

UNWRITTEN RULES OF HR MANAGEMENT IN RUSSIA

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Abstract: In spite of the fact that Western companies have been actively developing the Russian market over the last twenty years, they are still faced with the Soviet-era heritage in human resource management. This paper gives an overview of the common Soviet human resource practices of the past. Understanding traditional human resource practices in the Soviet Union prior to the end of communism will help practitioners to design human resource management systems for Russia more efficiently today. Moreover, this article makes recommendations for HR professionals on some unwritten rules of human resource management, summarizes current best practices for the recruitment, selection and retention of employees and helps to reduce potential cultural misunderstandings and conflicts between the two different systems: market and planned economies.

Keywords: Soviet HR practices; unwritten rules; labour framework; management

Over the last twenty years Western companies have been working successfully in Russia. Although tendencies in personnel management still remain under-researched [4], human resource management (HRM) is one of the main aspects that determine a company's efficiency. Based on 12 semi-structured interviews conducted in 2006 and 2008 with HR managers of Russian subsidiaries of foreign companies established in the mid 1990s and HR managers of local Russian companies with a long history, this paper describes some common Soviet HR practices and summarizes current best practices for the recruitment, selection of employees used by foreign companies [1]. There are two main challenges in HRM of foreign companies operating in Russia.

The first one is that there are two different workforces in Russia: one with previous professional experience in the Soviet Union (or in modern large Russian corporations that retain elements of Soviet corporate culture) and one without. Both groups have different expectations from their employers and a different understanding of the work assignment, the motivation to work and retention factors.

The second challenge is that Western HR practices could be transferred to Russian subsidiaries, but they should be adapted to suit Russian labour regulations and cultural norms. The main challenge is to find out what should be adapted, and how, in order to operate successfully. It is a difficult task to develop a good HRM system in a foreign company that starts operating in Russia. It usually takes at least two years to implement even a basic HRM system. In order to understand how to design efficient human resource management systems for Russia today, it is important to know traditional HRM practices in the Soviet era [5].

Coming to Russia, western managers try to introduce new, innovative techniques and approaches, and encounter some difficulties in implementing those: Russian employees, especially at the age of 40 and above, recognize in these new, innovative techniques and approaches the old, well-known ones from the planned economy, and feel uncomfortable. A short 'excursus into history' will help Western readers to understand how HRM systems functioned in the Soviet era and reduce risks of potential cultural misunderstandings and conflicts between the two systems: market and planned economy.

Historically, Soviet companies treated employees as a cost rather than as a resource (cf. Fey et al. 1999:70). The functions of a modern HR Department in the Communist era have been performed by the following departments [2]: Scientific Management of Labour Department promoted the effective usage of material and human resources as well as the increase of labour productivity by organizing socialist emulations and individual and team work activities; Cadre Department that was responsible for all administrative work concerning hiring, transferring, firing, remuneration, retirement, and communication with external; Labour & Salary Department that was responsible for salaries, social benefits, job descriptions, personnel arrangements; Training & Development Department that was responsible for pre- and re-training as well as further qualifications; Legal Department was required to verify all actions in order to ascertain whether or not they complied with the Soviet Labour Law.

Soviet firms provided their employees with stable salaries and good social benefits. Qualified workers were more highly paid than engineers. Employees had a limited career progression and thereby decreased incentives to work hard. Salaries were increased only by promotion to higher positions. Bonuses were occasionally paid for ideological holidays (e.g. Lenin's birthday on April 22 and the anniversary of the Great October Socialistic Revolution on November 7), for professional holidays, for winning in socialistic competitions, or for length of service (five, ten, or fifteen years of service, for

example). But recognition through badges, medals and official mention was more common and more desirable .

Non-monetary compensation included subsidized meals at companies' canteens, which were open twenty-four hours a day, seven days a week (at companies with shift schedules); subsidized vacation trips for employees and their dependents; and products sold at cost. A large company usually had its own hospital and numerous health centers, and all employees were regularly provided with subsidized medical care at these centers. Soviet companies took social responsibility and supported day care, kindergartens, schools, and different leisure and sports activities for children and teenagers in the area. Young families were provided with hostels and apartments. A Soviet industrial company usually had two veterans' clubs: veterans of the company and veterans of World War II. Trips or special events in these clubs were organized and financed by the company.

Team spirit was created by Komsomol and communist organizations inside the company. A newspaper and a radio channel published and made reports on the best workers of the month or year and informed employees about the company's strategies and plans.

A large company usually worked closely with high schools and universities, allowing students to make an internship or write their research theses in the company. School and university students could occasionally visit a company at open house events. Moreover, there was a special agreement between factories and universities for employing graduates. Each graduate had a guarantee to be hired by a certain company. All adults were expected to have a job in the Soviet Union, and many jobs were created to ensure full employment. Unemployed people were subject to prosecution.

Foreign companies operating in Russia today use the following recruitment tools: internal recruitment, recruiting agencies and head-hunters, internet job engines, newspapers ads, contacts or networking, and college graduate recruitment

Interviews are the most appropriate method of selecting new employees. Interviews are usually conducted in several rounds. Transcripts and diplomas are also normally looked at, but they are less important than the perception of the person as ambitious, hard-working, and beneficial to the company because of his or her previous professional experience. Some recruiting agencies provide reference check services. They might just contact a referee or a previous employer and ask if she or he had written a letter of reference for a certain person, or whether this person had indeed once worked for a certain employer. According to Russian labour law, companies must use a three-month (for nonmanagement and management positions) or six-month (for top management positions) probation period after someone has been hired to evaluate the new employee before entering into a long-term relationship. Different companies use different tools to keep their employees. It is not so simple to summarize the best practices; it depends on the industry, vacancies, age, and other factors.

A crucial criterion for a job seeker in Russia is good working conditions: enough space, security, parking, access to cafeteria, etc. Overloaded offices, suboptimal room temperatures, and obsolete sanitary facilities are still common for some companies. Specifically, in Moscow and St. Petersburg, transport accessibility and time spent commuting to the workplace are also important factors. Long distances from home to the workplace are a huge problem in big cities in Russia. If a job seeker has to spend about two hours commuting in only one direction it might be a strong stimulus to look for a new job 'closer' to home.

It was found that some managers would even forgo a one-time bonus of 2,000 USD in order to receive one week of training especially at the main corporate headquarters outside Russia. Some foreign companies, however, underestimate the importance to Russians of going abroad. For many, travelling abroad is more important than receiving training. Certainly, motivation to attend a training session at the headquarters (or anywhere abroad) is likely to be higher than in the case of a training seminar organized in Russia [3].

Foreign enterprises should choose techniques that are more appropriate for their Russian employees. Russian employees are usually happier to learn about possible changes in an organization by a simple explanation – for example, by hearing it directly from their bosses during a meeting, or through corporate newsletters or videotaped interviews – rather than through an interactive flash-based presentation with a strategy map.

If an employee makes a mistake, she or he should not be punished, but the reason for the mistake should be investigated and appropriate corrective actions taken . Typically, Russians do not receive criticism in public – which could be a challenge for Western managers. Moreover, if Russians start to criticize each other, it is usually not constructive, but rather personal. The best critique in Russia is a critique in private.

Good salaries and competitive social benefits are important to Russian employees, and firms with noncompetitive salaries or benefits will have difficulty attracting, motivating, and retaining employees. Salaries and social benefits are regularly handled by international and local agencies working in Russia. They use different approaches. Some perform surveys for various positions in specific industries in a particular region, e.g., only in the consumer goods sector in Moscow, while others analyze salaries according to such criteria as human relation skills, job scope and duties. However, the main problem for HR in Russia is keeping up-to-date with current levels of salary and social benefits offered to managers. 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 the old Soviet ministries. There are still some reasons for paying in official and unofficial ways, such as the reduction of social taxation and additional options for non-authorized work on holidays, vacations, and overtime hours. This fact of unofficial income is even accepted by international banks operating in Russia and providing loans for Russian citizens.

Many HR managers working for Western enterprises (usually young people) are very well-trained, but sometimes they are not aware of some 'hidden threats' to their routine duties, like for example some of the information and documents usually required for employment in Russia: internationally valid passport, educational diplomas, military certificates or any relevant documents. Companies are obliged to provide all information regarding male employees and transportation units, and must be prepared to make both of these available upon request by the military authorities. If a job candidate should be able to drive, for example, then it may be necessary to verify an applicant's driving skills by means of a test drive to ascertain that he or she has at least one year of driving experience.

Foreign companies working or planning to work in Russia should know that Russia is not a terra nova. Russia is a country with a long history and many traditions that penetrate all fields, including HR management. Personnel management in turn is affected by Soviet-era practices, which can sometimes remain unknown to those Russian HR managers without professional experience in the Soviet Union or in modern large Russian corporations that retain elements of Soviet corporate culture. While considering how Western HR practices could be transferred to Russian subsidiaries, one should examine the possibility of updating Soviet HR practices instead of reinventing the wheel. Moreover, it would be very useful to study some of the unwritten and/or unspoken rules that are widely used in Russian personnel management in order to understand how to operate more successfully.

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