

Dr. Bjørn Johansson

## **How can Swiss companies make sure that they hire and maintain the best Executive Management team in the USA ?**

There are many similarities between building a top management team in Switzerland and doing so in the USA. However, there are also plenty of differences and unique local US challenges. In this article, we will give guidelines and advise on how to approach and solve specific issues relating to this topic based on our experience.

American companies were the pioneers in building truly international management teams, especially groups with a mix of different European nationalities and US citizens. IBM, ITT, Johnson & Johnson, P&G, Sperry Univac, Texas Instruments and 3M, were among these leaders in the sixties and seventies. Over the last twenty years, large Swiss multinational companies such as Nestlé, Novartis, Roche and UBS have built vast operations in the USA. As a matter of fact, the 10 largest Swiss companies in the USA have approximately 180'000 employees. Several Swiss companies including Credit Suisse and Zurich Financial Services, today have Group CEOs with a US passport. For these large Swiss multinational firms, structures, systems and experience on how to build and operate powerful US management teams have successfully been proven over many years. Medium sized and especially smaller Swiss corporations have much less experience and therefore are often confronted with management mistakes and "trial and error" situations when entering and building up the US market. This also sometimes applies when Swiss companies make a first acquisition in the USA.

### **MAJOR DIFFERENCES BETWEEN SWITZERLAND AND THE USA**

The main differences between building a US top management team and a Swiss based leadership group can be found in the following six areas:

- Size of the overall market
- Quantity of management talent
- Compensation
- Diversity issues
- Mobility
- Matrix management experience

In general, top management teams in the USA are paid higher than their European counterparts. By saying this, Swiss executives are among the best paid in Europe and earn considerably more than their colleagues in the Scandinavian countries, Benelux and Southern Europe. The US Dollar exchange rate against the Swiss Franc and the Euro can from time to time mislead such statistics.

Swiss companies have to compete in the US market for the best management talent, not only with US companies, but also with other European and Asian corporations. Especially Long-Term Incentive plans (LTI's) of US companies are an obstacle in attracting and retaining the very best executives. In

addition, competition is fierce with regard to base cash compensation, yearly bonus plans, pension and other perks.

Consequently, Swiss companies need to understand how the US corporate world inspires the performance of their top executives well in time before entering the US market. Exchanging ideas and experience with colleagues from other Swiss companies that have successful operations in the USA, whether the Human Resources Director, the CFO, the Area Manager USA or even the CEO, can bring many advantages and prevent potential flops. This Swiss American Chamber of Commerce Year Book 2009/2010 gives you a thorough overview over these companies and the respective executives. Relying upon local market knowledge from Executive Search Consultants and Compensation & Benefit specialists is a must. There are also major differences in the compensation of the executives in various parts of the USA. The greater New York area certainly has a higher level of compensation, and thereby is "more expensive" than the Midwest in general and Southern California. Like in Switzerland, there are also major differences in the compensation between industries; banking, financial services (still) and the pharmaceutical industry are paying the highest compensation compared to e.g. agriculture, traditional manufacturing, tourism as well as retail.

The USA, with a population of approximately 306 million inhabitants, obviously provides a much larger platform for executives to choose from than Switzerland, with a population of 7.6 million. In general, one must also realize that many US executives are highly competitive, fighters, brilliant communicators and not afraid of showing their ambition compared to their European colleagues. In the banking, pharmaceutical, insurance and consumer goods industry, it is easier to find executives fitting the needs of Swiss companies for management talent compared to the watch industry, precision instruments or engineering. Furthermore, the mobility is much higher in the USA than in Switzerland. This also implies on the flexibility of the family of an executive to relocate, for example from Boston, Massachusetts, to Atlanta, Georgia, or from Dallas, Texas to Minneapolis, Minnesota. In Switzerland, it can be extremely hard to relocate executives from St. Gall to Berne, even though the driving distance by car is only two hours. Not to mention transferring a German speaking executive from the German speaking part of Switzerland to either the French or Italian speaking region.

Diversity in the management team is a key issue in the USA, and the discrimination laws are strict and executed without mercy. Discrimination, especially related to sex, age, race and religion is illegal, and questions relating to these issues cannot be raised in an interview with an employee. Many Swiss companies have been confronted with law suits relating to such matters.

Regarding matrix management which is frequently implemented in Swiss corporations, US executives often have difficulty in understanding and coping with these structures. American executives are very bound by hierarchy and in principal follow the traditional line management and processes top down. Other differences can be found with regard to holidays. Whereby Swiss top executives often have five to six weeks yearly vacation, their US counterparts mostly take two to three weeks vacation if at all. Also the notice period of executives in the USA is much shorter, mostly two weeks compared to three to twelve months in Switzerland. US executives are therefore available much quicker for a new professional challenge compared to their Swiss colleagues.

The loyalty factor of US executives is not much different to what we experience in Switzerland today. In actual fact, the turnover of Swiss CEOs is currently just as high as in the USA.

## MIX SWISS AND US MANAGEMENT

It is very important that there is a constant exchange of executives between the Swiss headquarters in the USA and vice versa. The corporate culture, philosophy and spirit of the Swiss company must be transplanted into the US subsidiary in an open and transparent way to achieve the expected success. This means that a flow of Swiss executives has to be integrated into the respective USA management team. Often, these executives can be found in finance or in manufacturing units, and from time to time in Marketing and Sales. The CEO and the Human Resources executive should ideally be US citizens. Under no circumstances should Swiss executives who are sent on an international assignment to the USA be positioned as "spies" or "controllers". We mutually recommend that US executives are transferred to the Swiss headquarters on a regular basis, for a period of two to four years. Such a process helps build bridges and thereby creates the necessary pride and passion required to win in a highly competitive market environment. In addition, this will help the know-how transfer between Switzerland and the USA. In general though, the total cost for these expatriates is much higher than for locally employed executives.

## THE USE OF SPECIALISTS

Lawyers play a major role in all aspects of the corporate world in the USA. Legal bills are very expensive in the USA but the risk of being confronted with a major lawsuit is proportionally higher. When it comes to building the best executive management team, Executive Search Consultants can have a considerable influence on your success. Consequently, it is important that you select the right Executive Search partner, who understands your company culture, strategy, objectives and your management philosophy.

The Association of Executive Search Consultants (AESC), [www.aesc.org](http://www.aesc.org), gives you an overview of the American Executive Search market. Do you want to work with one of the large multinational search firms, a regional search company or a specialist search firm (i.e. specializing in a specific industry sector or in a certain function, e.g. manufacturing or finance executives)? This can be decided upon from case-to-case. Likewise, Compensation & Benefits consulting firms will guide you in determining a financial reward system to help you attract and retain a winning management team.

Most Executive Search firms today also offer management audit services, and we highly recommend that management audits are executed on a regular basis, both in Switzerland and the USA, in order to make sure that you have the very best management team available at all times.

A danger, more in the USA than in Switzerland, is that curriculum vitae often do not tell the exact truth of an executive's career and success (or failure). US executives sometimes falsify their background in order to sell themselves better and to look more attractive. Also references are hard to obtain in the USA as you will rarely officially learn anything negative about an executive's background in acquiring a formal reference. We therefore recommend that when hiring executives, you should use a firm specialized in background screening services which are tailored specifically for executives, such as Kroll ([www.krollbackgroundscreening.com/aesc](http://www.krollbackgroundscreening.com/aesc)). These companies would be able to advise and assist you during the final stage before formally hiring the executive.

## SUMMARY

Swiss companies have, compared to most other European, Asian or Latin American countries, many advantages in hiring and retaining the best management talent in the USA. The fact that more and more US companies such as Alcoa, Amgen, Dow, eBay and Ecolab relocate their International, EMEA or European headquarters to Switzerland, speaks for itself.

US executives often have a high respect, admiration and trust regarding Swiss quality and success. This not only applies to the Swiss watches, Roger Federer's tennis game, the Zermatt natural beauty, the world headquarters of the International Olympic Committee (IOC), the Annual Meeting of the World Economic Forum in Davos, but certainly also to the fact that for years, Switzerland per capita has been a leading investor in creating new jobs in the USA. In addition, the Swiss American Chamber of Commerce has for decades been one of the most active and successful American Chamber of Commerce worldwide.

Looking into the future, we are therefore convinced that not only the large and mid-sized Swiss companies, but also small firms will continue to be successful, make profit and grow in the US market.