



Openness and Attractiveness of German SMEs for Indian professionals



BACKGROUND

Over the last few years, Germany has been facing a shortage of skilled and qualified professionals, especially in areas such as construction, technology, engineering and healthcare. As per latest studies by the DIHK and Pwc, about 60% of German small and medium-sized companies (SMEs) consider the shortage of qualified candidates as a major business risk. Considering that the “Mittelstand” is the backbone of the German economy, it is not just individual businesses that are affected by the trend. Already today, the shortage of professionals is causing a loss of 65 billion Euro to the German economy – about 2.2% of the German GDP. To bridge the gap, many employers are opening up to international professionals not only from the EU, but also non-EU countries such as India.

At the same time, more and more young Indians are taking an interest in relocating to Germany. Over the last 10 years, the number of Indian students has more than tripled. Today, they form the second largest group of international students. The interest in taking up employment in Germany is on the rise, too. Today, about every fourth EU Blue Card holder in Germany is from India. Yet, in consultations of ProRecognition India it has been observed that many Indian professionals seem to be hesitant about applying to and working for SMEs and instead target large multi-national corporations (MNCs) in their job search.

This non-representative study aims to explore the reasons for this disconnect and identify potential solutions to make the Mittelstand more attractive to Indian professionals by seeking answers to the following questions:

- How open are SMEs to Indian candidates?
- Are the perceptions of Indian candidates about German SMEs realistic?
- What makes German SMEs attractive to Indian candidates?
- In which areas do German SMEs need to take action in order to be more appealing to Indian talent?

METHODOLOGY

In order to collect reliable information, 54 respondents were interviewed through an online survey, which was shared through newsletters and relevant social media channels in June and July 2018. All respondents responded to the survey from either of the following perspectives:

- Indian students or professionals
- Experts on Indian students or professionals
- Members of German SMEs
- Experts on German SMEs

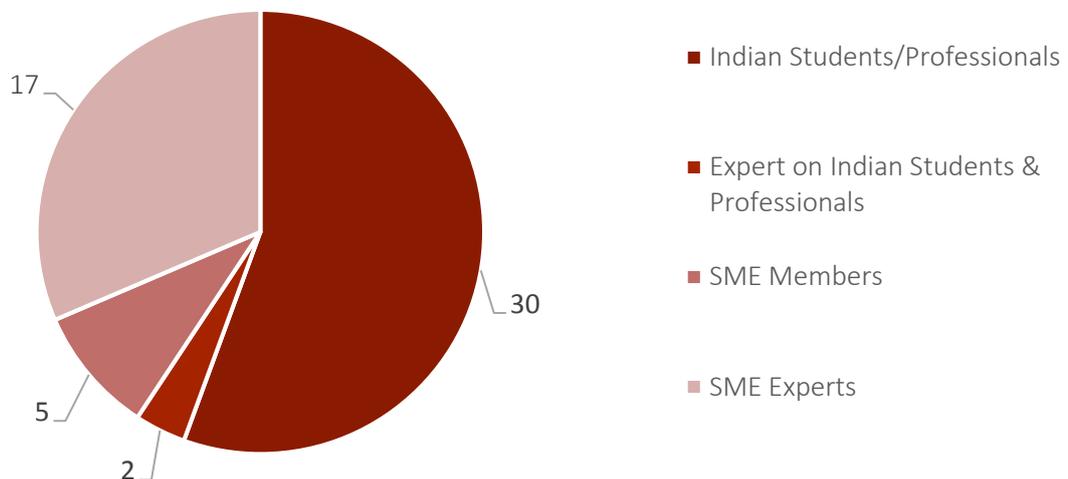


Fig 1: Sample composition by respondent's category

For the purpose of understanding the disconnect, the categories of Indian students and professionals and members of German SMEs were merged with the respective expert categories. As the comparison between the views of both consolidated groups was of particular interest, the results were weighted to enable a balanced, non-distorted comparison.

The questionnaire design was based on common perceptions and frequent concerns raised by individuals consulted by ProRecognition India. As a first part, participants were asked to select their level of agreement to various statements concerning aspects of Recruitment & Selection, Learning & Development, Quality of Work, and Organisational Culture. On top of this, participants were given the option to express their opinion on factors which make German SMEs attractive or unattractive to Indian candidates in open-ended questions.

RECRUITMENT & SELECTION

An important factor in candidates' decision to apply or not apply for a posted vacancy is their expectation of potential success of the application. However, Indian candidates seem to expect various entry barriers to German Mittelstand companies.

28% of Indian candidates expect that German SMEs are generally not open to foreign candidates, although only 10% of respondents representing German Mittelstand companies agreed to this. The majority of respondents confirmed that the initial entry into a German SME can be difficult, but after there are no significant differences in the way foreign employees are treated. At the same time, the entry barriers seem to be higher for management positions – 40% of Mittelstand representatives agreed that foreign professionals can only get into management positions through internal promotion rather than lateral hiring. Yet, 36% of Mittelstand representatives – as compared to only 22% of Indian candidates – stated that for certain positions requiring global experience, foreign candidates can be at advantage.

Fig 2: Mittelstand companies are not very open to foreign candidates.

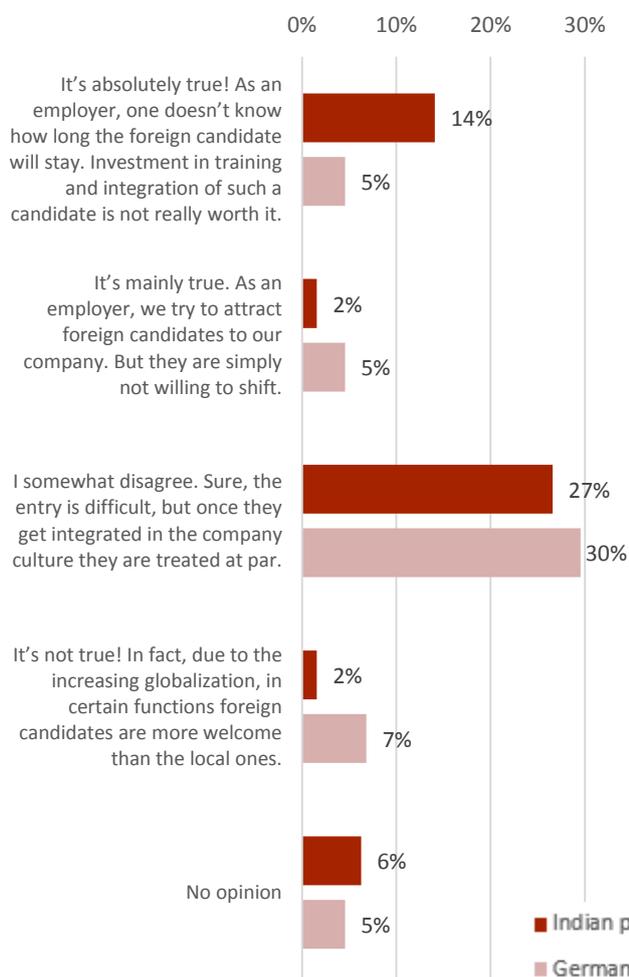
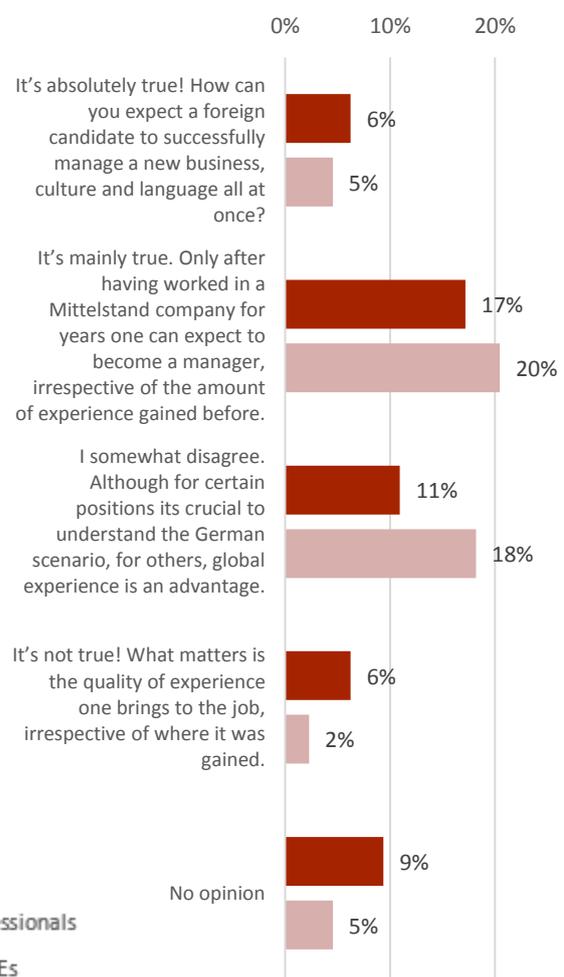


Fig 3: Mittelstand companies are not ready to hire foreign candidates into management positions.



The recruitment channels used by German SMEs pose another entry barrier. 68% of Indian candidates believe that the German Mittelstand mainly hires through reference or prefers this recruitment channel. This view is inconsistent with the actual scenario. While 46% of German SME representatives confirm that they prefer hiring through references, 38% state that they utilise a diversified recruitment approach in order to identify and hire talent. With regard to the preference of local recruitment channels, views between both respondent groups were aligned. The majority of German SME representatives and Indian candidates stated that the Mittelstand mainly hires through local networks since these have proven to be more successful for attracting qualified candidates.

Fig 4: Mittelstand companies rely more on referrals and networks, therefore it is more difficult for foreign candidates to be hired.

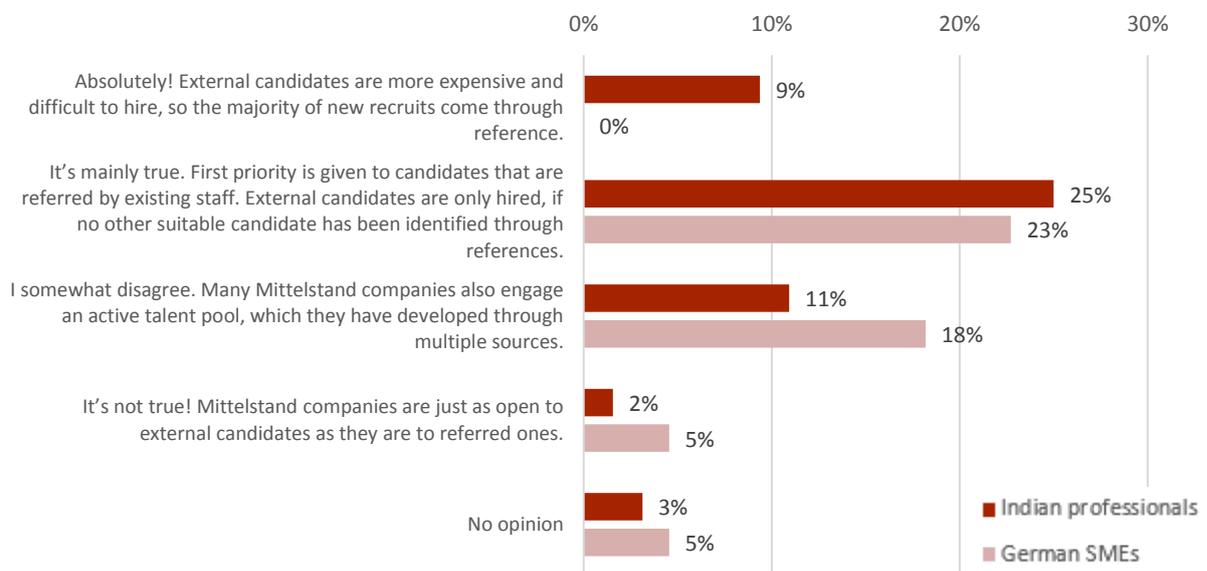
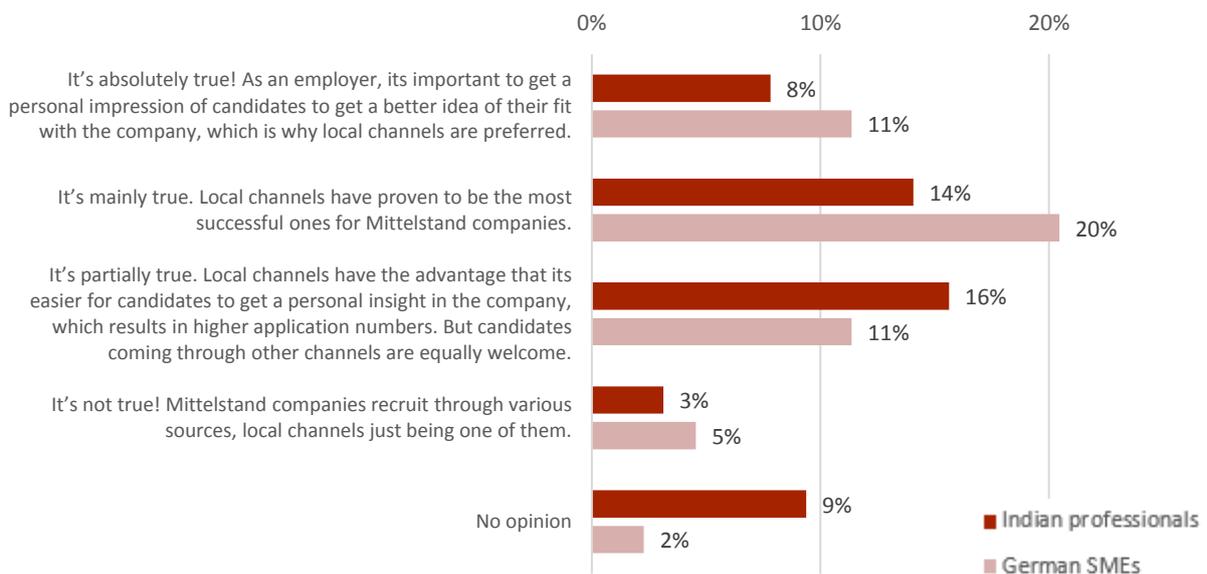
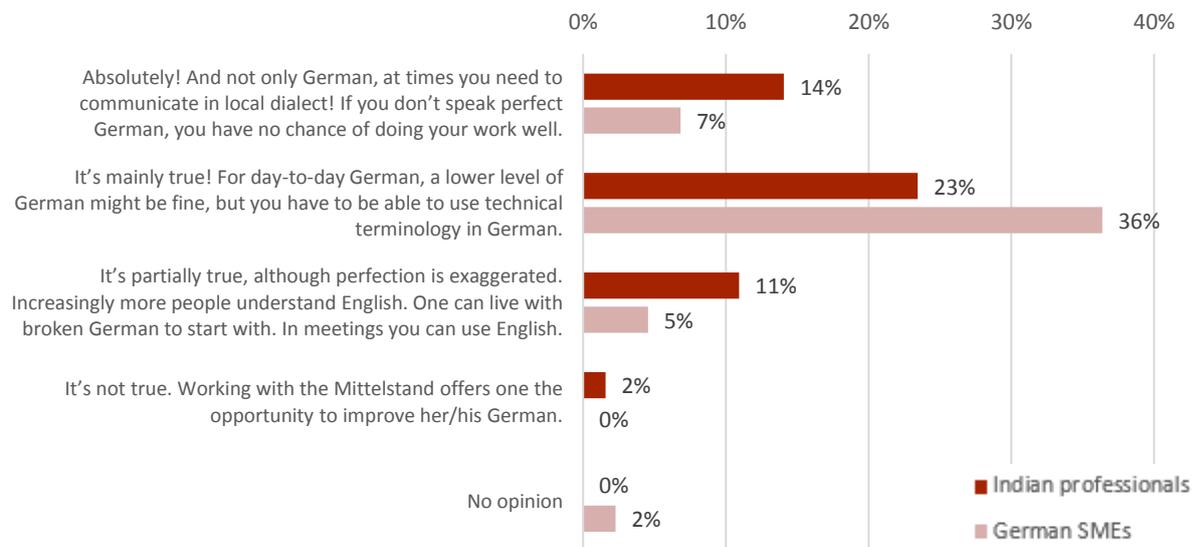


Fig 5: Mittelstand companies source candidates mainly through local channels (e.g. job fairs), therefore it is more difficult for foreign candidates to be hired.



Finally, a frequently raised concern is the necessity of German skills. Every fifth respondent was of the opinion that fluency in German, including knowledge of local dialects, is required when working in a German SME. In contrast, 59% of respondents expressed the view that a lower level of German is sufficient, provided that the candidate has a good command of technical vocabulary. In the view of Indian candidates, language skills were assumed to be a much stronger entry barrier than in the view of German SME representatives - twice as many Indian candidates (14%) than German Mittelstand representatives (7%) expressed the opinion that perfect German is a prerequisite. On the other hand, no German SME representative agreed that German is not needed to work in a Mittelstand company.

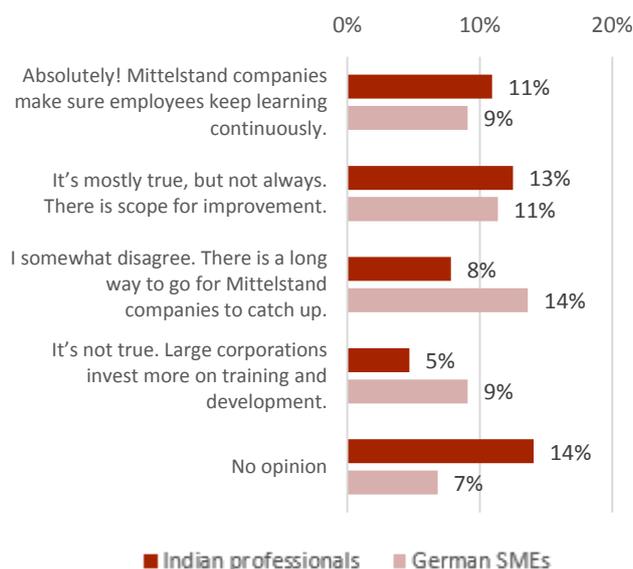
Fig 6: Perfection in German is necessary in order to get a job in Mittelstand companies.



LEARNING & GROWTH

The opportunities for skill development as well as professional enhancement that an employer provides are an important aspect to Indian professionals, especially young professionals, in their job search.

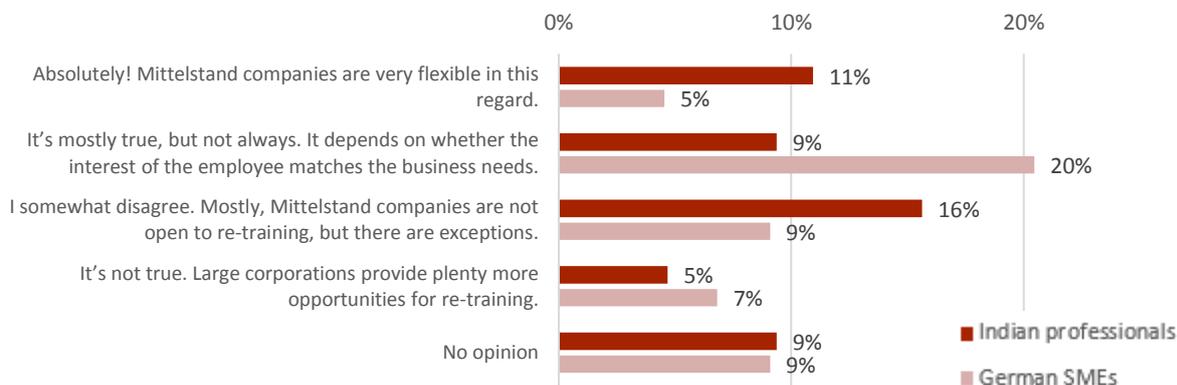
Fig 7: On average, Mittelstand companies invest more in training and skills development per employee than large corporations.



With regards to the question of Mittelstand companies' investment in training and skills development in comparison to larger corporations, opinions tend to differ: Although there was no clear majority amongst respondents for or against the statement that German SMEs invest more in training and skill development, Indian candidates demonstrated a slight trend towards SMEs investing more, while German Mittelstand representatives tended towards larger corporations making larger investments into T&D.

Irrespective of the different views on training investments, the German Mittelstand seems to offer various opportunities for re-training: Half of German SMEs say that the Mittelstand provides the opportunity for re-training, however, 40% of them state that this re-training needs to match the business requirement. Indian candidates do not seem to have consistent opinions about which re-training opportunities are provided.

Fig 8: Mittelstand companies are more open to re-training employees in fields of their interest than large corporations.



Even in terms of career opportunities German SMEs provide attractive opportunities: Despite the smaller size of SMEs, only 13% of respondents are of the opinion that there is a lack of possibilities for growth. 44% of Indian candidates and 64% of German SME representatives stated that due to their high level of flexibility, German SMEs provide an abundance of opportunities for growth and taking ownership.

At the same time, there seems to be a certain limitation for advancement into management levels for Indian candidates. 68% of the respondents representing the German Mittelstand acknowledged, that there is a glass ceiling for foreign applicants in German SMEs. However, half of those respondents also stated that they expect this to change in the years to come. In contrast, 44% of Indian candidates expect a glass ceiling in German SMEs, out of which only 10% expect a trend shift.

Fig 9: Because Mittelstand companies are smaller in size, there are less growth opportunities as compared to large corporations.

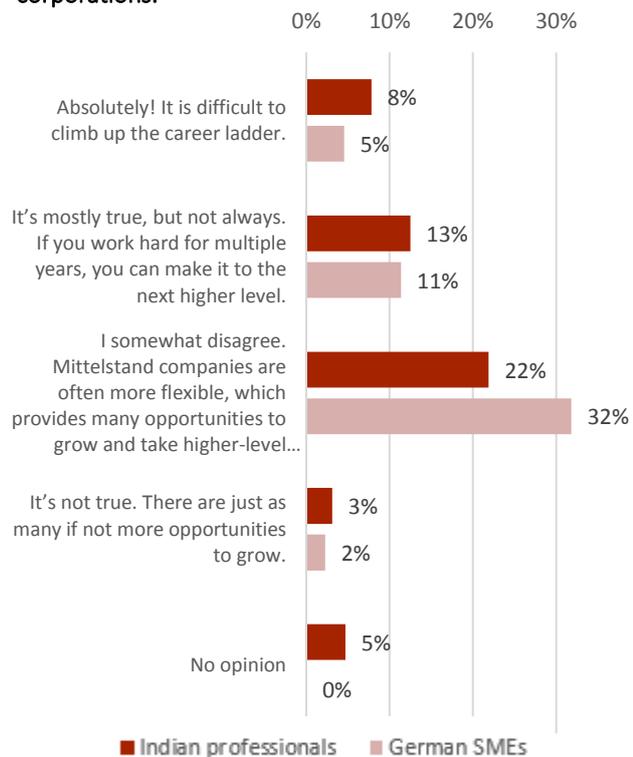
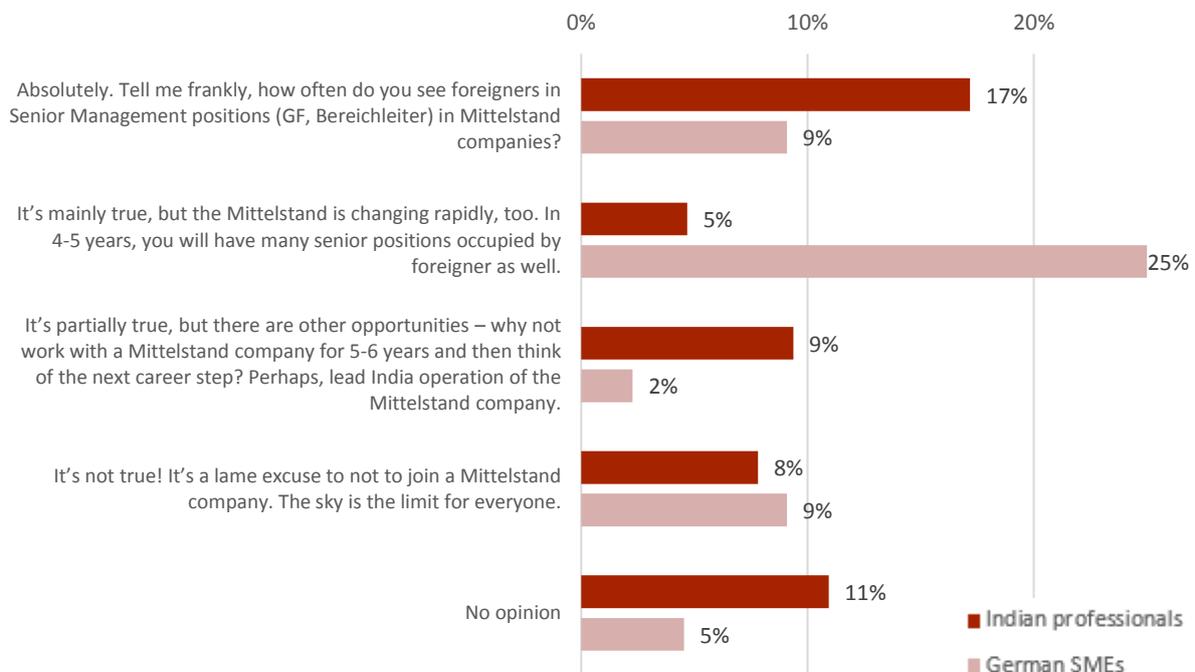


Fig 10: There is a glass ceiling in the Mittelstand which will not allow a foreign employee to reach a senior position.

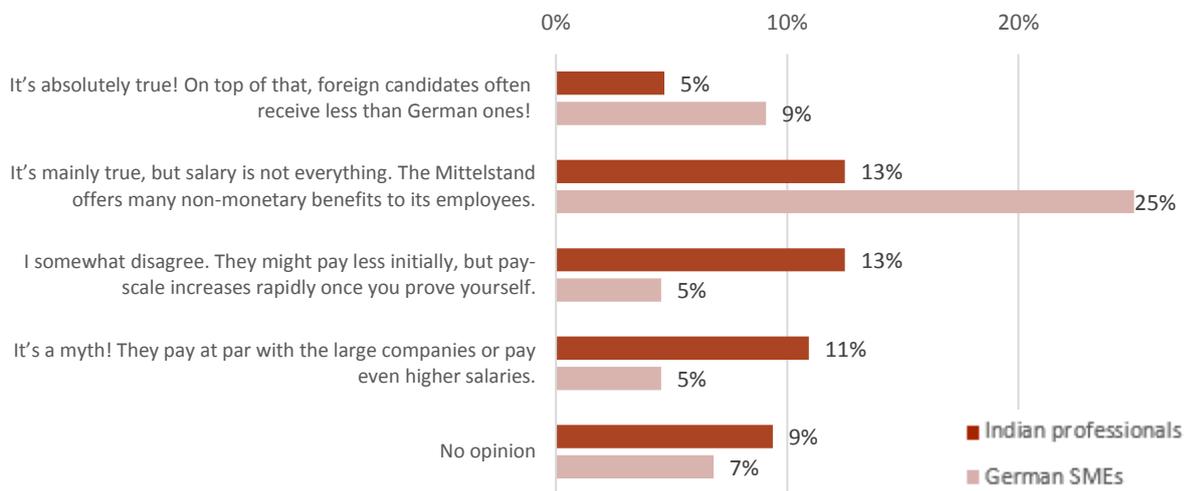


QUALITY OF WORK LIFE

A common consideration of Indian professionals seeking employment abroad is the quality of work life and lifestyle. Generally higher income levels and quality of life significantly contribute to the decision to relocate to a foreign country such as Germany.

In the scenario of employment at an SME, 68% of representatives of the Mittelstand agree that German SMEs offer lower salary packages than large corporations. Yet, every second respondent representing the German Mittelstand also highlighted that German SMEs often offer many attractive non-monetary benefits to attract talent. This contradicts the expectations of almost half of Indian candidates, who expect SMEs to offer rapidly growing salaries after an initially lower salary or higher salary packages than large companies.

Fig 11: Mittelstand companies pay lower salaries as compared to larger corporations.



When looking at the job profiles and work available in German SMEs, respondents had the favourable view: 76% of Indian candidates expect job profiles that involve a broad variety of tasks to make work interesting. This is in line with the statements of those respondents representing German SMEs. 78% of this respondent group believes that generally employees in the German Mittelstand have a broader and therefore more interesting work profiles.

Yet, most respondents state that this does not lead to over-burdening of employees, either since this is generally not the case (13%) or because the company provides sufficient support to balance excessive work load (35%). At the same time, almost every third respondent believes that over-burdening is an issue, which however varies as per role.

Fig 12: Employees of Mittelstand companies have broader work responsibilities, which makes their work more interesting.

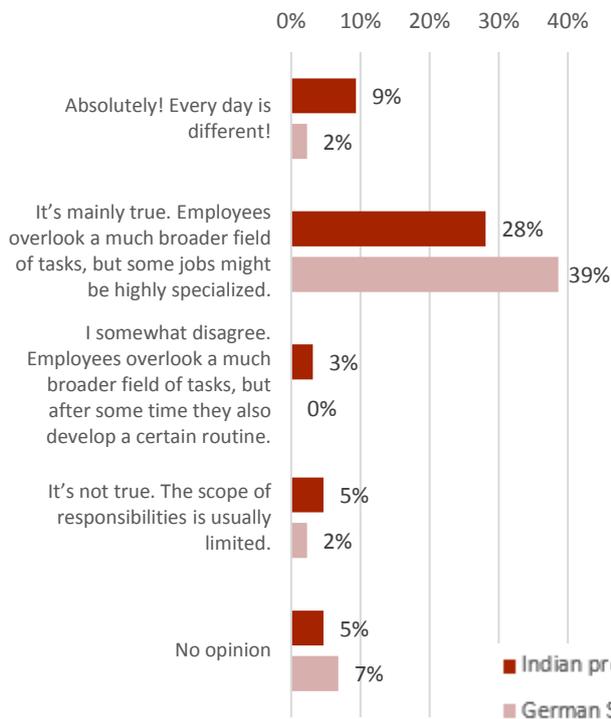
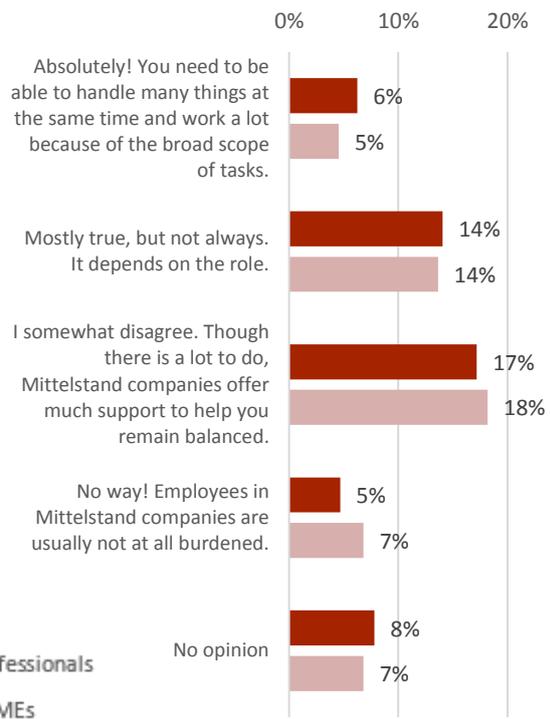
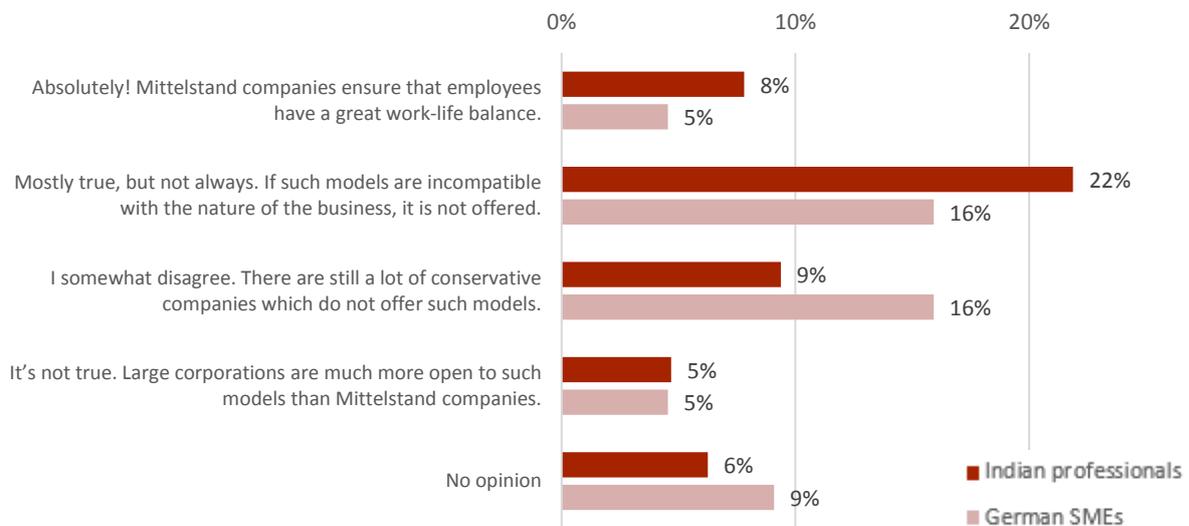


Fig 13: Employees of SMEs have broader work responsibilities, which is why employees are more burdened with work.



Also, the perceptions about work-life balance at SMEs vary. 60% of Indian candidates believe that the majority of German Mittelstand provides various models to ensure a good work-life balance, as compared to 40% of Mittelstand representatives. In fact, 41% of German SME representatives believe that the Mittelstand falls short of such options in comparison to larger corporations.

Fig 14: Work-life balance is great with the Mittelstand! They offer flexible working hours, job-sharing, sabbaticals, work from home etc.



Although German SMEs are mainly located in small cities, the possibility that moving to a small town will lead to difficulties in integrating for foreigners did not seem to be a concern for most respondents. Only 10% of Indian candidates believed that working at an SME will impact their social life. 37% of all respondents believe that foreign professionals can establish themselves in a small German town over a few years, while another 37% believed that moving to a small town can even help getting integrated into German society.

However, the majority of SME representatives agreed that moving to a small town might lead to issues in finding Indian vegetarian food. Indian professionals seemed more optimistic about finding adequate food choices: 38% believe that there will be other healthy vegetarian and vegan options available, while 28% think that they will not have issues finding Indian food choices.

Fig 15: Mittelstand companies are mostly located in suburban areas. Moving there affects one’s life-style, social integration, entertainment opportunities etc.

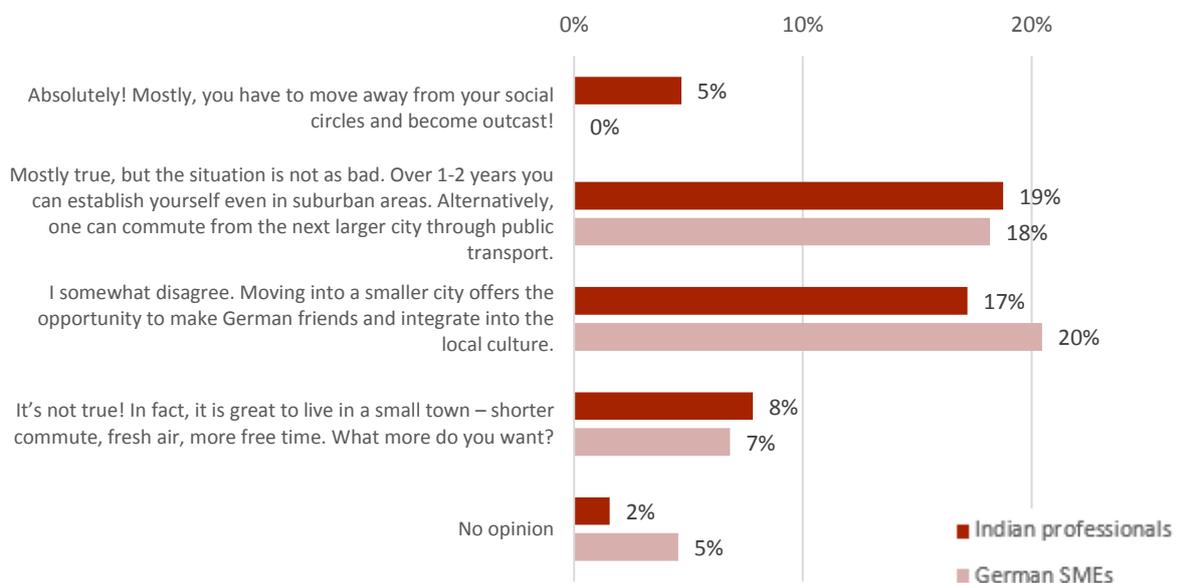
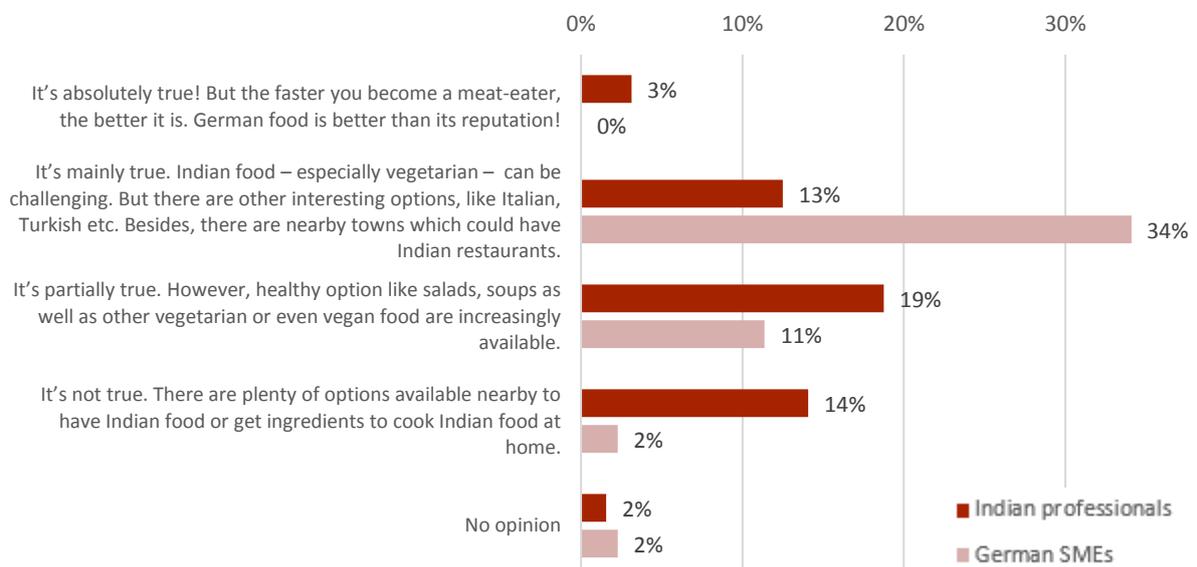


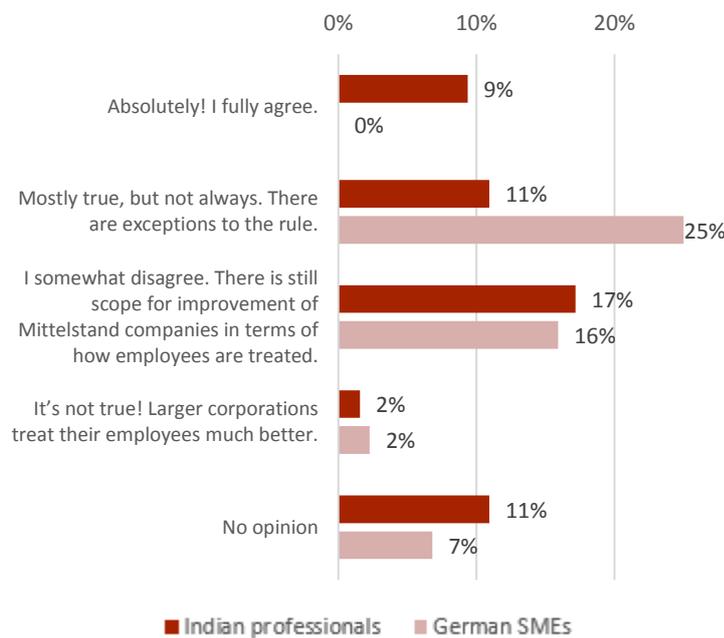
Fig 16: Mittelstand companies are mostly located in suburban areas. It is difficult to find Indian food in small towns in Germany.



ORGANISATIONAL CULTURE

When Indian professionals relocate to Germany, they do not only enter a new national culture. A welcoming organisational culture also influences the successful settling and integration into the new environment. While Indian professionals might have previous experiences with international assignments working for globally operating corporations, the culture of Mittelstand companies often seems more unfamiliar.

Fig 17: Mittelstand companies have better policies and treat their employees more fairly compared to large corporations.

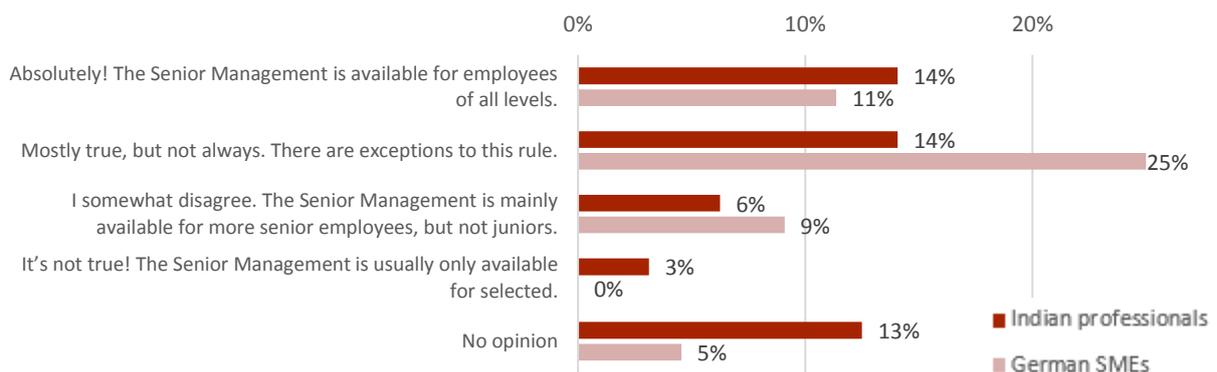


When asked about the policies and the corresponding treatment of employees, 40% of Indian candidates believe that German SMEs generally have policies that enable better employee relations. This is aligned with the opinion of most Mittelstand experts, although none of them fully agreed that German SMEs generally have better policies. Moreover, 32% of Mittelstand representatives stated that they still see scope for improvements in SMEs' policies.

Consistent agreement from both groups of respondents was given with regards to the management

culture of German SMEs. 72% of Mittelstand experts agreed that the senior management is very accessible in German SMEs, although half of this respondent group states that there are exceptions to this rule in some companies. At the same time, no respondent representing German SMEs agreed that the senior management is only available for selected individuals within the organisation. Overall, these statements are aligned with the expectations of Indian professionals – within this respondent group, 56% believed that in most German SMEs the senior management is available for all employees.

Fig 18: In Mittelstand companies, employees at any level have access to the Senior Management.



General consent also exists with regards to the Mittelstand's participative culture. 82% of respondents representing German SMEs and 66% of Indian candidates believed that most German SMEs encourage idea-sharing and suggestions by employees, and no respondent believes that large corporations are more participative than the Mittelstand. At the same time, almost three times as many respondents belonging to the group of Indian candidates than those belonging to the group of SME representatives believed that this encouragement of participation is limited to only selected areas.

When asked about retention of employees in German SMEs, most respondents believe that the Mittelstand takes interest in ensuring long-term employment of staff and take extended efforts to retain them. However, 60% of those SME representatives highlighted that there are limits to the efforts an SME undertakes to retain employees. Nevertheless, only 10% of Mittelstand experts stated that retention is only limited to a small number of particularly talented employees. In this regard, Indian professionals were more critical of the Mittelstand – 22% of them believed that only selected employees are retained.

Fig 19: Participative Mittelstand: Employee contribution by way of ideas, process improvements, decision-making is absolutely welcome and encouraged.

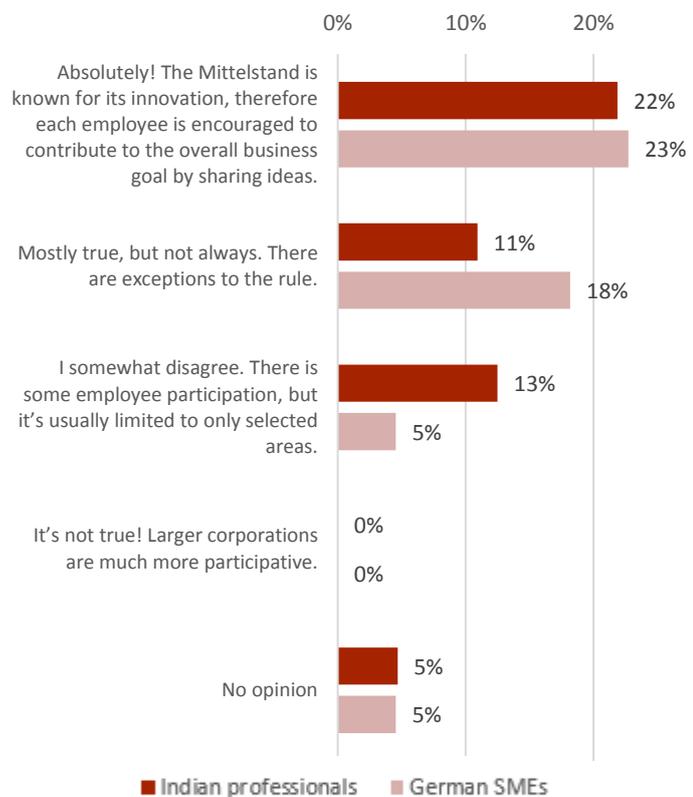
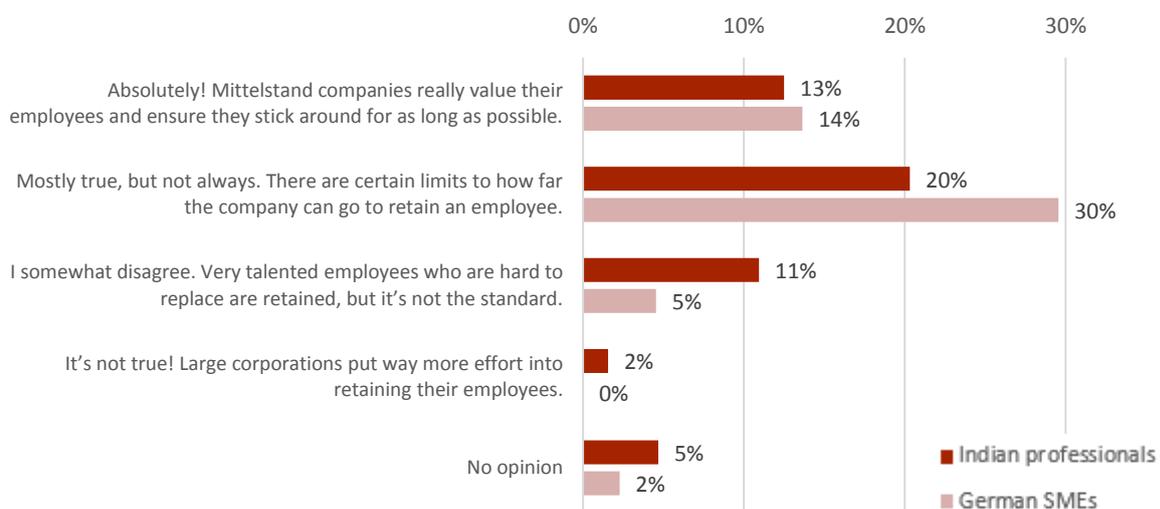
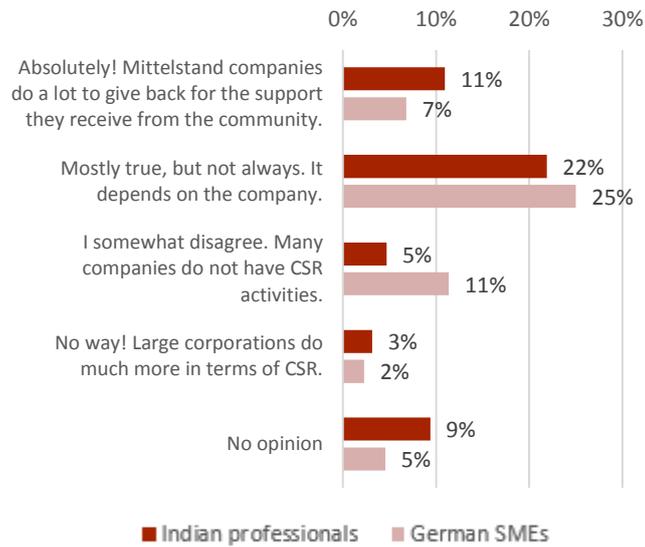


Fig 20: Mittelstand companies take more efforts to retain employees.



Finally, opinions about CSR activities seem mainly aligned. While 44% of Indian professionals believe that most but not all German SMEs conduct many CSR activities, approximately every fifth respondent of this group even stated that the German Mittelstand drives CSR activities. While a similar percentage of respondents representing German SMEs second this opinion, 20% of them disagree, stating that many German SMEs are not active in the field of CSR.

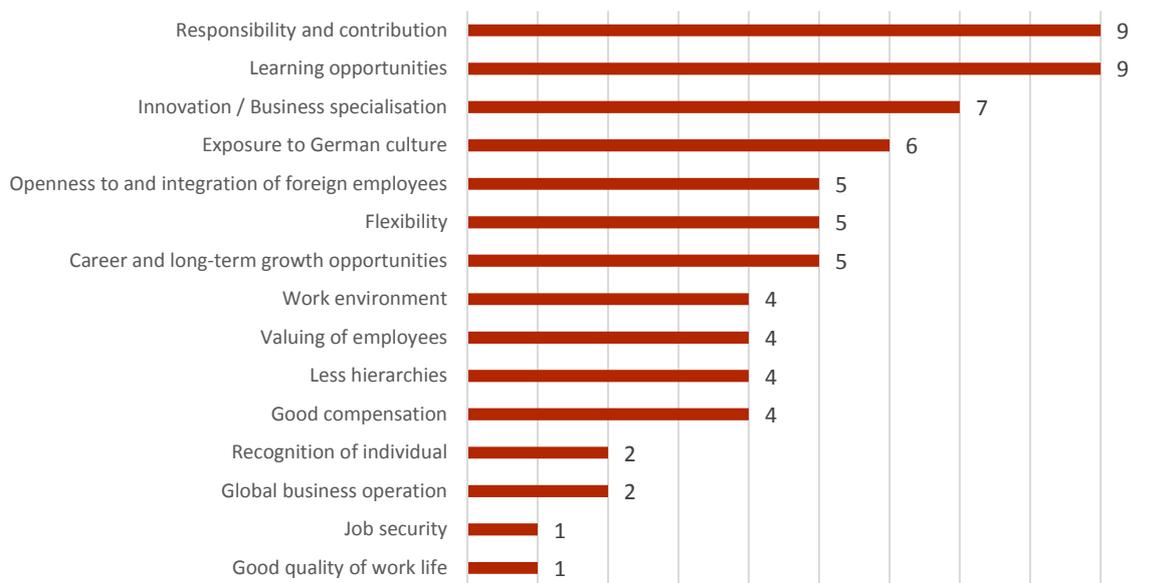
Fig. 21: Mittelstand companies are more attached to the local community and therefore have many CSR activities.



ADVANTAGES & DISADVANTAGES

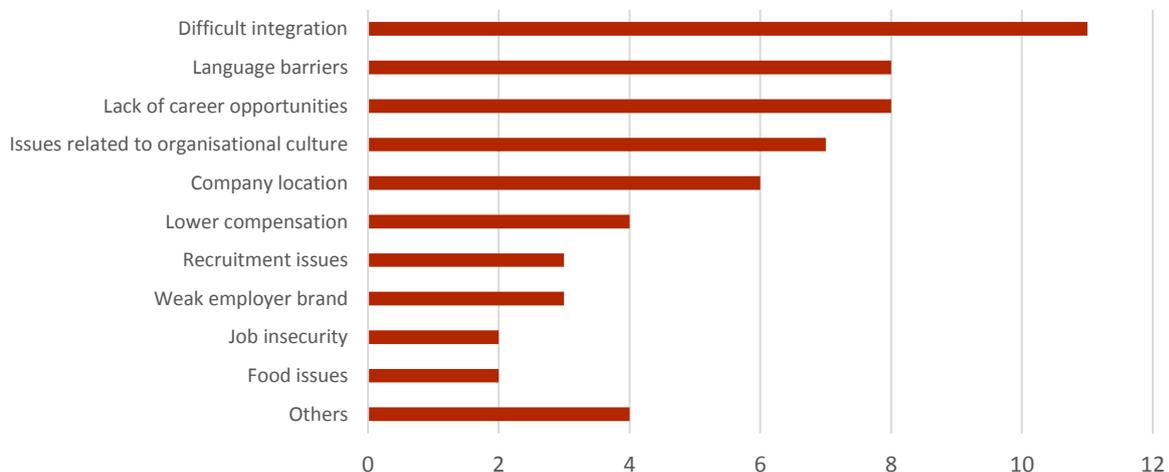
To conclude the study, respondents were asked which factors they believe makes the German Mittelstand attractive to foreign professionals.

Fig 22: Factors that makes the Mittelstand attractive to foreign applicants



Most respondents stated factors relating to the possibilities of skill enhancement, which often was related to the innovation power of the German Mittelstand as well as the broader and flexible work profiles. These offer opportunities to take over additional responsibility, make visible contributions to the business, and consequentially provide long-term career opportunities. Positive mentions also included that working in a German SME provides the opportunity to get exposure to the German culture.

Fig 23: Factors that makes the Mittelstand unattractive to foreign applicants



On the other side, the Mittelstand poses various hurdles to Indian candidates with regard to entry in the organisation and integration in the company, which make them unappealing to Indian candidates. Other factors included a perceived lower number of opportunities to climb the organisational ladder, a weaker employer brand of SMEs and issues related to German SMEs mainly being located in small towns.

Since these questions were optional and open-ended, most responses were given by respondents representing Indian candidates. Therefore, it cannot be certainly determined whether these are actual or perceived advantages and disadvantages of the Mittelstand.

CONCLUSION

Against the backdrop of the results depicted above, it is obvious that German SMEs have a lot of potential to be attractive employers to Indian candidates. However, in order to do so they need to keep building on their strengths and reduce entry barriers.

Things the Mittelstand should continue to do:

- Fostering an innovation-driven environment that offers plenty of opportunities for skill development and professional enhancement, by giving employees the opportunity to bring in ideas, take over responsibility in a broad variety of tasks and make meaningful contributions to the business
- Building long-term employee relationships by retaining employees and offering them opportunities for re-training
- Maintaining a culture with flat hierarchies and access to the higher management
- Providing initiatives that support a good work-life balance of employees

Areas in which the Mittelstand needs to take action:

- Reducing perceived entry barriers for foreign candidates. Building an employer brand which embraces international candidates can facilitate this. SMEs should also consider expanding their mix of recruitment channels to be more approachable to foreign candidates.
- Breaking the glass ceiling for foreign management talent.
- Enabling better and easier integration of foreign employees. Indian candidates are eager to learn about and integrate into German culture, but they also seek openness and support in the process. This requires flexibility and intercultural sensitivity. Formal programmes for integration can be useful in the process.
- Ensuring a fair and consistent structure for compensation and benefits which avoid discrimination and attracts foreign candidates.

Aspects about which foreign candidates should change their perceptions:

- Work on improving your German skills. While candidates do not need to be fluent in dialects, knowing German industry and job role-specific terminology opens doors. Yet, German knowledge is not only useful for finding a job, but also in private surrounding.
- Consider that working and living in a smaller town is not necessarily bad for living. Often, it comes with benefits such as lower cost of living, less commute and more opportunities to connect to Germans. If the small town-lifestyle isn't for you: Cities are well-connected by public transport or highways.
- Even if the German Mittelstand is still in the process of opening up to international management talent, leadership opportunities are available already today. Many SMEs with global operations provide the possibility of getting international positions such as Country Manager at an early career stage.

ABOUT BVMW-INDIA & PRORECOGNITION



BVMW-India is the official regional partner of BVMW (German Federal Association of SMEs). BVMW represents over 650,000 Mittelstand companies in Germany. Through its over 300 regional partners within Germany, BVMW acts as the voice of the Mittelstand.

BVMW-India is represented by Manoj Barve from Pune, and Daniel Raja from Duesseldorf. BVMW-India tries to bring the Mittelstand companies (SMEs) from both the countries together. Typically, German Mittelstand companies contact their Regional Representatives spread across the country for any question about India. Such support requests are then forwarded to Daniel Raja and Manoj Barve for a resolution. It could be India-Entry requests, market research and sales channel support, technology transfer and any other support on the ground in India. BVMW-India handles it along with its local associates.

Increasingly, Indian large mid-sized companies as well as specialized-IT firms are looking towards Germany as an investment destination. BVMW-India supports such Indian companies in finding the right partners in Germany – for technology/marketing alliance, acquisition, location search, and formation of GmbH (local subsidiaries in Germany). Besides BVMW-India conducts intercultural seminars for bridging over differences and building alliances across the cultures.

www.bvmw.de/bvmw-indien-beratung-fuer-den-mittelstand



ProRecognition is a project of the Association of German Chambers of Commerce and Industry (DIHK), which is sponsored by the German Federal Ministry of Education and Research. The project currently runs in eight countries across the globe, including China, Egypt, India, Iran, Italy, Morocco, Poland, and Vietnam. In India, ProRecognition is an exclusive service of the Indo-German Chamber of Commerce that provides independent advisory services on employment in Germany, thus facilitating qualified immigration of Indian professionals in shortage occupations.

Working with a strong network of partners in India and Germany, ProRecognition serves as a one-stop shop for all information needs of individuals seeking to work in Germany. Its service catalogue includes individual consultation on recognition of vocational and professional

qualifications, career chances and living in Germany, as well as hands-on assistance in the recognition process. On top of this, ProRecognition frequently conducts full-day, interactive workshops on German application culture, acquainting participants with the German view on self-marketing, job search, application documents and interviews.

www.prorecognition.in

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