | 10 | McDonald's | Bulgaria | Food Service retailer |
| 11 | Sphinx IT Consulting and Managed Services | Austria | IT | 11 | IKEA | Czech Republic | Retail |
| 12 | ComAp | Czech Republic | Electro-technical | 12 | Novartis | Hungary | Pharma |
| 13 | SciAnt | Bulgaria | IT | 13 | CS CABOT | Czech Republic | Chemical |
| 14 | Johnson & Johnson, (Medical Devices & Diagnostics) | Czech Republic | Pharma | 14 | Hilti | Poland | Construction supply |
| 15 | CAT LC | Poland | Logistics | 15 | Starcom | Poland | Media |

Best Employer in Central Eastern Europe: Microsoft

And the winner is...

Microsoft, the world’s best-known IT company, is the ultimate winner of the 2006/07 Best Employers Study in Central Eastern Europe.

“This company challenges me to give my best, and also provides challenging opportunities. Every day I have to be better than I was yesterday,” said one Microsoft employee. By achieving Best Employer status in four countries, the company has proved that it is possible to be a high quality employer in multiple countries. Employee feedback highlighted Microsoft’s greatest advantage as being the right place for tal-

ented people. Contributory factors include an innovative company culture, performance management, a variety of employee benefits, support for employees to fulfil their potential, development opportunities and good tools and working conditions.

The company encourages an open and respectful, inclusive culture, where top management is accessible to all employees. In return, Microsoft employees show passion for their jobs, value the empowerment they feel in their own areas of responsibility and enjoy working while meeting challenging goals.

ing employee motivation in Central Eastern Europe are: making people feel valued; positive leadership; and opportunities for career. One company that has cracked the career development issue is McDonald’s Bulgaria. “We are not just a company for hamburgers, but a company for people” said their HR Manager, Borislava Misheva. “McDonald’s is famous for providing attractive career opportunities to its employees: in Bulgaria more than 70% of the managers leading the restaurants started as crew members, demonstrating that everyone has equal chances to get to a higher position.”

Higher expectations

One big change that companies must be aware of is rising employees expectations and mobility. Most are no longer afraid of changing jobs: 47% believe that it would be very easy to find a new job if they left their current workplace and a further 33%

said that it was possible although it would take some effort. Only 8% said that they would be afraid of looking for a new job.

Interestingly, confidence is lower in Hungary, where only one in five employees feels that it would be very easy to find a new job. In Romania and Bulgaria – countries with high enthusiasm after gaining EU membership – people are more upbeat. A word of caution here: high expectations of the benefits of EU membership must be managed. In Bulgaria 55% of employees expect to earn more and enjoy better career opportunities and there is no guarantee that this will happen.

Best Employers, Best Results

Senior leaders in Central Eastern Europe have already realised that employee engagement is a key business issue. The best companies – the ones who manage to align HR practices, employee expectation and business strategy – find it easier to at-

tract, reward and retain talented employees who drive superior business results. Best Employers generate 24% higher than average shareholder return. How they achieve this varies from one sector to the next, but there are a few key qualities that set the best above the rest: fairness to employees, the ability to inspire people and acknowledge and reward outstanding performance and high levels of trust in, and satisfaction with, the company’s leaders.

“Employees are key to any company’s success in the market,” says Matej Potokar, General Manager of Microsoft Slovenia. “At Microsoft we are trying to create an environment that enables employees to realise their potential. This approach is not just about motivating people who achieve great results but fostering a culture where employees are able to bring their ideas to life. We give our employees a lot of freedom in their work, giving them a chance to design their own career paths and the opportunity to gain new skills, broaden their knowledge and advance their careers.”

As the importance of human issues has grown, so has the status of HR, which is now playing a far more strategic role – a noticeable change since last year’s study. Senior leaders now view HR as a strategic function and 88% of HR professionals believe that HR contributes to the future success of the company.

Top managers’ role

Senior managers have a greater influence than many realise on engagement and motivation. “Companies where workers sense their importance and feel valued by their superiors display an average 25% higher employee engagement level and would be more likely to support their leaders,” emphasises Rita Veres. “Employees of at least 70% of the Best Employers feel that top management treats the employees as the most important resource.”

One issue to be addressed is trust and communication. The survey showed a huge gap between leaders and employees perception in this area. Only 41% of employees believe that senior leadership communicates honestly, compared to 71% of business leaders. Not surprisingly, companies where the gap is smaller perform better when it comes to employee retention and motivation.

As well as making employees feel appreciated, top level managers must feel satisfaction and engagement themselves. A disengaged leader is unlikely to create an engaged team. Yet Hewitt’s pan-European surveys show that more than 50% of the top managers working for global enterprises stay in the same job for less than three years; indicating that retention of the most successful top-level managers has become harder in Western as well as in Eastern Europe.

In this study, 89% of top level managers emerged as loyal to their companies. Although this is far more encouraging, it is important not to ignore the remaining 11% – almost 1 in every 10 top-level managers – that cannot be considered loyal to the company they are helping to lead.

One very positive finding is that 92% of managers state that their commitment to their corporations is as great as it would be if they were leading their own companies. If hours worked is a measure of commitment, this finding is confirmed by the fact that the average manager works 55.11 hours a week, and one in four puts in 60-70 hours – 12-14 hours per day for a five-day week. Although top managers in Central Eastern Europe behave as if they were owners of their company, this responsible attitude is not reflected in their reward package. Long-term incentives tied to the financial results of the company are far less common than in Western Europe: only one in every three top managers in the region is satisfied with the benefits, such as stock options, or phantom stock, etc) they get from the company. This dissatisfaction is more marked in Poland and Slovenia where only one in five top leaders feels motivated by company incentives. In contrast, 56% of leaders in Austria are satisfied.

The war for talent

83% of HR professionals working in this fast-growing business region believe that, within three to five years, attracting and motivating talent will have become the most significant people issue they face. 71% of senior leaders agree. The fiercest battles will be for people with leadership, sales and specialist technical skills.

Unfortunately, HR managers lack confidence in finding a solution. Most companies do not know how the talent issue will affect them and have no tools or processes for predicting the potential threats and opportunities.

But what can companies do to prevent their top people from leaving? Reviewing reward and recognition is a good place to start. “Although they are aware of the talent issue and realise that they cannot afford to lose their best people, less than a third of companies are currently offering a significantly differentiating compensation package for top talent and just 23% use long-term incentives such as stock options,” says Mr Szelecki. “The million dollar question is, if you want to hold on to the Einsteins of this world, what are you willing to do to make it happen?”

About the Hewitt Best Employers Study

This extensive study was conducted by Hewitt Associates and sponsored by The Wall Street Journal Europe in 2006/2007 in 10 Central Eastern European countries: Austria, Bulgaria, Czech Republic, Hungary, Slovakia, Slovenia, Turkey, Poland, Romania and Russia to find out what drives employee motivation in the region. Almost 90,000 employees and 1,800 C-Suite leaders shared their point of view about their workplaces and HR professionals of 504 companies gave information on their current HR practices.

Participation was free and voluntary. Any company which has been functioning for at least two years and employs more than 50 people could take part.

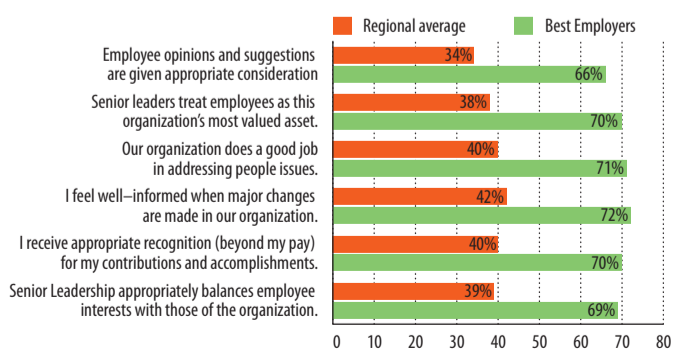
All questionnaires were handled by Hewitt, maintaining confidentiality in data gathering and processing. In line with Hewitt Associates’ international assessment standards, rankings are based on an objective evaluation of participant companies. Two-thirds of the score comes from the opinions of employees and the remaining third is determined by an alignment index based on a joint analysis of several factors: business strategies, HR strategies, knowledge about employee opinions, effectiveness of internal communication and synergy of particular systems and procedures.

Hewitt announced Best Employers in two categories in line with the European Union’s recommendation: small and medium scale companies; and large scale companies. (Any company with revenue exceeding 50m Euros, or with more than 250 full-time employees, is classified as large-scale)



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Best Employers compared to Central Eastern European average



HR priorities over the next 3-5 years: the CEO’s view

