

## The transfer of western human resource practices to Russian subsidiaries

Denisova-Schmidt, Elena

Published: 01/01/2008

### *Document Version*

Publisher's PDF, also known as Version of record

[Link to publication](#)

### *Citation for published version (APA):*

Denisova-Schmidt, E. (2008). *The transfer of western human resource practices to Russian subsidiaries*. Department für Fremdsprachliche Wirtschaftskommunikation, WU Vienna University of Economics and Business. WU Online Papers in International Business Communication / Series One: Intercultural Communication and Language Learning No. 2

# The Transfer of Western Human Resource Practices to Russian Subsidiaries



Elena Denisova-Schmidt  
St. Gallen, Switzerland

Department of International Business Communication  
Vienna University of Economics and Business Administration (WU)

WU Online Papers in International Business Communication

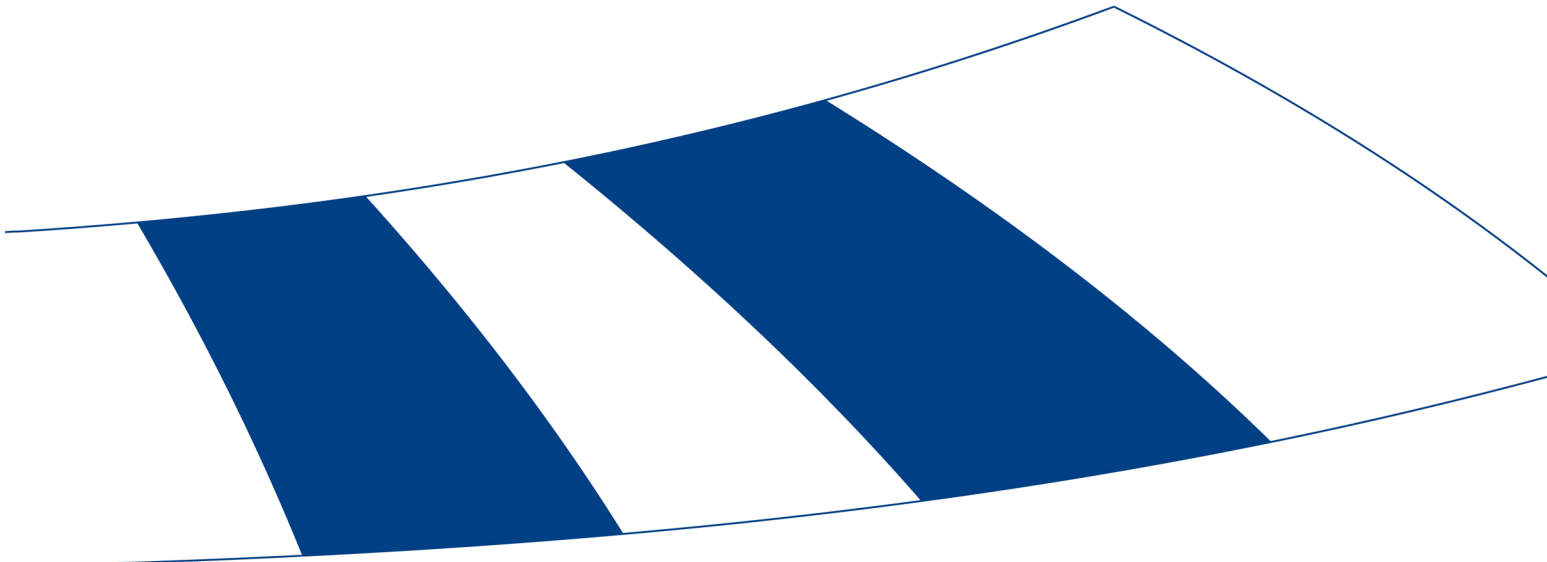
**Series One:**

**"Intercultural Communication and Language Learning"**

**Paper 2**

**February 2008**

<http://epub.wu-wien.ac.at>



# Abstract

**Elena Denisova-Schmidt**

University of St. Gallen, Switzerland

## **The transfer of Western human resource practices to Russian subsidiaries**

Using one subsidiary of one international consumer goods company as an example, the author shows the main challenges of HR Management and their consequences for business activities in Russia. This empirical study details HR practices at the Russian subsidiary of one international consumer goods manufacturer with headquarters in Western Europe (hereafter referred to as ABC Russia for confidentiality). The author spent a few weeks in Moscow with the task of 1) reviewing the recruitment market and establishing trends with regard to the availability of candidates, salary movements and turnover of employees; and 2) making recommendations on how ABC Russia should proceed based on the findings.

It was a great opportunity to observe ABC Russia employees and partly participate in their daily business; have access to some internal information, especially to HR procedures and rules; talk to some employees and get their impressions on what it means for a well-known international company doing business in Russia.

## **Keywords**

Russia; HR management; HR practices; Culture; Intercultural communication; Recruitment; Employment; Expatriates

## **Introduction**

This empirical study details HR practices at ABC Russia. The company works in an area of consumer goods and is one of the top 10 in its sector worldwide. The first subsidiary in Russia was established in the mid 90s. In 2006 more than two hundred people were working for this company at three offices in Moscow, St. Petersburg and Yekaterinburg and several home offices in some other big cities in Russia.

From 2006 onwards, ABC planned plans to have a presence in all big cities in Russia and some of the former Soviet Republics. To compete more successfully, ABC will place greater emphasis on HR management and development.

## **Empirical Study**

### **Main challenges for HR management in Russia**

#### **High turnover rate, especially in Moscow**

In the Russian capital this can be at least 20% per year, which creates a big problem for a company. If employees leave a company, especially when they go to a competitor, they take a lot with them: professional experience, customer databases, technologies, and company secrets, etc. New employees need some time to adapt.

Some Russian companies try to prevent the high turnover rate by different means. For example, companies in one market might make an oral agreement not to employ anybody from a competitor, creating a kind of blacklist. Though company- or industry-sanctioned blacklists are technically illegal in Russia, the informal practice of blacklisting still goes on behind the scenes (cf. Gostev 2006).

### **Notice period is only 2 weeks**

Exception: employees with financial responsibilities – Finance Director and Accountant. Before leaving the company they should complete their tasks and introduce their successors to the business. Usually this takes from one to two months.

### **Salary and social benefits**

The salary and social benefits market is changing very fast and is not easy to monitor, e.g. submitted results for the HAY survey (see <http://www.haygroup.com/ru/>) in July will be available only in January and they will be 'obsolete' in six months. People tend to change their jobs almost every year (at least in the consumer goods sector). By changing their employers, they may raise their salary by approximately 20% or more.

Moreover, some Russian companies tend to pay official and unofficial salaries. Russian enterprises have long traditions of keeping two sets of books: one with actual results for internal usage and one with desired results for external audits and/or reports by Soviet ministries (cf. Suutari 1998). There are some reasons for paying in official and unofficial ways: e.g. reduction of social taxation; options for non-authorized work on holidays, vacations, and overtime hours. This fact of unofficial income is even accepted by international banks providing loans for Russian citizens.

### **Research questions**

In that context, my task was to analyze the current tendencies in the Russian labor market:

- Who is in the labor market?
- How could these candidates be approached?
- What kind of qualifications do they have?
- When employed, how long will they stay with the company?
- Which factors influence this decision?

In order to answer these questions, I spent five weeks in Moscow (participation observation) and conducted expert interviews with HR staff.

### **Research design**

First, the current situation in ABC Russia was analyzed to determine what gives the company an advantage as an employer and/or what should be changed in the HR work. This was necessary because the turnover rate in the company was 40% in 2005, whereas the average turnover rate in Moscow was 20%. A SWOT analysis was then carried out.<sup>1</sup> SWOT analysis is a strategy development technique (S – internal Strengths, W – internal Weaknesses, O – external Opportunities, T – external Threats).

After that, the recruitment instruments that are or could be used by ABC Russia were benchmarked. Describing a particular hiring option, HR professionals and academics (Dessler 1999, Magura 2003, Gómez-Mejía et al. 2004) usually mention its compliance with company personnel policy, cost, and employment market acceptance. Comparing US and Russian sources, it was discovered that some recruitment methods widely used in the United States are not applicable yet or have different connotations in Russia and the CIS countries. So, for example, initiative (or blind) applications or television and broadcast announcements are not a common practice; similarly, when making announcements in print media, the employer should know that there are no national newspapers commonly read by all job-seekers in Russia. If a company is looking for someone outside of Moscow and St. Petersburg, an announcement should be placed in regional papers.

Then, a framework for evaluating each recruitment tool was developed, focusing on:

- Compliance with ABC Personnel Policy,
- Cost,
- Employment market acceptance,

<sup>1</sup> In order to keep ABC Russia anonymous, what follows is an abbreviated version of the SWOT analysis.

- Cultural adequacy,
- ABC Russia practices since ABC has been operating in Russia for more than eight years.

## SWOT Analysis

### Strengths

What are the advantages, special circumstances, offers, that ABC Russia possesses? Why is ABC Russia so attractive as an employer?

- All labor issues such as employment and maternity leave, are handled according to the Russian Labor Law (2001). In cases of conflict both parties can rely on this document. Not all companies in Russia implement stipulate the Labor Law.
- ABC Russia works with 'trudovaia knizhka' ('labor book'). Labor books are the main official document concerning employment activities and their duration in Russia. Any 'gaps' in employment records mean consequences for pension payment, medical insurance, further jobs, etc. Sometimes the labor book has more value in Russia than a contract, résumé, or references.
- ABC Russia offers the possibility to gather work experience at an international company, which increases career development and professional perspectives in the labor market. ABC Russia is working in a growing market and has a good position and growth options in Russia.

### Weaknesses

What is not good yet? What should be improved?

- *A low degree of identification with the company and company brands (potential increase in turnover):* Not all employees know how many brands or subsidiaries ABC Russia has in the world. One HR employee, a woman responsible for the company's induction process, actually had a mirror with the competitor's logo lying on her desk.
- *Little or no understanding of corporate values and culture:* Each employee should gain such values as harmony, mutual understanding, friendliness, long-term orientation, and responsibility. These values are still being developed by Russian employees in Moscow. In the words of one anonymous employee:

"They do not listen to each other; they do not have long term plans on activities; they do not have a team spirit and initiative is still not welcome. They do not want to take decisions and take responsibility and problems are distributed instead of being solved; they do not fulfill deadlines and do not inform their colleagues about this; they do not have information about responsibilities of other departments."
- *Little or no understanding of the role of the HR department:* In the communist era, the functions of the HR Department were mostly administrative work. As a result, some employees with previous work experience in international companies judge the work of the HR department to be insufficient: not enough rules and procedures, no team spirit, no team building trainings.
- *Low basic management skills such as communication skills; low conflict and time management skills:* Distribution of non-structural information and information channels; the same information comes very often from different people; managers of all levels are not always able to use information; not rational usage of working time; too many tasks for each employee. Not enough staff resources. Many employees are overloaded. Hierarchical levels of communication, culture of re-delegation, different leadership styles, and people are not able to criticize their bosses and colleagues in public. People think in the frames of their positions or departments, they do not think about the company's interest and the business in total.

### Opportunities

What are the relevant trends in the Russian labor market?

- *Large market of potential candidates:* Young, educated people are not ‘spoiled’ by old practices and routines of Russian companies and are able to adapt easily to western standards but without relevant experience for ABC Russia.
- *Regions:* People have low ‘expectations’ for career development options, salaries, compensation, or bonuses.

## Threats

What are the obstacles that ABC Russia is faced with or could be faced with?

- *Moscow:* small pool of potential candidates with relevant experience.
- *Moscow:* long distances from home to the workplace (approx. 2 hours by train under very bad conditions or in traffic jams). Moscow underground is overloaded because of overcrowding in the city.
- *Moscow:* Passing through the city requires a valid identification card (passport); there is a very high likelihood of being stopped by Russian policemen who will check your identity. The Russian policemen have the right to take any person to a police station. People from the Caucasus region are more affected (the problem of Chechen terrorism).
- *For employees without private real estate:* Renting or buying an apartment (especially in big cities) is very expensive; additional time is needed to arrange, furnish, and renovate it; often it is far away from the office; there are a lot of unfair deals within the real estate market.
- *For employees with children under school age:* a challenge to find a place in a kindergarten (there are not enough kindergartens; good kindergartens are situated far away from the home or work place; they are very expensive and have fixed working hours, they typically close at 6 p.m.).

Russian universities provide different types of training in marketing, finance, and accounting. Only elite universities and well-known business schools work with modern teaching programs and techniques such as business case studies, brainstorming, or creative mind maps. Other universities are still in development, e.g. some marketing professors may work with methods of Kotler (2007), but at the same time, they do not have any practical or consulting experience, nor do they conduct empirical research.

## Conclusions

After conducting the SWOT analysis, the investigator has the following recommendations for how to emphasize strengths and abolish weaknesses with the main aim of minimizing any potential increase in turnover.

Problems	Corrective actions
A low degree of identification with the company and company brands	Keep current activities in educating employees about brand loyalty (using corporate colors; gifts that carry the logo; an option to purchase products at cost price, etc.). Keep up to date about the company activities, using balanced score card and/or strategy map.
Little or no understanding of corporate values and culture	Talk to each employee about corporate values and culture (cf. other subsidiaries of ABC in Eastern Europe).
Little or no understanding of the role of the HR department	Explain the role of the HR department from the very beginning (during the induction process). Organize an HR week or HR days (e.g. with a <i>general</i> program including lectures explaining HR goals, options, and offers, etc. or with <i>specific</i> programs e.g. conflict mediation between line managers and employees, etc.). Do not underestimate the importance of follow-up meetings.
Demand for training	Training needed in basic management skills, moderation, conflict and time management, etc. Professional training for sales force Be aware that not all employees are ready for ‘new’ training techniques. Explain how to get knowledge in a different way (opposite to lecture-oriented-approach; see Fey et al. 1999, 2000 and 2001).

	<p>Make sure that line managers allow their subordinates to attend trainings.</p> <p>NB: Be aware that some employees really do need training in basic communication skills.</p>
Lack of teamwork and communication between departments	<p>Team-building sport activities e.g. football, basketball</p> <p>Rewards for sportsmen and active fans</p> <p>Corporate newsletter with information about new employees, new product launches, best performances of employees, etc.</p> <p>In addition to induction booklet, a different booklet for current employees with explanation of company structure and functions of other departments with certain examples</p> <p>Shadowing as an option to get an impression of other departments' functions and responsibilities</p> <p>Corporate events involving regional employees (e.g. a 'weekend outside')</p> <p>Do not underestimate the importance to Russian employees of going abroad.</p>
Salaries & social benefits	<p>The salary and social benefits market is changing very fast and is not easy to monitor, especially in Moscow.</p> <p>Try to find alternative solutions (e.g. use social channels in recruitment agencies, etc.).</p>
ABC Russia's image as employer	<p>Master/bachelor thesis</p> <p>Internships for students and high school students</p> <p>ABC Days: lecture series made by ABC Russia representatives in HR Management, Marketing, Finance, etc.</p> <p>ABC Russia representatives lecturing at local universities</p> <p>Joint training (University professors + ABC Russia employees)</p> <p>Company support for faculty positions in key areas</p> <p>Open Door Days</p> <p>NB: Be sure that all planned/conducted actions make sense for involved participants.</p>

Table 1: SWOT analysis, conclusions

## Recruitment

In this part the recruitment options, which are (or could be) used by ABC for hiring people in Russia, are analyzed. The attempt was made to consider all of the potential sources for seeking candidates mentioned in the literature. They are usually divided into *internal* and *external* recruitment opportunities. Internal recruitment includes expatriates, local employees, internal recruitment via company employees; external recruitment includes recruitment agencies; announcements in mass media; state employment office; universities; alumni clubs and associations.

### Internal Recruitment

#### Expatriates

The participation of expatriates with international experience is necessary and helpful in the early stages of company development. They transfer not only knowledge, but also corporate culture.

So, for example, the General Director (expatriate, country of origin: Belgium) and his deputy and at the same time HR and Legal Director (expatriate, country of origin: UK) begin their working day by greeting all employees. They go through the whole office, look in every office suite, wish a good day and ask about well-being, both gentlemen add to this small-talk some words in Russian. When they leave the office, they usually say goodbye to everyone and wish good evening or good weekend at the end of the week (this behavior – small-talk, a boss greeting all employees, etc. – is not a normal part of the Russian culture (cf. Ertelt-Vieth & Denisova-Schmidt 2006, 196-197).

It should be noted that the majority of Russian employees are starting to adopt this practice in communicating with their Russian colleagues. Moreover, when the Director or his deputy broke that ritual for what-

ever reason, some Russians begin worrying about their well-being.

*Employment market acceptance:* According to the HR Director the whole expatriate team (from Germany, the UK, Belgium, France and Bulgaria – five people in top-management and two at the middle management level) is fully accepted by the local Russian employees. All expatriates have the feeling that they are a team, and they could achieve a lot of things together.

Local employees (particularly in Western Europe and the US) often assume that expatriates do not understand how to do business in a particular country and that they only 'disrupt' the normal flow of activities in a local subsidiary. Every candidate is usually asked a question by the HR Director during a final interview: Whom would you like to have as your boss: a Russian or an expatriate? 100% of the interviewees answer expatriates. The reasons candidates give are:

- I could replace him or her in the future (she or he will probably go away);
- I can learn a lot of things from her/him;
- I can learn what western management style really means.

*Cultural adequacy:* Expatriates could face many obstacles caused by varied different cultural backgrounds. They need some time to recognize and adapt to them. Language-based problems could be raised. During my stay in Moscow I observed a few frequent cultural misunderstandings between expatriates and Russian employees:

- Small-talk from the western side is usually judged as complimentary by women or frivolous by men from Russian side;
- Colleagues and bosses are not criticized in public by Russians, as they are by the westerners.

Often expatriates are accepted because they are in top-management positions (hierarchy being important in Russia) and they are foreigners from the West (special admiration for foreigners from the West). For example, one expatriate (a young woman) is working in middle management. This is her first appointment at this level in the Marketing Department. Her colleagues complain to the HR Department that she does not have any experience in Marketing or in Russia, why was she sent. As a result she does not have enough support from her Russian colleagues. An additional reason is the differences in salaries and career development options between expatriates and local employees. This is envied on the Russian side. Moreover, in this particular case the deciding role is played by the appearance of the young German woman. She is not feminine from the Russian point of view, i.e. she doesn't wear sexy clothing, jewelry, or cosmetics, and she walks with a very heavy step.

### **Rotation Programs inside ABC Russia**

Internal candidates are the best source of recruits. The advantages are that employers see their hard work and competency being rewarded, thus enhancing motivation and performance. Also, internal candidates require less orientation, adaptation and training than outsiders. The disadvantages of this practice are that insiders do not usually bring new ideas or experience and they may have a problem with acceptance after being appointed as a boss within their own ranks. Rejected internal candidates may become dissatisfied, which could impact their daily activities (cf. Dessler 1999, Gómez-Mejía et al. 2004).

*Compliance with ABC Personnel Policy:* Internally, HR advertises on an information board and in the specified file on the exchange server. ABC Russia has started this recently. Employees are informed about new vacancies via email once per month.

*Cost:* Financial costs include a one-time payment mobility allowance, relocation support (packing, transportation), real estate agent fee and rent fee for a fixed time (six months), and medical insurance for the whole family. Only one person, however, has been promoted to a higher position and moved from Samara to St. Petersburg.

*Employment market acceptance:* Russian employees could bring their knowledge and experience to assist ABC activities in the CIS countries. Russian employees could be promoted to higher positions.

*Cultural adequacy:* Very difficult; employees in Russia are not very mobile. They usually do not get any support from their families. It is socially difficult to move away from home. It is really a big challenge, especially if a person has a working spouse or sick parents. Russians do not move very often (cf. Ledeneva 2001, Alexashin 2005, Denisova-Schmidt 2007). According to the HR Director there are not that many prob-



lems with mobility from the Regions to Moscow or from the Regions and Moscow abroad to Western Europe or the United States.

*ABC Russia practice:* Some employees think that their 'soft' skills are not checked during interviews. Line managers and HR Department do not know about the other talents or knowledge of their employees. It depends on the vacant posts and who is interviewing at which stages (either the initial or final stage). Employees get information about new vacancies through external channels like the corporate website - not through internal channels.

### **Personal Referrals**

*Compliance with ABC Personnel Policy:* Not specified in internal procedures.

*Cost:* None.

*Employment market acceptance:* This option supports the positive image of the company, but friends and relatives of employees could build their own empires inside the company and might not be completely objective in performing their tasks.

*Cultural adequacy:* Very high. People in Russia are convinced that all the interesting, well-paid jobs can only be found by using 'good connections'.

*ABC Russia practice:* ABC Russia has had a very bad experience. An Office Manager brought her friend to the company, who was appointed as a Car Fleet Manager. Both were over 50. The Car Fleet manager was suspected of stealing during the past four years. When it was discovered, he was dismissed and the Office Manager felt herself responsible for the incident. All employees are aware of this fact. Some employees think the HR Department no longer accepts if they make personal referrals now; other employees still do it, but more carefully.

## **External Recruitment**

### **Recruitment Agencies**

The first recruitment agencies were organized in the former Soviet Union in the late 80s. Nowadays there are more than 200 recruitment agencies in Moscow and 100 recruitment agencies in St. Petersburg (cp. Magura 2003, 60).

*Compliance with Personnel Policy:* According to ABC HR policies and procedures there are two options for recruitment: recruitment agencies and announcements in mass media.

*Cost:* Variable. On average 20 to 30% of the annual gross remuneration of the hired candidate for management positions; on average up to 20% of the annual gross remuneration of the hired candidate for non-management positions.

*Employment market acceptance:* Recruitment agencies are still not a well-known and widely-used option to find a job for employees in the Regions (outside of Moscow and St. Petersburg).

*Cultural adequacy:* Recruitment agencies are overloaded. They prefer to work with 'simple' inquiries, which do not require much time. The ABC case is complicated, because the company has high requirements for potential candidates. As a rule, the inquiry is processed by two representatives: an account manager and a recruiter. The account manager is responsible for negotiating with a company's HR Department, the recruiter is responsible for searching for and interviewing candidates. Sometimes the account manager and the recruiter have a different understanding of a company's needs. Recruiters are not always professionals. When they make a recommendation, it could be limited to: 'She is a good girl, she used to work for an international company...' which, of course, is not sufficient for an adequate and full estimate of potential candidates.

*ABC Russia practice:* It is very important to formulate very exact job descriptions, requirements and competencies. In the context of this study, I benchmarked recruitment agencies in terms of search and evaluation tools, timing and pricing policies, and replacement guarantee.

### **Announcements in the Mass Media (Print and Internet)**

Advertising in the mass media could be considered as a source of external recruitment. In order to use this tool efficiently, it is important to address two issues: the media that is to be used and the construction of the

advertisements (cp. Dessler 1999). Advertising in the mass media can generate a lot of applications and a large pool of candidates, but this recruitment option could provide the HR Department with 'additional' work (reading, replying, inviting for interview, sending out confirmations or rejections, etc.).

*Compliance with ABC Personnel Policy:* According to ABC, the HR policies and procedures there are two options for recruiting personnel: recruitment agencies and announcements in the mass media (see above).

*Cost:* Variable; approx. 400 USD for print add e.g. 'Elitnyi personal'; approx. 800 USD for online add e.g. Moscow News homepage.

*Employment market acceptance:* The following magazines, newspapers and websites are more popular among job seekers (cp. Magura 2003, pp. 68-70); Moscow: 'Rabota dlia Vas'; 'Rabota i zarplata'; 'Rabota segodnia'; 'Elitnyi personal'; 'Moscow Times'; 'Iz ruk v ruki'; 'Career Forum'; 'Vedomosti'; 'Est' rabota'; 'Kak naiti rabotu'; St. Petersburg: 'Professiiia'; 'Birzha truda'; 'Rabota dlia Vas'; 'Vakansia'; 'Podbor personala'; 'Personal'; 'Delovoi Peterburg'; 'Vedomosti'; 'The St. Petersburg Times'; Internet: Russian job search engines, e.g. www.job.ru; www.headhunter.ru. Concerning Regions there are no national newspapers commonly read by all job-seekers in Russia. If a company is looking for someone in, for example, Novosibirsk, an announcement should be placed in regional papers like the 'Novosibirsk Daily News'.

*Cultural adequacy:* According to the HR Director and the HR Manager, this option is not effective in Moscow today as it creates a large pool of candidates, especially applicants for the Marketing Department, without any education or relevant experience in marketing.

*ABC practice:* ABC publishes ads in 'Exclusive Personnel' (Moscow), 'Delovoi Petersburg' (St. Petersburg), and in some regional newspapers depending on the demand in a particular region. It uses its own corporate website and www.headhunter.ru for advertising on the Internet.

*Structure of the advertisement:* For this study, four advertisements were analyzed three ads for the position of 'Area Sales Manager' and one ad for the position of 'Office Manager'. The reason for choosing these ads was that ABC Russia was starting to recruit at the time I was there (to analyze the ads' structures, a questionnaire suggested by McConnell 2001 was used).

The recruitment advertisements contain the following job particulars: organization name; position title and requirements; location. Compensation and benefits are mentioned, but not what kind of compensation and benefits the company provides, some international companies working in Russia do this. There is no name of the person to contact, telephone number or information on how the organization will respond to replies. Applications are requested via fax or email.

Surprisingly, the email addresses mentioned in the ads are not checked regularly. The HR department does not confirm the receipt of applications or send rejections (neither after reviewing and rejecting CVs, nor after conducting interviews).

Some recruitment issues are certainly new for both employers and candidates in Russia, but even Russian HR professionals (e.g. Magura 2003) recommend taking the time to write a rejection letter. Their arguments are that it creates a good reputation for the company as an employer, and that it considers the long term (perhaps this person may one day be a supplier or we could keep his/her application and contact for other vacant positions). Moreover ABC Russia has a practice of contacting rejected candidates. Some of these contacts are successful, some not.

All ads are published in Russian, and one even contained four errors: one orthographical and two punctuation errors, and one word was used that does not exist in the Russian language (a bad translation from English).

### **State Employment Office**

*Compliance with ABC Personnel Policy:* Not specified in internal procedures.

*Cost:* None.

*Employment market acceptance:* This is not a very satisfactory option for recruitment in Russia. This organization was established in the early 90s and does not have a very good reputation (primarily) among qualified candidates. It lacks educated personnel, but represents many who could be placed in such positions as janitorial staff, car drivers, or receptionists.

*Cultural adequacy:* (Official) low unemployment rate in Russia - approximately 6%.

*Address in Russia:* www.rostrud.info

*ABC practice:* ABC Russia does not have any experience with local State Employment Offices. According to the ABC HR department it is not a sufficient recruitment tool. The reason often given for this is that the candidates at the State Employment Offices are usually dismissed/fired employees. Also, it is difficult to dismiss somebody in Russia according to the Labor Law. In the HR department's opinion a dismissed person is usually 'guilty'. They do not believe any 'stories' told by dismissed candidates.

*Author's opinion:* Indeed it is not so easy to dismiss somebody according to the Russian Labor Law (2001), but domestic companies in Russia have enough experience in firing people without any reasons. For example, employees starting to work for one Russian company (ABC's competitor) are forced to write an application for voluntary leave from the company without stating a date. Employees are blackmailed with this letter for as long as they work for this company.

Also, the HR staff can contradict themselves. For example, in connection with the relocation of one Director from St. Petersburg to Kazakhstan, his personal driver will be dismissed for 'staff reduction' reasons. For three months after dismissal he has the possibility of receiving financial support equal to his present income (1<sup>st</sup> month paid by the company, 2<sup>nd</sup> and 3<sup>rd</sup> paid by the State). In order to receive this financial support, he must be registered with the Unemployment Office. In that case there are no 'stories'.

## Universities

*Compliance with ABC Personnel Policy:* Not specified in internal procedures.

*Cost:* Variable.

*Employment market acceptance:* It is a very good option to hire young, high-potential candidates. It is worth working with local universities on a long-term basis (e.g. to improve the university curriculum and combine international experience with local practices).

*Cultural adequacy:* Recommendations from professors may not be very reliable and company interviewers would be required to maintain objectivity.

*ABC Russia practice:* Possible cooperation with universities:

- ABC Days – lecture series made by ABC representatives in HR Management, Marketing, Finance, etc.,
- Joint training (University professors and ABC employees),
- Company support for faculty positions in key areas.

ABC Russia has not been very successful with universities up to now. They planned to perform a 'Graduate Program' in the Sales department. But the HR Department did not support this idea because:

- After internships in different departments, participants probably not wish to work for the Sales department.
- Mentors (Sales force): Managers are overloaded with their daily tasks and are not ready to supervise/mentor somebody.

The HR Department's strategy in general is to not employ recent graduates for most vacant positions. They look more for people with relevant experience.

*Arguments:*

- They are very ambitious (especially from elite universities).
- They need more time for adoption themselves – hard skills (additional instructions, etc.) and soft skills (conflict management, etc.).

## Alumni Clubs and Associations

Under alumni clubs and associations only alumni clubs and associations of European and US Business Schools and Universities and alumni associations and clubs supported by foreign missions or funds in Russia were considered. Incidentally, the HR Manager has never heard about Alumni Clubs.

*Compliance with ABC Personnel Policy:* Not specified in internal procedures.

Cost: None.

*Employment market acceptance:* It is a very good option to approach young professionals who have studied in Europe and the USA and to use their network.

*Cultural adequacy:* Young professionals with western educations know the western standard style of life, are able to speak modern languages, make small-talk, establish contacts, etc.

*ABC Russia practice:* The HR Manager does not understand the importance of social networking. She thinks it is a waste of her time. This is a cultural thing—socializing in Russia takes different forms. For example, for candidates seeking jobs in one CIS country, I suggested using her social channels at one business school. My suggestions were heard only after the third time, as the HR-manager initially thought that the coordinator of the business school would send a bill for his services. What finally helped me to persuade her was that the business school in this country makes its certification from time to time and one of many discussed issues is career tracking. It would be interesting for the coordinator to have additional points in that issue.

When I learned that someone had sent his or her résumé from this country, I kindly asked the HR Manager and the HR Junior Specialist to check to confirm that fact, but was told succinctly that neither woman has enough time to check their email (to see if somebody applied for that position or not!). The question was probably interpreted as controlling or delegating tasks.

## Conclusions

The following table summarizes the advantages and disadvantages of recruitment options, which are (or could be) used by ABC for hiring people in Russia (see pp. 12-13).

## References

- Alexashin, Yu. and J. Blenkinsopp (2005). 'Changes in Russian managerial values: a test of the convergence hypothesis?' *International Journal of Human Resource Management* 16(3), 427-444.
- Denisova-Schmidt, E. (2007) 'Using the Lacuna Model to Detect Cultural Problems in American-Russian Business Communication. An Example from the Civil Aircraft Industry'. In: Hoffmann, E., Doleschal U. and T. Reuther (eds), *Sprache und Diskurs in Wirtschaft und Gesellschaft. Slawistische Perspektiven*. München – Wien: Gesellschaft zur Förderung slawistischer Studien, 73-90.
- Dessler, Gary (1999). *Human Resource Management*. Upper Saddle River, NJ: Prentice Hall (8<sup>th</sup> ed.).
- Ertelt-Vieth, A. and E. Denisova-Schmidt (2006). 'Kulturbedingte Unterschiede und Verstehensprobleme („Lakunen“) zwischen russischen und deutschen Wissenschaftlern'. In: Wolff, A. and R. Zollner (eds), *Umbrüche*. Regensburg: Wolff, 185-206.
- Fey, C.F., Engström, P. and I. Björkman (1999). 'Doing Business in Russia: Effective Human Resource Management Practices for Foreign Firms in Russia'. *Organizational Dynamics* 28(2), 69-80.
- Fey, C.F., Björkman, I. and A. Pavlovskaya (2000). 'The Effect of Human Resource Management practices on firm performance in Russia'. *International Journal of Human Resource Management* 11(1), 1-18.
- Fey, C.F. and I. Björkman (2001). 'The Effect of Human Resource Management Practices on MNC Subsidiary Performance in Russia'. *Journal of International Business Studies* 32(1), 59-75.
- Gómez-Mejía, L.R., Balkin, D.B. and R.L. Cardy (2004). *Managing Human Resources*. Boston: Pearson Education International (4<sup>th</sup> ed.).
- Gostev, A. (2006) 'Kak rabotadatel' mozhnet nakazat' ushedshego ot nego sotrudnika?' (Engl.: How can the employer punish its ex-employees?). *Headhunter Magazine* (<http://www.hhmagazine.ru/contents/publication6>, accessed 10.10.2006).
- Kotler, Ph. (2007). *Osnovy marketinga. Kratkij kurs* (Engl.: Marketing Essentials, 1984), Moscow: Williams.
- Russian Labour Law (2001). *Trudovoi kodeks Rossiiskoi federatsii ot 30 dekabria 2001g.* (<http://www.garweb.ru/project/law/>, accessed 25.02.2008).
- Ledeneva, A. (2001). 'Networks in Russia: global and local implications'. In: Segbers, K. (ed.), *Explaining Post-Soviet Patchworks: Pathways from the Past to the Global*. Aldershot: Ashgate, 59-77.
- Magura, M. (2003). *Poisk i otbor personala* (Engl.: Recruitment and Selection). Moscow: Zhurnal 'Upravlenie personalom'.
- McConnell, J.H. (2001). *Auditing Your Human Resources Department*. New York: Amacon.
- Suutari, V. (1998). 'Leadership behaviour in Eastern Europe: Finnish expatriates' experiences in Russia and Estonia'. *The International Journal of Human Resource Management* 9(2), 235-258.

	<b>Expatriates</b>	<b>Rotation programs inside ABC Russia</b>	<b>Personal referrals</b>	<b>Recruitment agencies</b>
ABC Personnel Policy Compliance	Participants in the International Transfer Guideline	Yes	Not specified in internal procedures	Yes. According to ABC HR policies and procedures
Cost	Very high One-time payment mobility allowance, differences in living expenses, travel expenses for the whole family, international relocation, real estate agent fees, fees for housing, destination services for spouse and children, including fees for schools and/ or kindergarten (if applicable), visas, international tax adviser, language training, etc.	High One-time payment mobility allowance, relocation support (packing, transport.), real estate agent fees and rent for fixed time (six months), medical insurance for the whole family.	It does not require any costs.	Variable 20 to 30% of annual gross remuneration on average for management positions, up to 20% of annual gross remuneration in average for non-management positions.
Employment market acceptance	The participation of expatriates with international experience is necessary and helpful at the beginning of company development. They transfer not only knowledge, but also corporate culture.	Russian employees could bring their knowledge and experience to assist ABC activities in Belarus and Kazakhstan, etc. Russian employees could be promoted to higher positions.	This option supports the positive image of the company, but friends and relatives of employees could build their own empires within the company, not being completely objective in performing their tasks.	Yes. But recruitment agencies as an option to find a job are still not well-known by employees in the Regions (outside of Moscow or St. Petersburg).
Cultural adequacy	Expatriates could be faced with many obstacles caused by different cultural backgrounds. They need some time to recognize and adapt to them. Language-based problems could arise.	Very difficult. Employees in Russia are not very mobile. They usually do not get any support from their families. It is socially difficult to move away from home.	Very high. People in Russia are convinced that all interesting, well-paid jobs can only be found by using 'good connections'.	Recruitment agencies are overloaded. As a rule, the inquiry is processed by an account manager and a recruiter. Sometimes the account manager and the recruiter have a different understanding of company needs. Recruiters are not always professionals.
ABC Russia practices	Initial assignment for three years with the option to extend it for two years. After five years an expatriate could stay with a local-based contract.	Some employees think that their 'soft' skills are not checked during interviews. Line managers and the HR Department do not know about other talents and knowledge of employees. Employees get information about new vacancies through external channels.	ABC Russia has had a very bad experience: Some employees think the HR Department does not accept personal referrals now; some employees still do it, but more carefully.	It is very important to formulate very exact job descriptions, requirements and competencies.
Recommendations	Be aware of possible cultural-based misunderstandings and conflicts and their consequences. Get some basic information in history, e.g. the weak distribution system in the USSR (brand awareness).	Give the opportunity to <i>all</i> employees to apply for a vacant position without any restrictions. Conduct talent reviews and promote current employees.	Remember that this option supports the positive image of the company and does not require any financial costs.	Benchmark recruitment agencies in terms of search and evaluation tools, timing and pricing policies, replacement guarantee, etc.

	<b>Announcements in the mass media</b>	<b>State Employment Office</b>	<b>Universities</b>	<b>Alumni clubs and associations</b>
ABC Personnel Policy Compliance	Yes. According to ABC HR policies and procedures	Not specified in internal procedures	Not specified in internal procedures	Not specified in internal procedures
Cost	400 USD 'Elitnyi personal'; 800 USD Moscow News homepage	It does not require any financial costs	Variable	It does not require any financial expenditure
Employment market acceptance	It could generate a lot of resumes – a big pool of candidates, but additional work for the HR Department (read, reply, invite for an interview, send conformations or rejections, etc.).	This is not a very satisfactory option for recruitment in Russia. This organization was established in the early 90s and does not have a very good reputation (first of all) among qualified candidates.	It is a very good option to hire young, high-potential candidates. It is worth working with local universities on a long-term basis (e.g. improving university curriculum and combine international experience with local practices).	It is a very good option to approach young professionals who have studied in Europe and USA and use their network.
Cultural adequacy	This option is not effective in Moscow today. Concerning Regions: There are no national newspapers commonly read by all job-seekers in Russia, an announcement must be placed in regional papers.	(Official) low unemployment rate in Russia ABC Russia does not have any experience with local State Employment Offices. According to the ABC HR department it is not a sufficient recruitment tool.	Recommendations from professors may not be very reliable and company interviewers would be required to maintain objectivity. ABC Russia has not been very successful with universities up to now.	Young professionals with western educations, knowing western standard style life, able to speak modern languages, make small-talk, establish contacts, etc.
ABC Russia practices	ABC Russia publishes ads in 'Exclusive Personnel' (Moscow), 'Delovoi Petersburg' (St. Petersburg), and in some regional newspapers depending on the demand in a particular region. ABC Russia uses corporate websites and www.headhunter.ru for advertising in the Internet.	ABC Russia does not have any experience with local State Employment Offices.	ABC Russia has not been very successful with universities up to now. They planned to perform a 'Graduate Program' in the Sales Department, but the HR Department did not support this idea.	The HR Manager does not understand the importance of social networking; she thinks it is a waste of her time. This is a cultural thing; socializing in Russia takes different forms.
Recommendations	Be careful with the structure of the advertisement. Develop a procedure for how to respond to candidates, send out rejections, etc. Work more effectively with www.headhunter.ru.	Consider this recruitment option for hiring janitorial staff, car drivers, receptionists, etc.	Start to cooperate with local universities on a long-term basis. Ask other Eastern European subsidiaries for the best practices.	ABC Russia can consider this option for external PR to be perceived as an Employer of choice.

Table 2: Recruitment, conclusions

## About the Autor

Elena Denisova-Schmidt, PhD, MBA, is a Russian investigator with professional experience in Russian industry. She has taught and conducted research at the Humboldt University in Berlin, Germany, and currently at the University of St. Gallen, Switzerland. Her main interests are Intercultural (business) communication, HR management and Business Russian.

Dr. Elena Denisova-Schmidt, MBA

Hauptstr. 3, 79771 Klettgau, Germany

Email: [denisova-schmidt@t-online.de](mailto:denisova-schmidt@t-online.de)

Internet: <http://www.elena-denisova-schmidt.de>

## WU Online Papers in International Business Communication

WU Online Papers in International Business Communication are published by the Department of International Business Communication at Vienna University of Economics and Business Administration (WU). Editors of Series One "Intercultural Communication and Language Learning" are Edgar Hoffmann and Tom Rankin. All papers are electronically available at <http://epub.wu-wien.ac.at>.

### Contents of Series One

Paper 1.

Gundula Gwenn Hiller: "Intercultural Communication between Germans and Poles at the European University Viadrina" (February 2008)

Paper 2.

Elena Denisova-Schmidt: "The Transfer of Western Human Resource Practices to Russian Subsidiaries" (February 2008, this paper)

Paper 3.

Katharina Klingseis: "Casual Wear and Casual Behaviour: the Different Fates of Non-conformism in Russia and 'the West'" (February 2008)

Paper 4.

Renate Rathmayr: "Intercultural Aspects of New Russian Politeness" (February 2008)