

NEWSLETTER

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BETWEEN TURMOIL AND BOOM: THE RUSSIAN EXECUTIVE MARKET

ANALYSIS



BETWEEN TURMOIL AND BOOM: THE RUSSIAN EXECUTIVE MARKET

The Russian labor market reflects the volatile economic development in the country with its numerous crises and upturns during the last 25 years.

Nevertheless, the executive segment of the labor market shows some stable peculiarities, which could be observed constantly despite all the ups and downs.



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Requirements of international companies to Russian executives

The requirements for executives in the emerging markets differ from those in developed economies. While companies in Germany, the USA, France or the UK can rely on a large pool of well-qualified candidates in their respective countries, the number of potential candidates is considerably smaller in Russia.

This applies, on the one hand, to the „technical side“ of the requirement profile - not all European academic subjects are offered in the same form in Russia. Companies are therefore compelled to soften their demands on academic knowledge and be open to out-of-the-box alternatives.

On the other hand, the intercultural context poses challenges for Russian managers working for foreign companies in their own country. Russian candidates with an exclusive professional experience in local companies often find it difficult to adapt to international corporate structures. The areas of compliance, internal reporting and leadership are especially problematic.

The term „compliance awareness“ implies, among other things, the understanding that failure to comply with legal requirements can be a criminal offense, both in the employer's home country, as well as in Russia. Some approaches, which are frequently tolerated in Russian companies, cannot be applied in international businesses.

Russian companies often maintain a top-down management style. In this model, supervisors issue commands, which subordinates are supposed to carry out without objection or comment. Feedback is not expected or given.

However, due to the intensive exchange of personnel between Russian and foreign companies over the past 25 years, the management styles have somewhat converged, with the Russian branches of international companies gradually adapting to the local mentality. Nevertheless, international corporations insist that the spirit of their global management guidelines is obeyed in Russia also. Accordingly, Russian executives must be able to adapt to corporate practice, assuming a bridge function between international and Russian business cultures.

Managerial talent geographically unequally distributed / mobility low

Due to the centralized transport infrastructure and the concentration of decision-makers in Moscow and St. Petersburg, most foreign companies are represented at these locations.

Several additional regions have emerged over the last 20 years as production hubs for international businesses: the Leningrad region, Kaluga, the Volga area (Samara and Ulyanovsk region) and Tatarstan are home to numerous automotive companies. Food and packaging are produced around Moscow, St. Petersburg and at various other locations west of the Urals.



Despite this cluster formation, there are relatively few Russian managers with international exposure in most places beyond Moscow and St. Petersburg.

Companies looking for managers for their positions in remote locations will often have to search for candidates nationwide. Unavoidably, they must be prepared to accept the costs and risks associated with relocating a candidate from one region to the other.

Candidate mobility is generally low in Russia and it is particularly challenging to move candidates from Moscow and St. Petersburg to "provincial" locations.

In practice, there are two labor markets: one for local candidates and one for „imported“ managers from other areas of Russia. The latter expect to be compensated with money and benefits for the relocation and can sometimes earn a multiple of what is paid to their local colleagues.

„Job shopping“ has been declining for years

For many years, the Russian labor market has been associated with the phenomenon of „job-shopping“. The term refers to low employee loyalty and their high susceptibility to accept job offers from competing companies.

In hindsight, the years 2000 to 2008 were characterized by very high demand for employees in practically all areas, while the supply of qualified managers was low. This setup led to a full-fledged "war for talent" which became particularly evident in the automotive sector. Within a few years, most leading international OEMs established large plants in Russia, encouraging their suppliers to set up local production sites, too.

The resulting bottleneck of qualified managers and specialists with an automotive background at locations such as Kaluga and Togliatti has fostered job shopping. Many CVs of automotive specialists show annual job changes between 2005 and 2008 which often were associated with salary increases of around 30% and more. Some managers grew from shift manager to plant manager within three years.

2008/2009 brought the first economic downturn after the boom years and candidates' expectations adapted: in interviews of that time, many candidates valued stability and long-term perspectives of employers higher than the prospect of short-term salary increases.

This trend has further strengthened in the wake of the developments since 2014. The topic of job-shopping is practically non-existent in Russia today: employed candidates consider career moves very cautiously.

References: „Check against the spoken word“

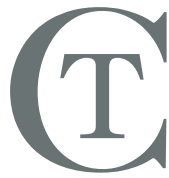


Reference letters are not customary in Russia and they are not required by law. Instead, the workbooks („trudovaja knižka“) provide information about employees' professional careers.

The workbook is an official document which is issued by the first employer and remains in employers' HR departments during the respective periods of employment. The workbook notes the start and end dates of each job, the position titles according to the internal job plans as well as the reasons for the termination of the employment contracts.

In practice, however, the workbook is of limited use for assessing an individual's career path. For instance, workbooks often feature „mutual consent“ or „at the request of the employee“ as reasons for employment terminations. This is linked to the high legal hurdles for dismissals in Russia. Therefore, employers and employees often agree on a consensual termination of the employment relationship.

Oral reference checks with previous supervisors are widespread in Russia and are particularly common during executive appointments. References are usually collected by the executive search consultant in consultation with the respective candidate.



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