Management practices in Russian manufacturing subsidiaries of foreign multinational corporations: challenging some beliefs about contemporary Russian industrial management

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Abstract

I report the results of observations of management practices in 20 Russian manufacturing subsidiaries of Western multinational corporations (MNCs). I argue that to counterbalance the higher country-specific risks associated with investing in Russia, MNCs impose on their Russian subsidiaries high demands for superior performance in terms of both technical and economic efficiency. My observations confirm that in most cases such demands are successfully met by the implementation of highly effective practices. Thus, I challenge several beliefs about industrial management in Russia, including the myths that Russian firms are hostile towards knowledge sharing and are wary of talent.

Keywords: management practices, subsidiaries, Russia, manufacturing, MNCs

I have spent more than a decade studying innovations within Russian manufacturing companies. In previous studies, I have retraced the prevalence of particular innovations in specific industries or sectors (Gurkov 2004, Gurkov at al. 2011), the impact of innovation on competitiveness (Gurkov 2005a), the relationship between export intensity and innovativeness (Gurkov 2002), the impact of parent companies on innovation (Gurkov 2005b), and the accumulation of innovative capacities (Gurkov 2006; Gurkov and Morgunov 2010; Gurkov 2011a).

The outcomes of these studies were rather pessimistic. Most 'ordinary' Russian industrial companies are unwilling to use accumulated innovative capacities for truly innovative works (Gurkov 2011b) unless there are strong perceptions that technologies and markets are experiencing quick and demanding changes in addition to clearly identified market opportunities (Gurkov 2013a).

I was not satisfied with these results and suspected that any inaccuracies were related to the sample selection ('ordinary Russian industrial companies', that is, neither the largest Russian companies nor subsidiaries of foreign corporations) and data collection techniques (surveys of CEOs and other top managers). Thus, I have decided to amend both the focus of the studies and the data collection methods. This paper presents the results of a series of observational studies in Russian manufacturing subsidiaries of foreign multinational companies (MNCs). Initially, the observations were centred on innovations in Russian subsidiaries of MNCs (Gurkov 2013b; Gurkov et al. 2013; Gurkov and Filippov 2013). However, as the number of observations increased, I discovered distinctive sets of established and evolving management practices that go far beyond innovative works. Therefore, I would like to present the most striking practices (i.e. practices that contradict established beliefs about

contemporary Russian industrial management) observed in Russian manufacturing subsidiaries of MNCs.

To make such a presentation, the following are necessary:

- summarizing existing beliefs about contemporary Russian industrial management,
- presenting major practices of the surveyed industrial companies, and
- indicating major factors that influenced (supported or impeded) the development of distinct management practices.

This article is organised as follows: first, I present some prevailing beliefs about Russian industrial management. Next, the current places of Russian manufacturing subsidiaries of MNCs in the Russian economy are outlined. Next, I give a short introduction on the sample and data collected, followed by a presentation of the most distinctive practices of the surveyed companies and an outline of the factors influencing the development of management practices. A discussion is then devoted to debunking some myths about contemporary Russian industrial management. Suggestions for further research occupy the last section of the article.

Existing beliefs about contemporary Russian industrial management

The set of prevailing beliefs about contemporary Russian industrial management is related to the deep dissatisfaction of researchers in relation to the object of study. Expecting quick and radical 'managerial revolution' related to the transfer to a market economy (Puffer et al. 1992), researchers instead faced the conservation of many Soviet-inherited inefficiencies, coupled with the very rapid development of less-welcomed features of an emerging market economy – extreme volatility of economic

and business conditions, purblind and opportunistic behaviour of stakeholders within firms (e.g. shareholders, customers, employees), dichotomy of competitive actions (either oligopolistic agreements or real bloodshed), widespread corruption and inefficiency of institutions, etc. *Dissatisfaction with the object leads to hypercriticism of the subjects* (Russian managers). In many research articles, Russian managers are presented as the Bourbons who by the saying ascribed to Talleyrand, "had learned nothing and forgotten nothing."

From one side, benevolent researchers acknowledge valuable Soviet-inherited abilities:

- the ability to operate with extreme scarcity of resources and irregularity of supplies (Vlachoutsicos and Lawrence 1996) and in ambiguous situations (Alexashin and Blenkinsopp 2005), and

- the establishment and nurturing of personal networks in conjunction with the skills of utilizing and relying on personal trust (Kuznetsov and Kuznetsova 2008; Ledeneva 2001).

Several researchers also acknowledge the ingenuity of Russian managers (Puffer et al. 2010), which is partially rooted in 'anarchism' (i.e. the perception that all rules are superimposed) (Kets de Vries 2001).

From the other side, many research articles are devoted to less positive features of Russian industrial management:

- wariness of talent (Holden and Vaiman 2013) and knowledge-sharing hostility in Russian firms (Michailova and Husted 2003);
- market ignorance (Roersen et al. 2013) and deeply rooted aberrations of competitive positioning of the firm ('exactly 60% of Russian CEOs believe that

their companies offer goods and services at especially beneficial terms as the assessment of quality exceeds the assessment of prices') (Gurkov 2011b, p. 130); and

- the negative impact of corruption on both firm performance and innovative capacity (Chadee and Roxas 2013).

If we add to this picture the 'concentration of decision-making on every important issue of enterprise development at the very top of management hierarchy' (Gurkov and Settles 2013, p. 3640) coupled with regular complaints from top managers about subordinates that 'lack initiative and responsibility' (Gurkov and Maital 2001), it would be unreasonable to try to find internationally competitive Russian companies in any industry except production of raw materials and basic commodities.

The current place of the Russian manufacturing subsidiaries of MNCs in the Russian economy

Despite the grim picture of Russian industrial management presented in many research papers, internationally competitive Russian companies exist in many sectors beyond the production of raw materials and basic commodities. This is especially visible when analysing local consumer markets as compared to import markets. From 2000 to 2012, the share of imports in Russian consumer markets remained relatively stable (40–43%), while the consumer market (in retail prices) grew from US$80 billion in 2000 to US$700 billion in 2012 (TPP 2012, p. 13)[1]. These numbers indicate that local production of consumer goods grew (in US$ terms) from 35 to 300 billion (in wholesale prices).

A great part of this market increase for internationally competitive production was captured by Russian manufacturing subsidiaries of foreign MNCs. Because of restrictions on participation in the most lucrative industries (oil, gas, and ferrous and non-ferrous metals), manufacturing activities of foreign MNCs in Russia are mostly concentrated in consumer markets: foodstuffs and food packaging, personal and home care products, construction materials, home appliances, consumer electronics, and car assembly. For example, foreign tobacco companies that produce tobacco in Russian factories occupy almost 90% of the local tobacco market; a few global beer companies control 85% of the local beer market; and major foreign automotive producers (Ford Motor, GM, Hyundai, PSA, Renault-Nissan, Toyota, Volkswagen) control almost 90% of the local Russian car production market (2 million cars per year), while the remaining share is occupied by local contract manufacturers (for BMW, GM, VW, Kia, SsangYong, etc.). In 2012, at least 20 global corporations within Russia had sales resulting from local production exceeding US$1 billion, including Volkswagen Group Rus (US$8..3 billion of *total* sales in Russia), JTI (US$5.3 billion), PepsiCo (US$4.9 billion), Nissan (US$4.6), Philip Morris (US$4.1 billion), P&G (US$3.4 billion), Baltika Breweries (a subsidiary of Carlsberg) (US$2.8 billion), Nestle (US$2.4 billion), Hyundai (US$2,5 billion), Mars Inc. (US$2.1 billion), Samsung Electronics (US$2.1 billion), Coca-Cola (US$2.0 billion), Ford Motor (US$2.0 billion), Kraft Foods (US$1.5 billion), Henkel (US$1.4 billion), GM Auto (US$1.3 billion), SunInBrew (US$1.3 billion), Unilever (US$1.3 billion), Danon Industries (US$1.1 billion), and BAT (US$1.0 billion), (see Expert 2013), as well as Knauf[3]. Dozens more MNCs had local production volumes exceed US$100 million.

The last five years have been marked by the active expansion of MNCs beyond fast-moving consumer goods (FMCG). Examples include the multibillion dollar 50/50

joint venture of Solvay and SIBUR to build a completely new plant with an annual capacity of 350,000 tons of polyvinylchloride (PVC) and 235,000 tons of caustic soda; the recently announced joint venture of Bombardier Inc. with local firms to produce turboprops; the joint venture of Siemens for manufacturing gas turbines; and the purchase by Alstom to acquire a 25% stake in the Russian holding company that controls most of the facilities for rolling stock manufacturing.

It is not easy to assess the overall sales from manufacturing subsidiaries of foreign MNCs within Russia. The official statistical data indicate that firms with foreign equity of 10% or more produce around 35% of total Russian manufacturing output (including the oil and gas sectors). However, not all of these companies with foreign equity can be called Russian subsidiaries of foreign MNCs; there is a widespread practice of keeping holding companies of Russian corporations in offshore locations. Thus, by our conservative estimate, in 2012, Russian subsidiaries of truly foreign MNCs had over US$100 billion of output and thus contributed to 30% of the total Russian manufacturing output of consumer goods.

Despite the impressive sales figures and achieved dominance of manufacturing subsidiaries of MNCs in many local Russian markets, these subsidiaries simultaneously face three challenges – the burden of market dominance, an increase in competition, and complications for charter extension.

Market dominance ended up being a burden at the end of 2008, when the Great Recession started. Recovery for many Russian markets was slow and painful, and in some markets (beer, mobile phones) sales have not yet reached pre-recession levels. As Russian subsidiaries of MNCs have established overall market shares of 30% and up, these subsidiaries have consequentially moved beyond premium markets and on to mass

markets, becoming especially vulnerable to the dynamics of the overall market and to the volatility of market conditions.

The large market shares of many Russian subsidiaries of MNCs also present tempting targets for different sorts of competitors. These competitors include not only Russian subsidiaries of other (second-tier) MNCs but also locally owned producers who quickly imitate products and production processes of MNCs and producers from low-cost countries (especially China). The third type of competitor, usually neglected in academic research, is sister subsidiaries (subsidiaries with the same parent company that are from different countries). Competition from sister subsidiaries became especially stronger in 2013, as the Russian government legalised 'grey imports' – imports by unauthorised dealers[2]. The retaliation from this legalisation is difficult. Most MNCs have never considered Russia as a manufacturing base for exports, except to countries of the former Soviet Union (especially Kazakhstan and Central Asia), so the necessary marketing and physical logistics facilities for Westbound expansion are simply missing. In addition, the charter of most Russian subsidiaries does not include exports, and charter amendment is a very complicated and time-consuming affair because Russian subsidiaries are considered 'freshmen' in the corporate hierarchy.

At the same time, many MNCs, especially global food producers, have expanded the charter of their Russian subsidiaries from simply performing manufacturing and marketing activities to being turnaround masters. Specifically, a wave of acquisitions of local companies occurred in 2008. Some of these major transactions were done by the following MNCs: Unilever, which acquired the leading Russian ice cream producer Inmarko in 2008, the leading ketchup producer Baltimor in 2009, and the local cosmetics producer Kalina in 2012; Coca-Cola, which acquired the juice producer Nidan for US$400 million in 2010; PepsiCo, which acquired the local juice-market

leader Lebediansky for US$1.4 billion in 2008; and Danone Industries (the Russian subsidiary of Danone), which merged with the large local dairy Unimilk in 2012. However, the biggest acquisition in the Russian food market was PepsiCo's US$5.4 billion acquisition of the food company Wimm-Bill-Dan in 2010–2011, which not only added 7% to PepsiCo's global sales but also added dairy products to the products PepsiCo sells.

In many cases, these deals led to portfolios of overlapping global and local brands and an excess stock of production facilities. Thus, Russian regional headquarters had to quickly learn how to make the operations of nearly acquired production facilities be compatible with corporate standards, how to streamline production between sites, and, sometimes, how to manage business in a completely new sphere (PepsiCo, for example).

Currently, the numerous and complicated challenges most manufacturing subsidiaries of MNCs face in Russia put serious and contradictory requirements on operations. From one side, the quality of products must be maintained or improved in order to defend the achieved dominance in premium market segments. From the other side, unit costs must be suppressed in order to maintain the overall market share in Russian markets. Finally, highly flexible manufacturing operations are also necessary, as flexibility is required to accommodate fluctuations of demand and to react to competitors by quickly launching new products. These three contradictory demands (raising quality, suppressing unit costs, and increasing flexibility) together form a utility function of all management practices and determine criteria of efficiency and effectiveness of practices. Importantly, in order to counterbalance higher country-specific risks associated with investing in Russia, MNCs demand from their Russian

subsidiaries not just average but superior performance in terms of both technical and economic efficiency.

Data and method

In this paper, we report the results of observational studies in Russian manufacturing subsidiaries of MNCs. We followed Eisenhartdt and Graebner's (2007) suggestion on 'building theory from cases' and tried to increase the chances for the replication of practices through our sampling of cases. Thus, we concentrated on process industries. According to the definition from the Institute of Industrial Engineers (2013), process industries are industries in which 'the primary production processes are either continuous, or occur on a batch of materials that is indistinguishable. Examples of process industries include food, beverages, chemicals, pharmaceuticals, petroleum, ceramics, base metals, coal, plastics, rubber, textiles, tobacco, wood and wood products, paper and paper products, etc.' We aimed to build a sample that included various types of processing companies – from single-plant, mono-product firms to networks of dozens of factories that produce thousands of products in several industries. However, we also included a couple of large, labour-intensive assembly plants (car assembly and TV-set and washing machine assembly).

Data collection included semi-structured interviews with heads of local subsidiaries and with general managers of factories, and, in several cases, with managers in production, marketing, and quality control. Interviews were carried out in Russian and in English (with expatriate managers). Most of the interviews were held on

site and were preceded by a tour of the premises to get a better understanding of the core production lines, research and development (R&D) laboratories, and so on. I personally visited all the surveyed companies, and in many cases, my research associates assisted me. On such tours, we generally held impromptu discussions with supervisors and operators. A necessary supplement to our tours through the production shops was a visit to the factory canteens[4].

Besides observations and interviews, we also analysed corporate reports, internal corporate magazines, and other documents. In some cases, reports on key innovation projects done in the last two to three years and reports marked for 2013–2015 were prepared for us. Shortly after the interviews, the summaries we wrote were sent to the companies. In general, we found our approach to data collection to be very similar to that used by Loveridge (2006) in his exploratory study of subsidiaries of European MNCs in Southeast Asia.

In 2012–2013, we surveyed 20 companies. With six companies, for different reasons, we were unable to visit production facilities. Thus, in this article we present results obtained from 14 companies, from which we visited 16 plants (in two companies we visited two plants). The names and some data from these companies are presented in presented in Table 1.

Table 1. Companies surveyed in 2012-2013 where we visited production facilities

Name	**Country of origin of the parent**	**Main lines of business**
Avon	USA	Beauty products
Efes	Turkey	Brewery
Henkel	Germany	Chemicals
Knauf	Germany	Construction materials
Lactalis	France	Diary products
Mapei	Italy	Construction materials
Oriflame	Sweden	Beauty products
PepsiCo	USA	Food and beverage
Peugeot-Citroen-Mitsubishi	France-Japan	Cars
POLYGAL	Israel	Construction materials
REXAM	UK	Packaging materials
ROCKWOOL	Denmark	Construction materials
SAMSUNG	South Korea	Electronics
Solvay	Belgium	Chemicals

Impressions from observational studies

Before we describe what we discovered regarding management practices, we must share with readers our impressions of the visited production sites. Neither my research associates nor I am a novice in working with industrial companies[5], but all of us were 'positively shocked' during our tours of the premises. In the processing plants, we were

astonished by the almost-complete absence of people in the shops (for example, in Knauf's Krasnogorsk plant, a quarter-kilometre-long production line was controlled by just three operators), the order, the cleanliness, and a maniacal attention to safety, both work safety and (for food-related processes) product safety. For example, while visiting PepsiCo's soft-drink factory in Domodedovo, hundreds of thoroughly numbered mousetraps were observed, placed every 15–20 meters all over the facility, including not only in the production line but also in the canteen, the shops, the corridors, the offices, and the laboratories. The company representative explained that not a single mouse had been seen since the plant launch. However, according to PepsiCo's regulations, mousetraps must be placed every 50–60 feet, if manufacturing involves using ingredients such as sugar. Another example of very strict requirements in relation to product safety was observed in a plant of the Russian subsidiary of Solvay that produces acetate tow used in cigarette filters. At this plant, if the external plastic shell that covers bags on a palette has even a small, single hole, the whole palette of bags and the product within is rejected by the factory's end control and the material goes back for re-manufacturing and re-packaging.

As for the canteens for employees, at most visited factories, the canteens were impeccably clean, exhibited comfortable designs, had large capacities, served a wide range of dishes, and were also very cheap[6].

However, the biggest impressions were made not by stand-alone, newly erected factories but by production facilities within the walls of old Soviet factories – the contrast in cleanliness and order between the territory of Western companies and the surrounding reality was very striking[7].

Step-by-step, we were able to recognise both positive and negative deviations in factory layout and production processes, but in every visit we continued to find pretexts

for astonishment. I recall how we arrived at PCMA's automotive plant during a shift and entered the factory office against the flow of workers leaving the factory after a whole day of work – it was hard to believe that these energetic and hilarious persons were indeed finishing and not starting their workdays.

Our observations also assured us that most manufacturing subsidiaries of MNCs are relying not on provisional production facilities but on modern factories built to last. In most cases, we also saw that the facilities were designed with the highest technical knowledge that the parent company had (or its technology partners had).

Sometimes design and operations of the Russian manufacturing subsidiaries of MNCs went *beyond* the technological capacities of the parent company and its technology partners. For example, Knauf's plant near St. Petersburg was not only constructed faster than any other large production sites in the company's history but was able to surpass productivity of selected production lines by 40% during the launch and was able to surpass the initially planned capacity of the factory by 30% without violating production processes and without compromising quality. The general director of that plant said in an interview, 'What do equipment designers and equipment manufacturers know about operations?'

As we visited even more factories, we became astonished in another way – the Russian manufacturing subsidiaries of foreign corporations excelled in finding, recruiting, and retaining a great amount of knowledgeable, skilled, and simply nice people who were genuinely dedicated to their responsibilities. Notably, very few of these people were expats. We received a specific explanation from two executives: from a Russian manager who was the head of a subsidiary of an Italian firm and from a British manager leading a US company's subsidiary. The former gave an explanation in the following way:

> Our business, no matter how pretentious it might sound, is built on integrity – we neither give nor take bribes, we tolerate neither thefts nor lies, we do not even allow dishonesty in human relations. Here we have people who accept it, and only such people are accepted by the firm. In practice, it means that we select one employee from five applicants and are not afraid of hiring people without job experience, those who can be trained and developed.

The latter formulated a response in a slightly different way:

> I've brought to Russia the principles I used to follow when working in other countries. Firstly, it is necessary to value, trust, and respect every employee. Secondly, it is necessary to encourage the employees' ambitions. Thirdly, it is necessary to remember that money is in any case the top employee expectation from the employer. Finally, it is necessary to help the employees develop other needs besides material – the need to respect colleagues, the need for self-actualization and creativity.

Our first impressions from observational studies and explanations received during interviews assured us that we might find the most interesting and striking types of management practices in two closely connected areas – manufacturing operations and human resource management.

Practices to achieve operational excellence in manufacturing

Practices developed and used in order to achieve operational excellence in manufacturing are a tangle of multilateral processes of knowledge and skills creation, absorption and implementation for designing, and installation and operation of production facilities.

Practices in facilities design and installation

The achievement of operational excellence starts with overall facilities design. Here, we must distinguish between practices used in greenfield investments and in post-acquisition development of factories from Soviet times.

With greenfield investments, many surveyed companies (PepsiCo, ROCKWOOL, Knauf) have learned how time consuming and expensive it is to get permission for a new production site in Russia, so new factories built now are usually built with solid reserves of free areas, structures, electricity, water supply, sewerage capacities, etc. (in order to accommodate future additional production lines). For example, a new Russian factory built by ROCKWOOL (this factoring being the largest single investment in ROCKWOOL history) was designed to accommodate two production lines. The launch of the first line occurred in 2011, while the launch of the second will depend on market perspectives in Russia.

Next, design of a new production facility in Russia is sometimes considered as a unique opportunity for a corporation to enhance its technological capabilities. We were told by the general director of PSMA (a Russian joint venture of Peugeot-Citroen and Mitsubishi),

> The last plant of our corporation was designed a decade ago. Thus, for the launch of production facilities in Russia, we accepted the concept of 'excellent factory' where we tried to use all recently developed effective solutions. The next problem was how such solutions can be contextualized in Russia. We accepted for this production site several design principles. First, the production site should be *compact*, thus lowering operating costs. At the same time, we increased safety stock and, subsequently, logistics areas – this increased *robustness of operations* against possible disturbances in overseas supplies. Second, we redesigned most of workplaces to enable women to work in assembly operations. Therefore, we eliminated almost completely all points of weightlifting or carrying heavy loads. Third, we found an optimal point in automation. If the price of workforce increases, the level of automation will be easily augmented.

In reality, a large factory cannot be designed 'to the last bolt'. Adjustments of initial production schemes, particular production lines, apparatuses, and workplaces are necessary, sometimes long after a facility launches. For example, in the case given above regarding PSMA, 70–80% of workplace redesign was done during the construction and launch of the production facilities, but 20–30% of workplaces were redesigned after the launch, during the operations phase.

The degree to which the subsidiary's headquarters (through its corporate R&D and engineering centres, corporate pools of suppliers of solutions, machinery and equipment, and special installation task forces) and the Russian subsidiary are participating in facilities design and installation varies from company to company and from factory to factory. In one factory the plant director told to us,

> We were supplied from the headquarters a one-page sketch of the production scheme, a list of certified suppliers of equipment, and a letter of credit to the local bank. All the rest in design, installation, and launch was done by local engineers.[8]

This subsidiary's circumstances were indeed unique. In most other cases, the design of a new site is done by the headquarters, while the installation of production facilities is done by special launch teams assembled from headquarter staff, managers, engineers and experienced foremen from sister-subsidiaries, representatives of equipment suppliers, staff from local construction contractors, and personnel from the subsidiary itself. ***However, the general trend is that as the number of production sites in Russia grows, the bigger share of work locals perform***. The most visible practice here is very intensive cooperation among sister plants under the authority of the Russian regional headquarters. For example, with Knauf CIS, members of the launch team for the Knauf factory in Kungur went through intensive training during a prolonged

probation period at the head factory (in Krasnogorsk), while the launch team of the next production site (the Knauf factory in Gypsum Baikal) went through intensive training during a probation period at the Knauf factory in Kungur. Moreover, employees from Russian and Ukrainian factories staffed temporary launch teams for production sites outside of Russia (in Georgia and Uzbekistan).

In the case of ROCKWOOL, special task force teams that included both expatriate and Russian managers in addition to workers were created for the large projects launched at ROCKWOOL's third and fourth Russian production sites. In the case that expatriates were sent to the new sites on a temporary basis, many Russian managers and workers were relocated permanently. These managers were instructed not only to replicate their previous experiences but also to experiment to make improvements during the installation and launch phases. Such relocated managers, technicians, and workers also became tutors for other employees at the new production sites.

With the post-acquisition development of Soviet factories, we observed another set of practices. There were no uniform plans for the development of facilities but were instead endless transformations of the production sites or the selected production lines and facilities. For example, at the Knauf Krasnogorsk factory, a flagship factory of Knauf CIS, milestones for factory development were presented to us. From 1994 to 2012, more than 20 large projects were completed on this production site, The total amount of investments into that single production site surpassed EUR 200 million.

Continuous development of production facilities also often results in drastically decreased unit costs. For example, in Solvay Acetow's Russian subsidiary, through 15 years of operations, the unit costs (the amount of raw materials per ton of product) decreased from 70 kg to 10 kg. In the opinion of plant managers, unit costs could have

been even further decreased, but this would require a heavy capital investment that has not been approved by the parent company. Most of the cost decrease was due to the installation of more productive equipment in the second and third production lines and the implementation of a company-wide program called 'World Class Manufacturing' that embraces both standards (Six Sigma, lean manufacturing, productivity benchmarking using the process capability index and the process performance index assessment [$C_{pk} - P_{pk}$]) and unique measures developed on site with the assistance of task teams from the parent company and from international consultants. The World Class Manufacturing program also includes a separate module for 'Behaviour-Based Safety'. Because of these safety measures, the plant has a uniquely positive record on job-related trauma – in 12 years (five million man-hours), not a single serious job-related trauma has occurred.

Practices in operations enhancement

The abovementioned example of Solvay Acetow's Russian subsidiary presents a second set of management practices – practices to enhance efficiency of current operations. We must distinguish here three types of practices:

- use of advanced techniques of industrial engineering (including Six Sigma, lean manufacturing, and use of the process capability index and the process performance index assessment);
- use of continuous technological benchmarking and quality audits; and
- intensive discovery, implementation, and accumulation of high performance work practices by knowledge creation and knowledge sharing at all levels.

Continuous technological benchmarking and quality audits are performed both internally (within the corporation) and externally (by major customers). It is important to stress that internal audits in most cases are done with all production sites of a corporation. Thus, evaluation is done at three levels – by evaluating quality of a particular product, overall quality level of a particular production site, and quality level for all production sites under the authority of regional headquarters. Examples of evaluating quality of a particular product is 'Knauf Gypsum Baskunchak' that in 2010 was awarded the first place for its quality of stucco among all Knauf's plants in the world, 'Gypsum Kingur' that in 2011 was in the top five for plasterboard quality among all 150 of Knauf's plants. An example of evaluating quality of a particular production site is 'Gypsum Donbass' that in 2011 was recognized for the quality of dry mixes made from gypsum. In 2012, the companies of Knauf CIS as a whole achieved first place in the general corporate technology benchmarking for the group Knauf.

The largest customers conduct external audits of production processes (not just of quality of production). This audit happens regardless of the market share and importance of a supplier. For example, Rexam, a company in the UK, dominates the production of aluminium cans in Russia; moreover, Rexam is the only company in Russia that produces both aluminium cans and their lids. Solvay Acetow, a part of the Solvay Group, is the only manufacturer in Russia producing acetate tow – the material used for manufacturing cigarette filters. Taking together the company's production in Russia and its imports, the company controls about half of the acetate tow consumption in Russia. While both Rexam and Solvay Acetow are both important manufacturers, Rexam factories producing beverage cans are audited by breweries, and Solvay Acetow's factory is audited by tobacco companies. According to company managers, 'the audit by customers is more scrupulous and meticulous that any internal check'.

Thus, it is not surprising that positive assessments of such audits with a particular factory in Rexam gained corporate-wide importance, and such news was communicated in corporate magazines all over the corporation.

Another type of practice mentioned above, intensive knowledge creation and knowledge sharing, may be observed at all levels. Knowledge creating and sharing starts at the workplace level. In most surveyed factories in processing industries, there are special schemes to encourage front-line employees (workers, foremen, and production engineers) to make suggestions for improvement of the workplace. Numerous meetings and conferences are organised 'to squeeze' valuable ideas from employees. In several Russian subsidiaries of German corporations (including Henkel and Knauf), there are special schemes for monetary rewards for such suggestions. The reward given to an employee for a valuable improvement may be quite substantial – for Knauf, the upper limit for remuneration for a single improvement is set at EUR 25,000, and for Henkel this limit is set at US$25,000; no limits are set for the number of suggestions that can be proposed by an employee. In Knauf Russia's flagship factory in Krasnogorsk, we were told, 'We have several improvement champions among shop managers and production engineers',

Next, there is continuous knowledge sharing between the sister subsidiaries. This sharing happens on an everyday basis through intensive communications between plant managers and engineers from different countries using intranet facilities and on a regular basis by holding annual or semi-annual technical conferences at a country's, a region's, or corporate headquarters. One interesting case of reverse knowledge sharing was presented to us in the surveyed brewery. This factory was initially purchased and modernised by Belgium's InBev (later merged with Anheuser-Busch Companies, Inc., creating the world's sixth largest brewery), but in 2011, the factory was sold to Turkey's

Efes Beverage Group. The Russian staff was keen to present to the new owners some unique, newly acquired, high-performance working practices. Such practices were absorbed by the headquarters and then transferred to Turkish breweries.

Additionally, knowledge sharing practices occur through the transfer of executives. There are two types of transfer. A less visible form of knowledge sharing is presented by the relocation of expatriate managers from Russia to new destinations, where these expatriates apply knowledge gained from their unique Russian experiences (several expatriate managers who were interviewed at the end of their Russian terms stressed their aspirations to use their unique experience accumulated in Russia in new position). Another form of knowledge transfer occurs when Russian managers are relocated to overseas positions. For example, within Lactalis, a marketing director of a Russian subsidiary (a woman in her mid-30s) became a member of the corporate marketing board, while another Russian manager (another woman of the same age) became the purchasing director of Lactalis's subsidiary in Spain.

Finally, in some companies we encountered rather unique practices of knowledge sharing in the form of support and education for end users. This practice is common in IT services but is rarely seen in manufacturing. For example, Knauf CIS developed a multilevel system for support and education for end users of gypsum materials (including designers, students studying civil engineering, and construction workers). For designers, Knauf runs several seminars held regularly in different cities of Russia and the CIS. To support students studying civil engineering, in 2012, Knauf launched a learning lab in Moscow, where groups of up to 30 people can be trained; textbooks as well as building materials and current models of construction equipment are provided here. In Vladivostok, the Information and Advice Centre for Knauf was created (on a basis for the School of Engineering in the newly created Far Eastern

Federal University). For construction workers, Knauf CIS has developed a series of textbooks and manuals; has run national and regional competitions of professional skills among students in educational institutions of secondary vocational education in various construction trades (competitions include 'master of dry-process', 'construction and operation of buildings and structures', 'tiles-tiller', 'plasterer assembling'); has opened regional resource centres (consisting of classrooms and being equipped with materials and technology workshops) on a basis for vocational schools in all regions in Russia; has opened its own training centres scattered throughout Russia and CIS countries. Additionally, the Russian corporate website of Knauf gives open access to more than 20 sets of detailed reference materials (from the 'album of working drawings' for certain types of work to 'reminders of plasterer') written in simple and understandable language.

Practices in human resource management

The most sagacious MNCs are keen to apply in their Russian subsidiaries a very distinctive set of principles within company management that purport the adoption of a coherent corporate philosophy. We discovered the most developed system of such principles in a recent address from Knauf's top corporate executives to Russian employees (Grundke and Binnemann 2012), which included the following principles:

- integrity – adherence to traditional values (thrift; efficient and careful use of resources; social responsibility; lack of conflict; financial independence; discipline; and exemplary behaviour);
- humanity – tact and generosity, commitment to family values, respectful behaviour, and constructive attitudes towards mistakes and problems;

- focus on the future – strategic and long-term thinking and behaviour, the ability to adapt to real conditions, the ability to change, willingness to change, initiative, willingness to take risks, and constant promotion and support of innovations;
- responsibility for results – pragmatism; focus on success, quality that is first-class, partnerships with customers, and cost leadership (the most rapid and efficient production at the lowest cost);
- trust – freedom in decision making, personal responsibility, the sanctions for breach of trust, reliability, tolerance, keeping promises, social guarantees, and the principle of payment according to the quantity and quality of labour;
- loyalty – compliance with the company's rules; discipline and mutual reliability;
- involvement – generosity, praise, recognition, criticism, censure, delegation of responsibility, and promotion and development of employees; and
- endurance – the recognition and promotion of special achievements, uncommon personal involvement, exposure, reliability, the ability to carry loads; and discipline.

Such developed philosophical systems should be implemented using a rather limited number of practices in different components of human resource management – recruitment, remuneration, skill development, and promotion.

Recruitment

Recruitment is the biggest challenge Russian subsidiaries of MNCs face now in the area of human resource management. All the surveyed companies acknowledged deep

scarcity of qualified employees at all levels – including for workers, foremen, and middle managers. In a 'war for talent', these companies have implemented various recruitment tactics. First, we found deep contrast between 'genuine' Russian industrial companies (see Gurkov and Settles 2013) and Russian subsidiaries of MNCs. The Russian subsidiaries of MNCs widely use all types of candidates for recruitment – technical school graduates and university graduates without job experience, older persons, managers from other Russian subsidiaries of MNCs, the relatively rare Russian person with overseas job experience, etc. Regarding managers from other Russian subsidiaries of MNCs, we observed a specific brain drain of middle managers from the Russian subsidiaries of the largest global corporations who obtained higher managerial positions in the Russian subsidiaries of 'second-tier' MNCs.

Remuneration

In remuneration schemes, also in which there was sharp contrast with the experience of 'genuine' Russian industrial companies, the emphasis was not placed on variables types of take-home pay (bonuses) but was placed on constants (base salary), various social benefits, and 'measures of moral recognition'. As one expatriate plant director explained to us, 'the variable part is always considered by Russian employees as a temporary element that can be taken away at the discretion of a supervisor; the salary is not'. Of course, there may be several additions to base salary, but these additions are used to strengthen 'behaviour-based safety' and other policies. For example, with Sertow, an annual bonus is assigned for all employees if during the year there were no job-related injuries in the plant.

The use of social benefits (e.g. additional medical insurance, subsidised or free meals in the factory's canteens, compensation for training expenses, free transportation to and from work) have some nuances. The most important element of these benefits is level of accessibility – unlike in 'genuine Russian companies', where usually access to such benefits is limited to a small fraction of employees (see Gurkov and Settles 2013), Russian manufacturing subsidiaries of MNCs offer social benefits that are usually accessible to all employees.

There are also some schemes that use social benefits to increase coherence among the entire staff. We mean here two types of social benefits, which are interconnected in real life: housing allowances and credits for employees. For example, for one company we observed, we were told about zero-interest credits given to employees to be used to improve housing conditions (mortgages in Russia is still very expensive). However, the overall amount of funds available for such purposes is limited and known to all employees; but when the initially taken credits are paid back, this money allows credits to be provided to other employees.

Additionally, as mentioned above, some measures are taken to enhance innovative behaviour (e.g. generous remunerations for valuable ideas proposed by employees in Knauf and Henkel's subsidiaries). However, such schemes are still the exception. In many interviews, we heard complaints from plant managers about the absence of monetary rewards for plant-level inventors and innovators. In these managers' opinions, the absence of such schemes especially impedes initiative for younger managers.

We also stress that Russian manufacturing subsidiaries of MNCs, especially those formed by acquiring Soviet-time plants, carefully preserve the rich Soviet-time repertoire of 'measures of moral recognition', like

- oral gratitude expressed in the presence of colleagues and supervisors;
- written gratitude given in a factory decree;
- recognition given before colleagues (e.g. the board of the best employees, radio announcements, intranet announcements, etc.);
- invitations given to employees to events where firms receive awards and prizes;
- special awards like 'best in the firm';
- industry honorary titles; and
- presentment of state orders[9].

In general, the forms and methods of remuneration follow at least several of the abovementioned principles of 'corporate philosophy' – trust, loyalty, involvement, and endurance.

Skill enhancement

Despite the large variety of forms for remuneration, the variety of forms for skill enhancement is even bigger. Most subsidiaries of MNCs place employees of all levels in situations of 'employment-long learning'. There are company-financed opportunities for participation in open-executive programmes, like the opportunity to earn an MBA from top Russian and especially foreign business schools for subsidiaries' executives, the opportunity to acquire specific technique-based degrees (like a 'black belt in lean manufacturing') for middle managers, and, especially, the opportunity to take endless special courses on particular topics related to high-performance working practices.

The intensity of learning efforts is high during stable periods of operation but increases dramatically during the installation of new production facilities. We have already mentioned the efforts of temporary launch teams to provide mentoring, on-site

training for employees in new production sites, and the probation periods for employees in sister plants. Importantly, efforts are given to make suppliers of equipment and machinery a source of advanced work practice. For example, in Wimm-Bill-Dann (the large Russian diary recently acquired by PepsiCo) installation of new laboratory equipment for a plant's R&D centre was accompanied by specially arranged training courses delivered by the best industry experts giving instructions on how to use such devices in the most effective ways.

Promotion

Managers in capital-intensive processing industries are given little room for vertical career advancement, as the organisational structure of a plant is rather flat – foreman, shop manager, plant superintendent, and plant director. In addition, in many MNCs the position of director of the Russian subsidiary is still reserved for expatriates. In labour-intensive industries, vertical career advancement is impeded by a tradition of job rotation – before serious career advancement is made, a manager must have experience in different production lines and shops. Gaining this experience may take a decade. Thus, the practice of career advancement accepted in many Russian manufacturing subsidiaries is '*diagonal promotion'* – managers are promoted to higher positions in newly established production sites (sister plants). In larger subsidiaries there are also different rotation schemes for career advancement – a person may start his or her career as a shop manager in one plant, become plant superintendent in a second plant, and finally become a director in a third plant. As with everywhere in the world of manufacturing, in Russian industries the most honourable career movement is to become director of a production facility that is under installation (either a plant that is erected from scratch or an existing plant that has been recently acquired by the

corporation and needs major enhancement and modernisation to meet the corporation's standards of productivity and efficiency of operations) – such a position gives maximal chance to show initiative, to propose and to realise one's own ideas and approaches, and to make successes clearly visible for the corporation. Such attitudes are used as a very effective weapon in the 'war for talent' – for both Russian managers and 'settled expatriates', it is very difficult to decline an offer to move from a monotonous managing operation in a mature manufacturing facility into the midst of the battlefield for new construction and installation works.

Discussion

We have tried to paint a picture of management practices in Russian manufacturing subsidiaries of foreign MNCs in broad strokes. Even if all exotic details were given, the picture as a whole does not differ much from a snapshot taken inside any MNC during its aggressive expansion into a new field (or market). The logic of events for these MNCs may be presented as follows:

(1) the corporation undertakes risky investments in a new field (country, market, or product category);

(2) to decrease the degree of uncertainty, the newly launched (acquired or installed) operational units are asked to strictly comply with company-wide standards of efficiency;

(3) the first initial successes that achieve acceptable efficiency levels justify an increase in the scale and scope of further investments into a subsidiary;

(4) the charter of a subsidiary expands from simply manufacturing and marketing into turnaround operations, as the same 'trick' for rapid efficiency enhancement

is expected to be repeated again in other newly installed or recently acquired production facilities;

(5) as operational results further improve, performance requirements are increased – all initially given leeway for novices is taken away, and the Russian subsidiary faces full-fledged co-opetition with sister subsidiaries for resources and headquarters' attention;

(6) in this race, to maintain successful operations all resources are used by the Russian subsidiary – absorption of forms of remuneration from Soviet times, disregard of the usual local confines on the preferred categories of recruited personnel, the use of ingenuity of 'aborigines' for 'creative destruction', (i.e. adjustment and modification of the existing standards to surpass the limits of productivity and reliability of operations[10]).

The presented picture leaves no place for the mentioned myths about 'knowledge-sharing hostility' or 'wariness of talent' being prominent features of company management in Russia. In our opinion, the myth of 'wariness of talent' in Russian industrial management is merely a misapprehension, if not an intentional misleading. At the very best, these myths are due to the observations seen in politics being mistakenly applied to the area of industrial management. The classical description of a system based on negative selection and progressive mediocrity belongs to C.N. Parkinson (Parkinson 1958) in the satirical portrayal of the gradual decline of the late British Empire. In the past 100 years of Russian economic history, there has not been a single period of gradual decline except for between 1979 and 1984. Instead, Russia has experienced periods of extremely accelerated economic development (1906–1913; 1921–1939; 1947–1978; 1986–1990; 2000–2008) alternated with periods of sharp decline (1914–1920; 1990–1998; 2008–2009). Thus, during each period of economic

instability (either positive or negative industry dynamics) there was a strong demand for talent. We recorded at the eve of the economic recovery of 1999–2007 especially strong and well-articulated demands for talent at any level of an enterprise's management hierarchy (Gurkov and Maital 2001). In our interviews, all the surveyed managers stressed that the lack of qualified personnel was severe, but these managers were also eager to accept that the problem is surmountable if significant efforts are made. ''We never expected these youngsters to learn to work quickly and efficiently,' said one plant director about then 19-year-old graduates from the local technical school he recruited from a few years ago.

Another myth (regarding knowledge-sharing hostility in Russian firms) is even more persistent. Although the co-author of the most influential article on the topic (Michailova and Husted 2003) has recently changed her attitudes (Michailova and Jormanainen 2011) on the subject, the myth itself is still extremely popular among foreign academics who study Russian management and business[11]. The most appealing aspect of this influential article is not the content of the article but the title itself ("knowledge sharing hostility in Russian companies"). This title is a response to the subconscious desires of researchers to find an easy excuse for all pitfalls of empirical studies in Russian management – low response rates for corporate surveys, inability to arrange interviews with corporate decision makers, lack of official statistical data, and skyrocketing prices for commercial sources of information about companies' activities.

Actually, nothing is further from reality than the idea that there exists 'knowledge-sharing hostility in Russian firms'. We should distinguish here the difference between knowledge sharing between companies and knowledge sharing within a company. Regarding the first phenomenon, despite all paranoid features of the Soviet regime and the secrecy that aimed to hide any aspect of the internal life of the

former Soviet Union (from foreigners), there was an undisturbed flows of economic and technical information between companies[12]. Commercial, technology secrets, and such did not exist in the former Soviet Union (there were only military secrets and information hidden regarding unpleasant facts of social life to avoid wider public attention) – any manager or technician from any plant was able, if necessary, to get complete information about any other plant in the same industry or in the value chain. In addition, there were endless conferences and seminars regarding the 'transfer of advanced experience', numerous books and brochures on the same topic, a hundred specialised magazines (like 'Paints' or 'Coal Mining Equipment') containing detailed information about recent inventions and improvements in particular fields and oriented towards plant engineers, a special daily newspaper (*Socialist Industry*) with a circulation of several million copies devoted to propaganda of high-performance working practices, etc.

Destruction of the system of central planning that occurred from 1991 to 1992 and subsequent privatisation that occurred from 1993 to 1996 created a rather unique situation for Russian enterprises – a situation of complete isolation and information vacuum. It is not surprising that Russian enterprises were eager to form quickly after the privatisation of various more or less successful substitutes to the old information networks – industry associations, regional chambers of industry and commerce, unions of entrepreneurs, etc. Such associations helped to maintain in Russia the unique tradition of specialised industry magazines (such magazines are still a must on the desk of every plant manager in Russia).

Regarding knowledge-sharing hostility within companies, such things really existed in the Soviet times, especially in very large industrial works – for example, open mines or diversified machine-building factories. The biggest rational behind such

behaviour patterns was the desire of workers to hide high-performance working practices from supervisors and the desire of plant engineers and managers to hide production capacities and stocks of raw materials from supervising authorities (industrial ministries). In both cases, this knowledge-sharing hostility was a partial remedy against the chronic irregularity of supplies, which caused general irregularity of operations. Thus, hidden high-performance working practices, 'secret' stocks of raw materials, and 'clandestine' production capacities were used to buffer and smooth operations. Again, this was possible only in a limited number of manufacturing works with semi-autonomous workplaces and production shops. In processing industries, the ability to hide productivity reserves was very limited.

With the beginning of the use of advanced techniques of industrial engineering (the mentioned techniques like Six Sigma, lean manufacturing, the process capability index, and the process performance index assessment) and continuous technological benchmarking, the possibility of hiding productivity reserves at the workplace, shop, and factory levels has decreased to zero. In addition, in processing industries, where all workplaces are closely interrelated, improvements in productivity of selected workplaces and production lines (apparatus) must be supported by similar improvements in connected processes. Intensive training offered to workers and production engineers provides additional incentives for knowledge sharing inside the factory – the most capable 'learners' are restricted in their use of newly acquired knowledge and skills by their less capable colleagues, so they are eager to improve the capacities of their colleagues by all means (like in the old Russian proverb, which states, 'If you are incapable to do this, we teach you; if you are not willing to do this, we force you'.)

In addition to challenging some beliefs and myths about Russian industrial management, our study shows the importance of a specific 'parenting' style applied by MNCs to their Russian subsidiaries. In the mid-2000s, based on a large-scale survey conducted among company executives, we concluded that the inclusion of Russian industrial companies into domestic corporations on average does not enhance innovative capabilities (Gurkov 2005b). There is some evidence that this finding is not true for a number of the largest Russian corporations (NLMK, Lukoil, Severstal), but in most cases our findings during the mid-2000s remain true. However, this is not the case with Russian companies within MNCs – the innovative capacities of these companies have enhanced dramatically.

We propose that the improvement of innovation capacities is related not to the transfer of specific knowledge (which could be rather limited) but to a distinctive type of corporate parenting of MNCs. In most of the observed cases, the surveyed MNCs exhibited authoritative parenting that was both demanding and responsive. In child psychology,

> 'authoritative parenting is characterized by an approach that holds high expectations of maturity. Authoritative parents often help their children to find appropriate outlets to solve problems. Authoritative parents encourage children to be independent but still place controls and limits on their actions. Authoritative parents will set clear standards for their children, monitor the limits that they set, and also allow children to develop autonomy. They also expect mature, independent, and age-appropriate behavior of children. They are attentive to their children's needs and concerns, and will typically forgive and teach instead of punishing if a child falls short' (Wikipedia 2013).

We have seen that in most observed cases, the foreign parent not only supplied the Russian subsidiary with access to the corporation's pool of knowledge (more specifically, the preferred access to reliable suppliers of equipment and solutions) but also provided very clear standards for operations (especially standards for the quality of goods produced and for the efficiency and safety of production processes).

This metaphor of comparing parenting to corporate life also explains many other phenomena we observed – the expansion of the charter of subsidiaries towards turnaround operations, the active support of established plants to set up new production facilities in sister plants (like in a large family when older children take on some parenting duties to help younger children), the higher consistency and internal coherence of management practices among large multi-plant Russian subsidiaries (as the parents became more experienced in dealing with numerous offspring), the attempts to subordinate particular management practices in separate functional areas (marketing, operations, and human resource management), and the holistic business philosophies (like the grey patriarch or matriarch of a large multi-generational family who is setting the rules of behaviour for the whole tribe).

The sharp and visible differences between the observed Russian factories under control of Western MNCs and 'genuine' Russian companies may be largely attributed to the complete lack of 'parenting influence' (in observing independent Russian companies, we too often had the impression of a perky, hungry, dirty, and sometimes dangerous gamin[13]) or to a very different parenting styles of Russian corporations that may be described as simultaneously authoritarian and neglectful (highly demanding on a few issues, especially on return of assets, not demanding on other aspects of business, and not receptive to the needs of subsidiaries).

Conclusions

We have presented a series of snapshots of management practices within Russian manufacturing subsidiaries of Western MNCs. We have demonstrated that under 'authoritative parenting', which is both demanding and responsive, Russian subsidiaries were able to meet and sometimes surpass the universal standards of productivity and quality. In great part, such achievements are due to a combination of international and local practices not only within human resource management but also within operations management. We have also demonstrated that initial successes in manufacturing stimulate further investments and creation of new production sites, which in turn assist in refining and tuning the initial sets of effective practices.

We should indicate the limitations of our study. First, we concentrated mostly on process industries, as this type of industry is the major field in Russia that MNCs operate manufacturing in. The recent penetration of MNCs in other industries may bring other types or variants of those practices. Second, we presented a rather uniform picture of management practices, regardless of the country of origin and the international experience of the parent. Our observations indicate that both factors are important in reshaping particular practices. However, a much bigger and diverse sample is necessary for well-grounded conclusions on this topic. We invite other researchers to expand their efforts in this field. The most promising direction of study is comparative studies of subsidiaries of the same corporation that are located in different countries of the same region (Central and Eastern Europe), countries of the same type (BRICS countries), etc.

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Notes:

1. Alternative statistical estimates put the share of imports in the Russian consumer markets at 8–9 percentage points higher due to smuggling and grey (i.e. unauthorised) imports, but also indicate a gradual decrease of share of imports in 1999–2011 (see Centre of Development 2012, p. 8).
2. For example, tobacco products are smuggled from Belarus where taxes and levies are lower; cars are shipped from the USA for the same reasons, etc.
3. Knauf CIS does not reveal the exact figures of their production volumes in Russia, but we can assure readers that such volumes exceed US$1 billion.
4. A three-course, hot meal in the middle of the working shift is a norm for Russian employees, especially for workers and foremen. So the suggestion of C.N. Parkinson that ‘the canteen reveals more than the office… Just as we judge a hotel by the state of the cruet, so we judge a large institution by the appearance of the canteen’ (Parkinson 1958, p. 84) is still valid in Russia.
5. I have visited dozens of Russian factories yearly since the 1990s, Prof. Morgunov has worked on workplace ergonomics since the 1980s, and Prof. Kossov has gained vast industry experience since the late 1960s. In addition, all of us had the chances to visit the production facilities of leading multinational corporations in Western Europe in the 1990s.

6. As ‘outsiders’, we paid for our meal; for employees the lunch was either free or heavily subsidised.
7. At Solvay’s subsidiary, we decided to go out the back door of the office. We entered to a brightly lit and clean corridor, opened a door, and saw a continuation of the same corridor but on the territory of the Russian company – slimy walls, dented floors, dim bulbs, etc. We do not want to scare readers by describing the environment of the production site of another visited Russian subsidiary that is located in the intact shop of a textile factory that went bankrupt 20 years ago.
8. Frankly speaking, this was not the most clean and efficient factory we visited.
9. Projects included the installation of new production lines for both gypsum and cement products, subsequent modernisation of the factory (the factory producing plasterboard passed through two modernisation phases; during the first phase, the planned capacity was surpassed by 2.5 times by mastering advanced production methods, and during the second phase, the capacity was again increased by 2.5 times using new equipment that was installed in new structures), extension of railway sidings by 2.6 km, the building of warehouses for raw material and finished goods (with a 5,000 m^2 area), and installation of boiler houses and gas distribution points.
10. In the Soviet Union, there existed a carefully developed hierarchy of state orders for exceptional ‘labour achievements’ (three types of medals, six types of orders, and the highest award – the title of ‘Hero of Socialist Labour’, with extremely generous benefits for holders). Presentment to state orders was given to employees of all ranks, with special attention given to ensure a considerable share of workers in the orders lists. After more than 20 years of neglecting to give these state orders, in 2013 the title of ‘Hero of Labour’ was restored as the ‘second highest title in the Russian Federation’. Among the first five persons awarded, there are three workers.

11. An expatriate manager in the Russian regional headquarters of a major American corporation delightedly told us in an interview that ‘you simply cannot imagine what Russian plant engineers may make from cheap Chinese machinery and equipment!’ Unfortunately, neither the name of the company nor the names of those modest heroes can be revealed.
12. K. Husted and S. Michailova did not escape the temptation to apply a very interesting model for diagnosing knowledge-sharing hostility (Husted and Michailova 2002) in a series of interviews in six Russian industrial firms (Michailova and Husted 2003). We do not attempt to question the sincerity of respondents or the accuracy of interviews recordings, but the whole study was designed as model-proving, not reality-revealing, exercise. As a result, vague answers were received on vague questions; more importantly, the whole topic of knowledge transfer was totally separated from everyday activities of the firm. Nevertheless, both articles have the highest citation rate among all writings by S. Michailova and K. Husted (131 and 102 citations, respectively, in SCOPUS as of 26 September 2013).
13. An old Russian proverb says, ‘In Russia everything is a secret; nothing is a mystery’.
14. The first notion of ‘adolescent behaviour’ of Russian industrial companies *was made in (Gurkov 2009).*

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