Kienbaum International Newsletter Q2 2019

Brazil
Country Spotlight Brazil

Hyped up as part of the BRIC (Brazil, Russia, India & China) craze in the 2000s, the world’s eighth-largest economy has almost always been considered as the “land of the future” – a future, some argue, that has so far not materialized. Despite the huge economic potential of the country linked not only to its vast natural resources but also to the sheer size of its population, a variety of challenges – economic, social and political – has so far prevented Brazil from its long-predicted take off.

In the past few years following the Rio de Janeiro Olympics of 2016, Brazil was shaken by a major corruption scandal involving both the political elites and several major Brazilian corporations. The subsequent turmoil eventually led to the imprisonment of former president Dilma Rousseff as well as the imprisonment of her predecessor Lula da Silva. Besides the effect that this had on the economy and especially foreign investment, it also paved the way to the election of right-wing candidate Jair Bolsonaro in the presidential election of 2019. Since Bolsonaro has been voted into office, the Brazilian economy has shown promising signs of relief. The Bovespa is on an all-time high and also the Brazilian currency has significantly gained value towards both the Euro and the US-Dollar. The new president – also called “The Brazilian Donald Trump” due to his harsh rhetoric against minorities, diplomatic skills and general outspokenness – has promised to end the decades of corruption that weakened the country under his predecessors. Furthermore, Bolsonaro has vowed to liberalize the economy, rehaul the retirement system, end corruption and curb the notoriously high crime rates of South America’s biggest economy. Already difficult on an individual basis, the combination of these tasks underlines the challenges that lie ahead of the country. Given these topics, a huge focus is on two particular members of his cabinet,
Paulo Guedes, Minister of the Economy and Sergio Moro, Minister of Justice and Public Security. Both are considered highly-competent experts in their respective fields, having made the controversial figure Bolsonaro eligible for many, especially within the business community.

More specifically, from an economic perspective, the recent spikes in crime rates, especially in Rio de Janeiro, have further dampened foreign investment enthusiasm. The same is true for the notoriously complicated tax system which the new administration has promised to tackle as one of the first things in office. Last but not least, a relatively low birth rate puts the generous retirement system under huge pressure, as the Brazilian population is forecasted to shrink from 2050 onwards due to a current birth rate of only 1.75 children per woman.

Bolsonaro will soon be leaving his post-election honeymoon and be judged on the results of his administration and the value behind his electoral promises. Will he be able to deliver?
With a new government in place, where do you see the Brazilian economy heading?

Brazil’s new government had a rocky start due to difficulties in their dialogue with both Congress and the Federal Senate, but we can observe that this is slowly improving. Overall, these developments are building the ground for important reforms – such as our pension and tax reform – that are now in the process of approval. We are confident that these important projects will soon be adopted and passed into law.

Once these hurdles are removed, Brazil can finally better tap its potential. After the government has done its homework, the country will be able to better attract external investments, regain international and domestic confidence and subsequently accelerate its economic growth.

What are the biggest challenges for foreign companies when it comes to doing business in Brazil?

For us, the biggest challenge for foreign companies to do business in Brazil is the current tax burden as well as the underlying system’s overall complexity. Nevertheless, we are already seeing foreign companies coming to Brazil that believe in the announcement of a new tax system which should be approved later this year.

According to you, what are the specifics of the Brazilian labor market?

Today, the Brazilian labor market has to deal with an unemployment rate of over 12%. On the one hand, generating jobs for its entire workforce represents of course an enormous challenge for the country. On the other hand, this situation means opportunity for companies who would like to invest here, as Brazil has a young, comparatively well-educated talent pool, which is readily available and still a lot
cheaper than in developed countries. Embedded in a huge domestic consumer market, we are confident that employment rates should increase and thus further bolster the economy.

Do you have one specific case for us where Kienbaum created significant value for one of its clients in Brazil?

During its 15 year history, Kienbaum Brazil has created significant value for many local and international companies. As an example, between 2005 and 2012, we had the privilege to support the continuing growth of CPFL (Companhia Paulista de Força e Luz), one of the largest energy companies in Brazil. Additionally, over the last two years, we have been working on the cultural transformation of Sírio Libanês Hospital, one of the world’s most renowned medical institutions.

In general, our specialty here in Brazil is the integration and combination of both Management Consulting and Executive Search services within our projects. In doing so, we are able to realize substantial synergies between both fields. Our most recent case is MAHLE, where for many years we have done Executive Search before adding HR reorganization projects and now New Placement mandates, thus becoming the company’s partner of choice for all questions related to its people in Brazil.

Axel Werner  
E-mail: axel.werner@kienbaum.com  
Phone: +55 11 51 86 83-826

Fausto Alvarez  
E-mail: falvarez@kienbaum.com.br  
Phone: +55 11 51 86 8366
Historically, we at BENTELER in Mercosur had difficulties to identify and properly evaluate our talent pool, boost our internal staff development and promote high performers.

Two years ago, we launched a very intensive program together with Kienbaum in order to overcome this shortfall and can now proudly say that we achieved much more than we thought in our initial plans. Our internal promotion rate is benchmark in the group, the motivation of the team massively increased, as they see in real life the investment we are doing to develop each and every talent. Last but not least, our results improved steadily as well.

It is a real example that with the right approach and a good partner such as Kienbaum, we are able to manage the very volatile and challenging environment we have in Mercosur and I will surely benefit from this experience in my new global role as well!

Emerson Galina
Managing Director - Global Chief Operating Officer (COO) - BENTELER Automotive
Kienbaum in Brazil

Kienbaum has been active in Brazil since 2005. Today, our presence in the biggest South American economy comprises four offices – Sao Paulo, Belo Horizonte, Porto Alegre and Jaragua do Sul. At these locations, almost 100 employees make sure that we provide our local and international clients with tailor-made solutions perfectly matching their specific needs. Our service portfolio includes Executive Search, New Placement, Management Diagnostics, Management Development and Management Consulting.

About Kienbaum

Kienbaum Consultants International is a European leader in the field of leadership advisory and management consulting that empowers and accelerates people and organizations for tomorrow's world of work. Our interdisciplinary teams can draw on decades of consulting experience, in-depth industry knowhow and thought leadership through our own dedicated research institute. Kienbaum was founded almost 75 years ago and is still being owned and managed by the Kienbaum family. From its head office in Cologne, Kienbaum operates in 27 offices in 14 countries around the world. Kienbaum – Leading by #WePowerment.