

Mapping HRM in Russia: The Results of Repeated Surveys of CEOs*

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Abstract

In 1998, we administered a survey to 740 Russian CEOs, which enabled us to raise the question about the current HRM practices in Russian industrial companies. In October-December 2000, we administered another survey among 735 Russian CEOs. This time we observed a major drive towards some modern instruments of HRM policies. However, HRM innovations are implemented on “trial and error” basis, without reference to the modern international practices.

1. Introduction

The last year was the most successful for the Russian Economy for the past ten years. The GDP rose in January-December 2000 by 7.7%, while industrial production rose by 9.6% and investments rose by 17.7 over the previous year. Russian enjoyed a massive trade surplus of US\$ 60 billion. Even the real wages rose by 22.5% recovering somehow the living standards of the Russian population.

In such “a fanfare atmosphere,” there is a time to look deeper into the possible changes in human resource practices, which may sustain the current positive macroeconomic trends.

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2. Our initial attempt to depict HRM in Russia: the results of 1998 survey

Several models depict the role of HRM in enterprise management. Accordingly to Brewster and Larsen model (Brewster and Larsen, 1993), the two main variables that describe the role of human resource management are:

- 1) *Decision-making authority of line managers in personnel issues (devolvement)*
- 2) *Integration of human resource strategy into overall corporate strategy of the firm.*

After several studies, main European countries were depicted on the matrix (devolvement/integration). Our study presents an opportunity to expand the model towards Russia. There is widely dispersed opinion that after privatization Russian managers received unlimited possibilities “to extinguish or to parole” their subordinates. However, after a deeper look, it is possible to argue that Russian managers have been deprived from real instruments of influence in personnel affairs. In a longitudinal survey, implemented in 1993-1997 (220-240 managers were surveyed annually), middle managers reported the real decrease in their rights over positive stimulus (salary increases, bonuses, promotion of subordinates etc). As a result, all such questions were transferred towards top management (see Gurkov, 1997).

In 1998, we implemented a survey that embraced 740 CEOs and 1400 middle managers across all Russian regions. Again, middle managers were quite powerless in personnel issues. They had no word in recruitment (even to their own departments), no possibilities for coaching and mentoring their subordinates, no rights to promote them. Indeed, four main qualities that depict “an ideal middle manager” in view of Russian CEOs are:

- Professional knowledge (87% CEOs stressed that quality),
- Ability to show initiative (65%),
- Ability for team-working (59%)
- Executing orders (52%).

It is quite clear that middle managers are viewed by their bosses as subordinates, not as managers with their own (albeit limited) zone of responsibility. For example, only 27% of CEOs assess as necessary for a middle manager the qualities of team-builder.

Moreover, Russian CEOs completely ignore mentoring functions of their subordinates. Only 6% of CEOs acknowledged the “willingness to transfer the expertise to colleagues” as an important quality of a middle manager. Around 12% of CEOs stressed the necessity to coach employees by middle managers.

In general, *we observed a situation of low devolvement*. The high “punishment” authority of Russian managers cannot mask their low power in positive motivation.

Another variable in Brewster/Larsen model is integration. Traditionally, the staffing departments occupy the lowest rank among all other functional departments in a Russian company. Before the August crisis of 1998, there were several attempts to increase the relative weight of staffing departments by:

- 1) Promoting the heads of staffing departments into the rank of “Vice-president for human resources”
- 2) Centralization of separate human resource groups in divisions of large corporations.

However, such attempts were quite unsuccessful in their main task – to bring more power into HRM function. ***It seemed that the integration of HR function in corporate strategy building remained low.*** However, one important point forced us to reverse our conclusion. In October-December 1998, in the midst of economic crisis, “maintaining the level of employment” was at the very top of the list of ultimate goals of Russian CEOs (66%). Therefore, we concluded that HR issues occupy indeed a very important place in corporate strategies, but in a more informal way. Therefore, we put Russia in the upper left quadrant of Brewster/Larsen matrix (see Figure 1).

Positioning of Russia on Brewster/Larsen matrix

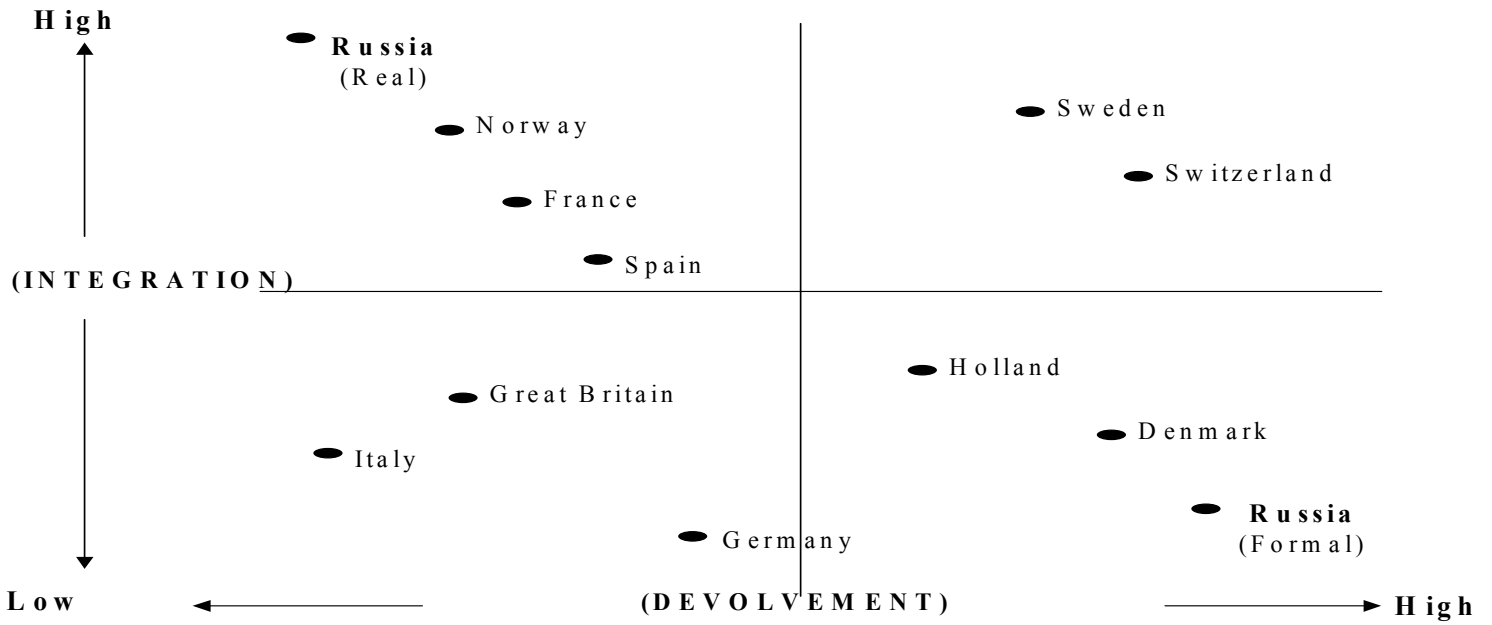


Figure 1.

3. HRM innovations in Russia in 1999-2000: the results of a new survey

To reveal the recent trends and possible innovations in HR management, in October 2000 we administered a mailing survey among 1000 Russian CEOs of companies in all major industries. We received back 735 questionnaires, so the response rate was 73.5%. The distribution of the surveyed companies by their line of business industry is presented in Table 1.

Table 1. Lines of business of the surveyed companies

Line of business	Percentages
Machine-building	26,3
Food-processing	14,1
Energy	11,2
Electronics	10,2
Wholesale operations	9,3
Light industry	9,1
Transportation	7,5
Chemical industry	6,8
Retail trade	6,4
Extraction industry (oil, gas)	6,3
Agriculture	6,1
Metallurgy (ferrous and non-ferrous)	6,1
Timber industry	6,0
Construction	5,9
Housing	4,6
Information services	3,5
Finance	2,2
Education and science	2,2

For most of the surveyed companies trade, finance, transportation, housing and education were not the primary business areas, but auxiliary activities. As a result, our survey may be representative for large and medium-size industrial companies. Indeed, the distribution of companies along sales and the number of employees reflects that shift in the survey sample (see Table 2 and Table 3).

Table 2. Distribution of the surveyed companies along their number of employees

Number of employees	Percentage
Less than 20	1,6
From 21 to 50	5,7
From 51 to 100	5,7
From 101 до 500	25,6
From 501 до 1000	18,3
From 1001 до 3000	26,7
More than 3000	16,3

Table 3. Distribution of the surveyed companies along their sales in 2000

Sales	Percentage
Less that Rub. 1 million	3,7
From Rub. 1 to 10 million	10,4
From Rub. 10 to 50 million	19,1
From Rub. 50 to 200 million	28,9
From Rub. 200 to 500 million	17,9
More than Rub. 500 million	20,0

Note: US\$1 = Rub. 28.0

3.1 Recent performance trends by assessment of Russian CEOs

The first question we proposed to answer the surveyed CEOs was to assess the current performance and the recent trends in performance (see Table 4 and Table 5).

Table 4. Assessment of the current economic situation of their companies by the surveyed CEOs

Assessment	Percentage
Bad	16,0
Satisfactory	65,9
Good	16,0
Perfect	0,8
Difficult to say	1,4

Table 5. Assessment of performance dynamics in the past two years

Assessment	Percentage
Much worse	6,7
Somehow worse	10,4
No change	11,3
Somehow better	51,2
Much better	19,2
Difficult to say	1,2

More than 70% of CEOs expressed the improvement of performance in the past two years. This result is in a sharp contrast with all survey results of 1992-1998. We decided to divide all the surveyed companies into three groups. The first group was formed from companies whose CEOs assessed the current situation as “bad.” The second group was formed from companies whose CEOs assessed the situation as satisfactory and stable. Finally, the third group comprised companies in satisfactory situation, which showed a very positive performance dynamics (“the situation has much improved”), and companies with good economic performance.

3.2 New goals for a new economic era – comparison with 1998.

First, we explored the changes that have occurred since 1998 in goal sets of Russian CEOs (see Table 6).

Table 6. The sets of declared goals of Russian CEOs

Goal	Percent in 1998	Percent in 2000		
		Group 1	Group 2	Group 3
World standards of quality	50	33	54	66
Maintaining employment	63	65	47	29
High wages for employees	32	20	23	24
Maximization of company value	16	4	8	10
Establishing the present on overseas markets	26	9	12	15
Expansion of Russia's and CIS' markets	66	32	38	42

We may see that only troubled companies nowadays are preoccupied with just “maintaining the employment level,” while successful companies are attempting to reach “the world standards of quality.” However, troubled and successful companies alike neglect completely the maximization of company’s value and do not pay much attention to “high wages for employees.”

We consider this as the major inconsistency. It is difficult to believe that Russian CEOs suppose indeed that their semi-hungry employees may exhibit the same attitudes towards quality as their colleagues in developed countries¹. To look deeper into the issue, we

¹ Combining “the world standards of quality” with low wages is possible in some special cases, for example, when ready-to-use technology is provided by the world-class companies who are willing to compromise their trademark for manufacturing in low-cost countries. However, in Russia in 1999-2000 there was not an influx of world trademark holders.

compared the spread of HRM innovations within the three groups of companies (see Table 7).

Table 7. Intensity of changes in HRM and other areas of enterprise management (percentages of CEOs stressed)

Area	Group	No changes	Changes	
			Minor	Major
Financial management	<i>Group 1</i>	74,1	19,6	6,3
	<i>Group 2</i>	59,3	32,7	8,0
	<i>Group 3</i>	40,8	42,5	16,7
New domestic business partners	<i>Group 1</i>	48,3	38,6	13,2
	<i>Group 2</i>	32,8	52,0	15,2
	<i>Group 3</i>	24,3	46,0	29,6
New foreign business partners	<i>Group 1</i>	80,9	15,7	3,5
	<i>Group 2</i>	66,1	25,9	8,0
	<i>Group 3</i>	59,1	28,5	12,4
New marketing channels	<i>Group 1</i>	61,2	31,9	6,9
	<i>Group 2</i>	41,2	43,7	15,1
	<i>Group 3</i>	34,5	39,4	26,1
Personnel selection	<i>Group 1</i>	70,7	23,3	6,0
	<i>Group 2</i>	52,0	34,4	13,6
	<i>Group 3</i>	34,2	42,0	23,8
Personnel appraisal	<i>Group 1</i>	61,9	26,5	11,5
	<i>Group 2</i>	41,3	43,1	15,5
	<i>Group 3</i>	34,8	44,2	21,1
Wage schemes	<i>Group 1</i>	51,7	36,2	12,1
	<i>Group 2</i>	32,2	44,3	23,5
	<i>Group 3</i>	22,8	44,0	33,2

Despite their (self-proclaimed) negligence of employee salaries, transformations of wage schemes became the most popular innovation for successful companies. Almost 80% of successful companies have tried to implement at least some changes in their wage schemes. In addition, two thirds of successful companies have started to amend their traditional recruitment and personnel selection practices.

We may conclude that Russian CEOs are forced nowadays to pay serious attention to personnel issues. The current recovery of the Russian economy has created the acute

deficit of qualified labor force. Too much engineers and technicians lost their jobs in the past 10 years and subsequently lost their qualifications. The system of higher education was re-oriented towards mass production of economists, accountants and marketeers.

However, CEOs rearrange HRM practices in their companies by trial and errors, without serious attempts to use the Western HRM techniques (see Table 8).

Table 8. Opinions of Russian CEOs about the applicability of Western management methods in various areas (percentages)

Area	Group	Completely inapplicable	Low applicability	Medium applicability	High applicability
Production technologies	<i>Group 1</i>	7,3	22,7	57,3	12,7
	<i>Group 2</i>	2,1	22,2	58,6	17,1
	<i>Group 3</i>	1,7	19,9	50,3	28,2
Quality management	<i>Group 1</i>	11,8	31,4	49,0	7,8
	<i>Group 2</i>	4,9	23,6	58,7	12,8
	<i>Group 3</i>	4,6	18,9	52,6	24,0
New product development	<i>Group 1</i>	12,1	30,3	50,5	7,1
	<i>Group 2</i>	4,0	33,0	54,5	8,5
	<i>Group 3</i>	2,2	29,1	53,8	14,8
HRM	<i>Group 1</i>	14,3	44,9	38,8	2,0
	<i>Group 2</i>	10,1	44,0	40,3	5,6
	<i>Group 3</i>	10,3	34,9	48,6	6,3
Financial management	<i>Group 1</i>	14,4	40,0	43,3	2,2
	<i>Group 2</i>	7,1	38,9	49,4	4,6
	<i>Group 3</i>	7,5	32,9	51,4	8,1

Indeed, while Russian CEOs, especially CEOs of successful companies highly respect the Western methods of production management and quality management, almost a half of CEOs does not believe in applicability of Western HRM for Russia. We selected those skeptics and tried to identify the roots of their doubts (see Table 9).

Table 9. Causes of inapplicability of Western HRM in Russia (Percentages of CEOs who believe that Western HRM is not applicable in Russia)

The main doubt factors	% of agree
Our personnel is not qualified to use such methods	19,2
Western methods work with another wage level	54,2
Western methods work with other customers	12,0
Western methods do not correspond to the Russian managerial culture	44,3
Western methods work in the stable state and society	58,0
Western methods work within another system of business relationship	31,1

Mentioning the “need for the stable society” belongs to the usual Russian blaming of “fools, bad roads and unpredictable past, present and future.” The mantra of the “national managerial culture” is just another cliché to explain the unwillingness to learn. However, Russian CEOs logically point out that it is difficult to implement the advanced Western methods of HRM when the average salary in the national economy is merely US\$70 per month.

3. Conclusions

We started our analysis with the attempt to map the current system of HRM in Russia. The results of 1998 surveys enabled us to conclude that human resource strategies were the main concern of Russian CEOs in the midst of economic crisis. Two years later, in rosy settings of economic revival, Russian CEOs are trying to deny their preoccupation with personnel issues. CEOs, especially CEOs of successful companies, prefer to talk about the world standards of quality while preserving the uniqueness of Russian methods of managing the personnel. However, CEOs of successful companies cannot deny that they are re-assembling the traditional personnel practices. The innovations in recruitment, selection, appraisal and remuneration deal with the very essence of HRM. Obviously, as all other innovations in Russian companies, such innovations have a top-down design.

The main question is how long Russian CEOs will be persistent in “inventing the bicycle” in their HRM innovations.

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