



WERTE EXECUTIVE SEARCH

KEY PILLARS OF AUTOMOTIVE `S TOP MANAGEMENT STRUCTURE:

Highly-educated, young and fast-growing

Annual market insight report 2022



What are the main characteristics of the management structure in this industry, including demographic and educational factors?

For how long people stay on their roles?

Does internal promotion or external placements prevail?

Since our establishment, we have been publishing our Annual market insight report and covering relevant topics in Serbian industrial surrounding. The data is collected from our implemented executive search projects and detailly analyzed, so that each of our Annual market insight reports represents a result of a compact empirical research.

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Introduction

During more than a decade Serbia has been positioning as important investment destination and related to the topic, automotive industry plays important role, as the most attractive investment industry in the country. Our market has been recognized as suitable to invest in, due to several factors, but the key one is our great human resources potential. Among countries whose companies have established their operations in Serbia, Germany has been the one that represents one of the largest investor, both in terms of number and value of the projects. The other large investors come from Italy, Austria, Slovenia, United States of America, France, Turkey, China and others.

In order to provide an overview about leadership structure and potential in local automotive market, we have analyzed relevant data and created the mini-report. Our analyzed pool includes close to 100 leaders that currently hold top roles in the largest automotive companies in Serbia, including Managing Directors, Plant Managers and Operations Managers. Additional notes about the roles that are or aren't included in the pool, as well as other details about analyzed data and methodology, are available at the end of the report.

Typical organizational structure

As presented in Chart 1, almost 50% of our leaders currently hold Plant Management roles. This is not surprising as typical structure in an automotive factory in Serbia implies Plant Manager as first line management role that directly leads functional managers in Engineering, Production, Quality, IT, Finance and others. Formal legal representatives are often managers from headquarters, and they are not included in analyzed pool as their primary accountability is related to HQ operation. On the other hand, many local automotive companies

Current position category

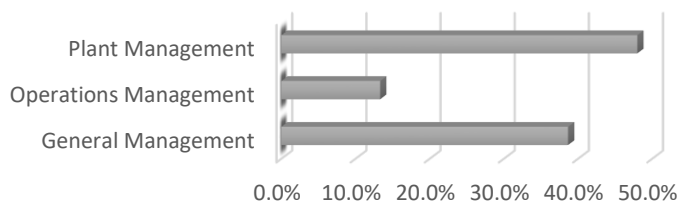


Chart 1, © Werte Executive Search

have local legal representatives or several legal representatives, including those from HQ and those from local company, so positions like General Manager and Managing Director are also widespread. On the contrary, Operations functions are not so common, and they usually imply a level between plant management and functional management within large or fast-growing businesses as well as accountability for several functions.

Chart 1 shows position categories for the whole analyzed pool, including both local leaders and expats. If we look only at local managers, the picture is slightly different as we have 6% larger pool of Plant Managers and 6% lower pool of General Managers.

The whole analyzed pool include 73.3% of local leaders and 26.7% of expats in Serbia.

Gender & age

As expected in a technical field, we have much higher proportion of male leaders in our pool, 90.7% and only 9.3% of female leaders (Chart 2).

Gender of leaders within automotive industry

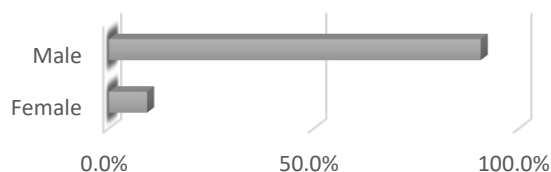


Chart 2 © Werte Executive Search

If we take a look only at locals, there is slightly different proportion in behalf of male leaders: 92.73%, versus 7.27% of local female leaders.

Great majority of female leaders from the whole analyzed pool came to their current positions through internal promotion within the company - 85,7%. The same percentage of them currently works within companies that are categorized as large legal entities in Serbia. If we are talking about the length of their engagement, almost one third of female leaders are on their current roles less than a year.

Age of leaders within automotive industry

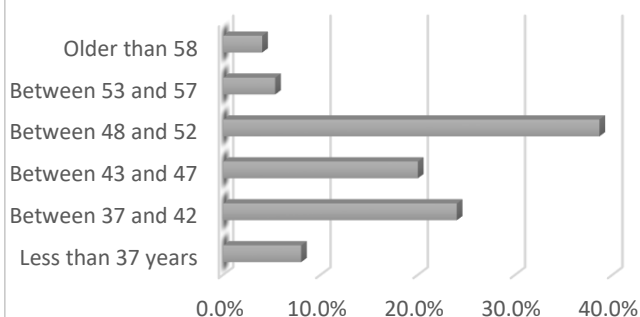


Chart 3 © Werte Executive Search

As presented in Chart 3, almost 40% of leaders in automotive industry in Serbia are between 48 and 52 years old. It is striking that the focus is on the lower half of the diagram, with less than 10% of leaders older than 52 years, which implies overall young structure. The picture is not much different even if we are looking at specific position category: in all three singularly (general, plant and operations management), we have only about 10% of managers over 52. The difference is in distribution within the remaining categories: majority of General Managers are within category 48 to 52 (51.7%), as well as one third of Plant Managers, while majority of Operations Managers are within category 43 to 47 (50%).

Finally, if we look at the median of the whole pool in relation to the age, it is at the end of 43-47 category, i.e., at the beginning of the 48-52 category.

Stability and placement type

Number of years in the position

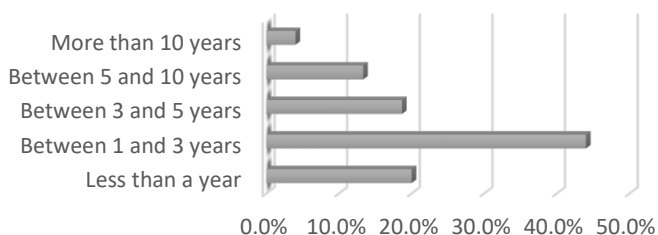


Chart 4 © Werte Executive Search

Based on the explained distribution of the age structure, it was reasonable to expect that the majority of managers have not been in their current positions for 5 or 10 years, and our analysis just confirmed the assumption. As presented in Chart 4, 64% of Managers have been in their current roles for up to 3 years. Additionally, 57,3% of Managers came to their current positions within the company, through internal promotion to the role (Chart 5 below).

If we look at the way of getting to the position separately for expats and separately for local managers, we have a slightly different picture. Internally promoted and externally recruited local managers have an equal distribution, 50-50

Placement type

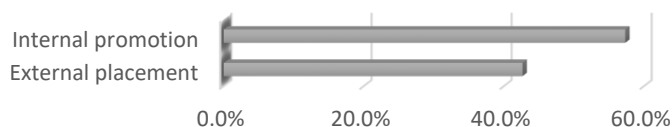


Chart 5 © Werte Executive Search

while expats have 20% externally recruited for the engagement and 80% of those who already worked in the same company.

Based on our knowledge of the automotive industry and happenings in the local market, we have been noticing certain trends. A need for experts in high management roles is getting higher and, on the other hand,

we have certain market potentials of senior, mature and highly experienced local top managers. Expats fill some part of this gap, while the other part have become a space for fast-growing mid level managers and their relatively frequent internal promotions to quite high roles.

Education

Analysis of the educational structure shows that the whole pool has 81.3% managers with MSc or BSc degree and 10.7% of managers with BSc (primarily in technical field) with additional MBA/EMBA/PhD degree, Chart 6 below.

Education of automotive leaders

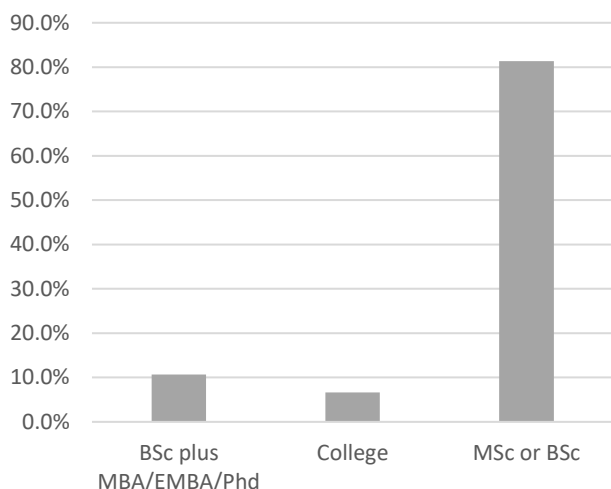


Chart 6 © Werte Executive Search

Area of stated MSc/BSc education is within technical field in 78.7% cases, while primarily holders of non-technical MSc/BSc degrees are General Managers.

There is no much difference between expats and local managers related to education. If we are looking only at local managers, proportions are quite similar (Chart 7).

Education of local automotive leaders

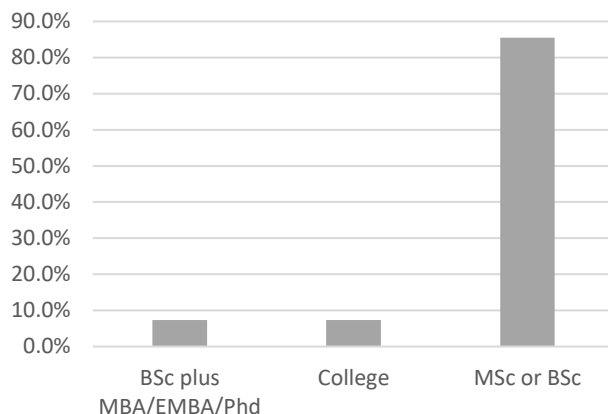


Chart 7 © Werte Executive Search

Conclusion

Serbia has been one of top investment destinations and the number of investments, including those within automotive industry, continues to grow. Along with the increase in number of automotive companies, as well as the growing size and complexity of existing operations, number of required experts in high and strategic positions within the industry grows simultaneously. As previously stated, we see a trend of gradual gap creation, the gap between a need and available pool of senior leaders. One part of this gap is being filled by expat leaders, while the other part is being filled by recently promoted young managers. Situation in our local market is still far away from many European saturated markets and we could not say that we have a lack of leaders, but certain trends are becoming visible, so we should react on time and be prepared for the time to come.

Careful taking care of education and retention is the first task. Young managers need some time to adapt and, together with appropriate trainings and development, they will perform well. On the other hand, it is necessary to prevent the possibility of leaving the company after three years, so the long-term retention of people in companies is a very important and ongoing

topic and task to deal with.

It is also important to be careful in the process of external employment for strategic roles. Although the industry is quite fast, selection of external candidates for such a role couldn't and shouldn't be done superficially and hastily, but thoroughly, as the primary aim is to set the long-term solution.

Finally, what we expect in the coming period is a focused selection of new investments, i.e., redirection from labor intensive to more technically complex operations.

Notes about analysed data

Analyzed pool includes leaders who currently hold top management positions within automotive companies in Serbia and who are located in Serbia, having primarily accountability for local operation. Some automotive companies in Serbia have formal legal representatives who actually are located in the company HQ. Although they are formal legal representatives of Serbian entity, their primary accountability is related to HQ operation, so they are not included in the pool. Similarly, there are some regional functions and people who are located in other markets and are responsible for multiple factories, including those in Serbia. They are also not included in the pool.

The pool include some people who have Serbian origin and years of working experience abroad, as a basis for current contract set as a kind of expat contract. Based on their origin, they are not categorized as expats, but as locals, for the purpose of evaluation in this analysis.

The pool includes higher number of people than number of companies as, where relevant, multiple positions/people from the same company are included.

All companies from the pool are doing business within automotive industry and there is 40% of German companies, 9 % of Italian companies, 8%

of French companies and a bit smaller percentages of companies from some other countries. 65.3% of all companies are categorised as large legal entities in Serbia. For the purpose of categorisation, we have used last official data about annual turnover.