

MKM227 Postgraduate Dissertation

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Emerging Global Business Landscape & Innovation Challenges, Issues &
Implications for HRM Function- A case in Russia

A dissertation submitted in partial fulfilment of the requirements of the Royal Docks Business
School, University of East London for the degree of **International Human Resource
Management**

September 2013

13 947 words

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ABSTRACT

The fast changing landscapes of the HR in business organisations have increasingly made human resource management strategically important, thus has become an interest subject of management research studies. One interesting aspect of human resource management is the evolution of its role and functions as it copes with the increasingly becoming more complex human resources. A unique case for study on this matter is the HRM in Russia. With its dramatic transition from a planned economy during the Soviet era to free-market economy in today's Russia, dramatic economic growth has characterised the country, compelling greater economic performance of the country. **As the need to mobilise Russia's workforce towards greater productivity under a new economic system and with a diminishing pool of talents, the role and function of HR has become more compelling.** Against this backdrop, this study seeks to answer the question: *What are the HR skills and competencies that Russian HR professionals perceived crucial for them to effectively fulfil their HR functions and make Russian companies succeed in today's ever changing global business landscapes?* The study was designed as a qualitative descriptive research utilising qualitative survey method. Underlying this methodology is the interpretivist paradigm. Data were collected using online interview with 15 respondents – Russian HR directors of 10 major industries in Russia. Findings of the study show a new set of HR roles and functions directed at strategic leadership, operational effectiveness, people management, enabling processes, and management of change. Recommendations were made based on insights gained from the study.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The human capital is the dynamic capital that creates value. Without the human capital no value can be created. This alone makes the human resource strategic to organisations, especially business organisations. The cognition of the strategic value of HR to organisational productivity had not been automatic. But the unending search for higher productivity had sharply emphasised the strategic importance of the human capital and had compelled business the necessity of managing human resources as a distinct management function.

Since its inception, human resource management has been a subject of a plethora of studies concerning its definition, development, roles and functions, issues and challenges, best practices, and others. Ironically though until today, the search continues. As how dynamic human resources are, so is human resource management. This makes human resource management an exciting area of study. Furthermore, as HRM continuously evolves into a strategic partner of business organisation in making their HR most productive, HRM becomes an increasingly strategic area of study.

HRM is constantly subjected to change. Just like today, as the dramatic changes in the modern economic, social and political environments have caused profound changes on the type of works and characteristics of

workforces, the roles and functions of HR professionals likewise changed. The sets of competencies and skill that made HR professionals champion few decades ago are nearly irrelevant and obsolete today. Thus, HR leaders must tune-in to constant changes and be proactive rather than reactive. To meet the increasingly becoming complex human resources along with the fast changing global business landscape, HR leaders ought to gain and embrace new set of skills and competencies.

One case that merits study due to its uniqueness is the management of HR in Russia. What made this case unique is the socio-politico-economic context in which the Russian workforces are managed and the unique **characters of Russia's human resources.**

As reported in the Economist Intelligence Unit, Thorniley (2007) indicates that over 95% of western executives rated the Russian staff as best. This can be supported by educational training, work-culture, and work-ethics that Russians display in their workplaces. The report furthers that from office staff to floor workers, the excellence in performance of Russian is incomparable to any continents and regions of the world.

For many years since after the fall of Soviet Russia, the country has become a favourite location of MNCs for its rich natural resources and for its best performing yet cheaply paid workforces. However, the rich supply of Russian talents greatly changed since 2004 partly due to the deteriorating Russian educational system and partly due to its ageing workforces.

Demand for these quality talents is on the increase and way above the rate of supply from higher educational institutions. This has greatly contributed to the upward people costs in Russia and increase in talent poaching cases. With these developments, it has become increasingly challenging for local companies and multinationals alike to find the right talents to fill key positions and drive their organizations to another level.

A number of studies have been conducted on the state of HR in Russia and several reports have been published, but most have concentrated on unravelling emerging global business landscapes and their resultant effect on the HR profession in Russia. So far, none has adequately focused on the competencies required by HR professionals in Russia to withstand the

challenges and threats posed by the ever changing global business landscape. Closest to my areas of research is **Thorniley's (2007) report** in the Economist Intelligence Unit that focuses on the Human Resources in Russia, including the greatest challenges and greatest opportunities.

1.2 Statement of the Problem

Russia is considered one of the largest emerging economies of the world today, with a decade-long 6-7% **growth rates and "FDI per capita exceeding 3% of GDP, which is a figure comparable to China"** (VM Consult. 2011, p.4). This economic growth is compelling greater economic performance of the country. As such, the strategic importance of HR management comes to the fore, especially so that the pool of Russian talents is shrinking and which quality is beginning to weaken. Adding to this complication is the socio-politico-economic context within which HR in Russia operates. From a state-centralised managed economy to a free-market economy, HR practices found effective to managing HR in Russia are now causing headaches to Russian HR professionals.

As the need to mobilise Russia's workforce towards greater productivity under a new economic system entirely different from the system they used to know, and as enterprises compete for Russia's diminishing pool of talents, the role and function of HR has become more compelling. Such context is very unique that knowing what HR roles and functions this situation requires has stirred the interest of the researcher. Thus against this backdrop, this study seeks to answer the question: *What are the HR skills and competencies that Russian HR professionals perceived crucial for them to effectively fulfil their HR functions and make Russian companies succeed in today's ever changing global business landscapes?*

1.3 Objectives of the Study

The objectives of this study are:

- To establish emerging business landscapes in HR function in Russia,
- To identify emerging issues in HR in Russia, and

- To suggest possible skill set/competencies solutions to the emerging challenges and Issues in Russia.

1.4 Importance of the Study

This study, though exploratory in nature is important in the sense that it seeks to initially understand the changing roles and functions of HR professionals and leaders in a different context, specifically like that of Russia. As a result, this will add insights into proven lessons of effective HR management.

Thus, this will assist HR leaders and professionals of organizations operating in Russia (both local and multinational corporations) understand and appreciate the ever changing business landscape (as illustrated in the case of Russia) and equip them with proven skill sets and competencies essential in withstanding the likely shocks of the turbulent external environment. It is also expected that the study will be of significant value to other countries and regions faced with similar changes in the business landscape. As earlier mentioned, the world has become very small and an interlinked village and solutions to a given HR challenge or issue at one region, unless there is significant peculiarity, can be replicated with greater likelihood of success.

1.5 Structure of the Dissertation

This dissertation is structured following the usual structure of a dissertation. Thus, its six chapters are presented in a logical order.

1.5.1 Chapter 1: Introduction

The aim of this chapter is to establish the basis of the study, to justify the importance of undergoing this investigation, and to give an overview of the study. As such, it is in this chapter that the problem of study is presented. The presentation of the problem is grounded on the premise of the study. Meaning, what triggered the interest of the researcher to delve on this specific problem of interest and to what purpose did the researcher choose to conduct this investigation? Presented, too, are the importance of the study and the structure of the study.

1.5.2 Chapter 2: Critical Review of Literature

The aim of this chapter is to provide the theoretical background of the study. It is titled critical review of literature because the researcher does not simply discuss the literatures relevant to the study but also analyses their implications to the problem of study. As such, to provide a theoretical understanding on the HR in Russia, the following topics are included: The human resource concept and its evolution, major emerging global business landscapes and their impact on HR, and HR in Russia.

1.5.3 Chapter 3: Research Methodology

The aim of this chapter is to explain and justify the methodology used and the process undergone to arrive at the answer to the stated problem. It seeks to establish the trustworthiness of the study. Included here are the underlying research paradigm that guided the overall design of the study, the research methodology that showed the conduct of research following the research paradigm, the research method/design that identified the specific steps taken to achieve desired result, the research techniques that specified the instruments used for generating and gathering the needed data, the procedures undergone to analyse data, the limitations of the study, and the evaluation of the trustworthiness of the study.

1.5.4 Chapter 4: data Analysis

The aim of this chapter is to present the analysis of data: How are data analysed and what analysis has transpired? Included here are the presentation of data and the analysis of data.

1.5.5 Chapter 5: Conclusion

The aim of this chapter is to present the findings of the study regarding the answer to the question of study and in relation to the objectives of the study.

1.5.6 Chapter 6: Recommendations

The aim of this chapter is to share lessons learned from the study in the form of recommendations. Three sets of recommendations are provided for the specific findings of the study, for HR management practice, and for further research.

CHAPTER TWO: CRITICAL LITERATURE REVIEW

2.2 The Human Resource Concept and Its Evolution

2.2.1 Definition of human resource

To create goods and services, an organisation needs three major assets like **financial assets (i.e. 'cash and marketable securities')**, **physical assets (i.e. 'property, plant and equipment, and other furnishings')**, and **intangible assets (i.e. 'intellectual capital, goodwill, and human capital')** (Weatherly 2003, p.1). Of which, human capital or human resource (HR) is widely perceived as the most important and crucial factor that can make an organisation achieve **competitive advantage in today's fast changing** world (Kussy and McBain 1998; Weatherly 2003; Haslinda 2009; Mayo 2012; Tiwari and Saxena2012).

Though commonly equated with people, HR does not simply refer to people but to what people can and willing to do for the organisation. Specifically, HR pertains to the sum total of the attributes (skills, abilities,

capabilities, potentials, values, attitudes, and beliefs), possessed knowledge, innovativeness, life experiences, dynamism and dedication that people opt to invest in their job (Weatherly 2003; Randhawa 2007). Thus, it is the **driving force behind any organisation's success** (Haslinda 2009). Without it, an organisation can achieve nothing because it is the only asset, either **individually or collectively, that can maintain and increase an organisation's value.** (Mayo 2012) Hence, it can make or break an organisation. However given **the dynamically complex character of people, HR is also "the most elusive asset to manage"** (Weatherly 2003, p. i). As such, managing HR is undoubtedly a key organisational function.

2.2.2 Definition of human resource management

Human resource management (HRM), **Mayo (2012, p.1) defines, "is a term that recognises that it is the intangible assets in an organisation that are the powerhouse of creating value (whether financial or non-financial)."** Only included, Mayo furthers, are the talented and mission-critical people. Hence, **HRM is the "process of managing human talents to achieve organisation's objectives," [which] include[s] the process of recruitment and selection, compensation and benefits, labour and industrial relations and also the management of employees' safety and health in organisations"** (Haslinda 2009).

2.2.3 History of HRM

There are two views regarding the origin of the HRM concept. One view **traces it back to England's apprentice era in the early 1800s** that was further developed with the emergence of the Industrial Revolution in the latter part of the century. Another view traces it back to the post-**WWII term 'Personnel Management' (PM)** - the approach of personnel practitioners to distinguish their function from other managerial functions and to professionalise theirs into a distinct managerial function which later would evolve into HRM. (Haslinda 2009)

Actually, both views are logically correct even though they differ in time reference. The time reference of the first view, the apprentice era, makes sense because as Bal (2011) explains, it was during this time that the employer-employee relationship started and it was the Industrial Revolution that caused the dramatic increase of workers, which inevitably required the development of rules and regulations, and standard procedures to effectively **organise, control and optimize workers' output. It was the emergence of** employer-employee relationship that seeded HRM, and it was the systematisation of workers for greater productivity that would later on bring out the deeper understanding of the HR which evolved into HRM. On the other hand, the time reference of the second view, though later, also makes sense because as Haslinda (2009) notes, it was the specialisation of personnel matters like hiring, firing, compensations, benefits, and training into another managerial function that had given way to the broadening concern as to how the HR should be handled for greater output, thus the emergence of the HRM concept that later on gradually replaced the PM. Hence, the second view also emphasises that PM and HRM are in fact two different terms, the former as the older term and the latter as the new term. However, Haslinda furthers that some found nothing significant to this change, saying that both terms are actually addressing the same concerns (i.e. hiring, organising, and maximising) in HR and that such change is only to make the term more appropriate to newly emerged ideas, concepts and beliefs regarding HR. Arguably though, it was precisely these new conditions, new issues, and new challenges that differentiated HRM from PM because if there is no difference then the evolution of PM into HRM would have not sufficed. For Beer and Spector (1985), such change could have been due to the varied definitions of the two terms, HR and PM.

Another logical way to look at the development of the HRM concept is by following the development of theories regarding the maximisation of labour because for business organisations maximised labour means greater profit. It was the utmost concern for greater profit that had driven business organisations to find ways how to best handle people that in anyway impact **on the organisation's business.**

The first theory that tried to address the crucial function of labour to production is **Taylor's scientific management, which focused on the**

maximisation of time to maximise labour. This was seen to automatise labour as it tended to treat labour simply as part of the machine. But a systematic automatised labour was not enough. Understanding and closing this gap led to the Hawthorne studies which showed the importance of human relations on labour efficiency. **“Hawthorne set the individual in a social context, establishing that the performance of employees is influenced by their surroundings and by the people that they are working with as much as by their own innate abilities”** (Hindell 2008, par.1). The social dimension of understanding labour was further studied from various fields like psychology, biology, sociology, and political science, thus came the behavioural science era. It was the behavioural school of thought that broadened the perception of labour by focusing more on the interrelationship of the organisation and the individual worker. (Bal 2011) As such, it is believed that HRM developed from behavioural science because it was during this era that labour was addressed as an entity interdependent with the organisation.

In sum, the emergence and evolution of the HRM concept only reflects the development of business organisations as they constantly find ways to adopt to change in order to survive or top the competition. Such development according to Snell et al. (2000) can be attributed to the strategic drivers of HR at three different eras: (i) person-job-fit era which strategic drivers are identified as vertical integration, economies of scale, efficiency and productivity; (ii) systemic fit era which strategic drivers are identified as globalisation, diversification, TQM/reengineering; and (iii) competitive potential era which strategic drivers are identified as knowledge-based competition, innovation and change, outsourcing, and network organisations). As Vosburgh (2007) notes, what has caused the dramatic evolution of HR over the century is its responsiveness to significant changes as to how organisations achieve their goals. However he notes that the challenges that HR confronts today does not simply require reactivity. **What HR needs today, Vosburgh (2007, p.13) emphasises, “is to define [its] own future based on the trends that are eminently predictable now and to step up to the challenge of creating [its] own future.”**

2.3 Major Emerging Global Business Landscapes and Their Impact on HR

2.3.1 Major emerging global business landscapes

Over the last five decades, the world economy has dramatically changed and predictably will continue to be fifty years from now (Wilson and Purushothaman 2006). The globalisation of markets, the demise of communist economies, and the availability and accessibility of modern technologies that made global transportation and communication cheaper and speedier – all these have contributed to change the global business landscape into what it is today (Knab 2009). The traditional leadership of North America, Europe, and Japan in designing and manufacturing innovative products is now being gradually overtaken by emerging economies as **companies from developing countries “use innovative ideas and techniques to compete in the global marketplace, [while those] from developed countries are expanding their reach of innovations to a broader audience”** (Sara and Jackson 2010, p.1).

Understanding the changing global business landscape is currently a favourite topic of business studies and discussions. For example, Ernst & Young (2011) identifies six key global trends that are shaping global business landscapes in the 21st century. One, emerging markets will increasingly become globally powerful. They are seen to become the new battleground for companies not only for revenue growth but also for talent and innovative business approaches, as emerging market leaders disrupt the global competitive landscape. Two, cleantech is increasingly seen as a competitive advantage. The increasing transformation of world business to cleantech may signify a second industrial revolution which possible effects could be as dramatic as the first. Three, global banking is seeking to transform itself in order to recover from its crisis. Although the global regulatory framework of banks remains uncertain and unclear some **fundamental changes are certain such as “limits on executive pay, heightened corporate governance, strengthened consumer protection, more**

regulation and transparency of the over-the-counter derivatives, and restrictions on proprietary trading and investments in hedge funds and **private equity funds in the US**" (Earnst& Young 2011, p.13). Four, governments increasingly appreciate and therefore improve their collaboration with the private sector. These efforts will continue as governments and private organisations distinguish themselves in the post-crisis world. Five, a smart, mobile world is being created by rapid technology innovation. Consumers crave for devices and applications that are far more effective than what are presently on the market, while businesses look for technology that is more cost-effective in the context of the increasingly complex challenges confronting them. Addressing these demands will result to data and analytic explosion, the emergence of new competition in every business playing field, and to the inevitable changes and repositioning of many industries. Six, the global workforce is being transformed due to demographic shifts. Contrary to the rapid growth of global population is the contracting availability of the much needed skilled workers not only in advanced, aging countries like Japan and Italy but even in some emerging economies, specifically China and Russia. The war for critical-skill talent will further intensify in certain sectors.

Underlying and interconnecting these six trends, Earnst& Young furthers, are three drivers: (i) demographic shifts characterised by a significant growth in population, an increased urbanisation worldwide, a growing disparity between countries with young and rapidly aging populations, and a fast increasing middle class populations; (ii) reshaped global power structure due to the strengthened public-private sector **partnership created along the world's recovery** from the worst recession ever; and (iii) disruptive innovations whereby the centres of innovations have **shifted to emerging economies as they try to reach the world's** growing middle class and low-income consumers that developed economies traditionally do not cater to.

Earnst& Young's six global business trends and global drivers of change are lumped together **in Saveri's (1999) earlier** identification of the global drivers of change. One, the demographics of an aging and diverse society will create intergenerational issues with the young and emerging economies. Two, the globalisation of labour will give workers in emerging

economies the opportunity and motivation to attain higher levels of education to be included among the skilled global workforce. Three, the global emergence of the new consumer that is educated, affluent, and ICT literate will also change in terms of purchasing behaviour. Four, torrid technological growth will keep on causing organisations to change and households and civic life to transform. Five, the global silicon network will emerge. Innovations will no longer be concentrated in one location but will instead emerge from many cities in a new centre of global cities. Five, a rapid innovation-propelled new knowledge-based economy will refocus its strategy from regional competition to regional collaboration for the creation of the needed new markets.

On the other hand, Hajkowicz and Moody (2010, cited in Zoeteman 2012, p.304) identify five megatrends which they describe figuratively as follows: (i) **'more from less'** - the increasing demand on the **world's** diminishing natural resources heightens the need to emphasise the **efficient use of resources**; (ii) **'a personal touch'** - the further development of the **service sector**; (iii) **'divergent demographics'** - the OECD problems of aging populations and health problems related to diet and lifestyle, and the **problems of poor countries of high fertility rates and hunger**; (iv) **'on the move'** - the high mobility of people in terms of career, residence, and **location**; and (v) **'World'** - the increasing role and widespread use of the Internet.

Summarising the *Ones to Watch* 2012 report, Pitts (2012) outlines six major emerging trends found to shape the future of business: (i) the Internet - from merely a medium for communication and entertainment to more functional and business use; (ii) mobile commerce - the increasing necessity of the Smartphone and the pervasiveness of mobile commerce; (iii) sustainability - the more ingrained ideas and economics of sustainability **despite the world's trauma from debt and currency crisis**; (iv) **new capitalism** - the development into a bigger industry of the new ways money flows; (v) one-man empire - the capability of one-man businesses to globally operate aided by technology; (vi) community models - the increasing prominence of business models demonstrating online communities. The drivers of these emerging business trends, Pitts furthers, are not corporates as traditionally expected but rather innovative SME businesses.

These sets of trends though based on different contexts – emerging economies for Earnst& Young and Saveri, OECD forHajkowicz and Moody, and developed economies for *Ones to Watch*, all similarly signified demographic and technological developments and innovations. The dominance of some of these trends, Zoeteman (2012) notes, will not last beyond the 21st century, but most will probably last longer and perhaps may even become more dominant. Nevertheless, these global business trends will surely have their impacts on HR.

2.3.2 The impact of emerging global business landscapes on HR

To compete successfully in an increasingly becoming highly challenging market due to the cited global business trends above, Saveri (1999, p.2) sees the need for global workers **“to develop a new foundation of social capital: new sets of trusted relationships that extend across traditional boundaries, new values of reciprocity, and new contexts in which to create joint work.”** To be able to do so, Saveri continues, global workers must acquire a new set of core competencies far better than discrete skills: Be a learner of skills and learning opportunities, be a carrier of bootstrapping culture, be a builder of social capital promoting trust and mutuality, be a an agent of innovations in using communication methods, be a developer of information and a master of ideas, and be aware of yoursuperiorities to know your rightful place.

On the other hand, Scullion et al. (2007, p.310) identify four major Impacts of the emerging global business landscapes, focusing specifically on **the changing spatial (“the emergence of East Asia as a dynamic growth region”), security (heightened global terrorism),** and social (changing careers and patterns of global staffing) landscape of international business. One, the rapid growth of emerging economies has not only created cheaper locations **for MNCs’ low**-value operations but has also posed cultural and institutional challenges to MNCs. One of the big problems besetting MNCs in emerging markets is the lack of sufficient supply of managers and employees that are suitably qualified and skilled for the emerging market environment. Same thing holds true for local companies in emerging markets. Two, the presence of global terrorism heightens the risk of international assignments, making these unattractive to foreign expatriates and more expensive to MNCs operations. **“Thus, IHRM professionals must come up with innovative**

ways to staff strategic international positions, to encourage key staff to accept vital international assignments and to facilitate international business **travel**” (Scullion et al. 2007, p.312). Three, there is changing attitudes of employees towards their careers. Generally, employees increasingly prefer career mobility rather than organisational loyalty and show growing interest in self-initiated international assignments as against international transfer. Four, there is the changing patterns of global staffing that resulted to the **emergence of a portfolio of international assignments such as ‘short-term assignments, international business travellers, rotational assignments and international commuter assignments, and virtual assignments’** (Fenwick 2004, Hertelet al. 2005, Tahvanainen et al. 2005, cited in (Scullion et al. 2007, p.314)

These developments, Bal (2011) citing Ruona and Gibson (2004) explains, make the HR function more strategic, requiring HRM the following factors: greater emphasis on the supremacy of the human resource (intellectual and social capital) to organizational success, improved innovative systems focused on **the organisation’s integrated functions and whole systems**, enhanced HR capacity to improve organisational and financial performance through strategic alignment and impact, and capacity for change. To this, **NASSCOM (2013, par. 1) believes that “HR will step into multiple shoes to ensure a steady pipeline of leadership talent in organisations” and thus will perform as the** innovation broker, the collaborator, the technology broker, the global talent finder, and the brand manager.

2.4 HR in Russia

2.4.1 Brief background on Russia’s *HR*

The collapse of the communist Soviet empire opened Russia to the capitalist world and since then has been a favourite destination of foreign investors, especially the US – its biggest foreign investor (Plakhotnik 2013). Having been endowed with the largest land area, rich natural resources, cheap but skilled labour, and the 6th biggest population, and with a robust economy ranking 17th largest in 2000 GDP, Russia is evidently important to the world economy (Fey et al. 2004). **However, Russia’s unique culture and history**

understandably pose difficulties to MNCs, especially in areas of HRM (Fey et al. 2004; Plakhotnik 2013), which features Gurkov and Zelenova (2011, p.66) **describe** “*are the undisputed authority of line managers in selection, promotion, and personnel rewards; high horizontal and vertical differentiation of wages and benefits; extremely low formalization of performance assessment; and limited possibilities of collective bargaining.*”

In their study, Gurkov et al. (2011) show that the sudden collapse of the Soviet Union in December of 1991 created an institutional and ideological vacuum leaving its people grappling with the rudiments of the free enterprise by trial and error. Some of the specific changes in HRM at the enterprise level Gurkov et al. note are as follows: (i) the collapse of the centrally planned and controlled wage system resulted to substantial decline of real wage and the introduction of extreme flexibility and disparity in wage adjustment; (ii) the abolition of the central planning created a profound structural and managerial crisis; (iii) the establishment of private enterprises totally transformed PM into HRM, created a generation clash within and outside the workplace, and invited migration of workers predominantly from Muslim regions to Russia, but MNCs HRM practices remain unknown to Russians. According to Denisova-Schmidt (2011), **Russia's HR is made**-up of two groups- those with and without previous professional experience in modern large Russian corporations with remaining elements of the old Soviet corporate culture. Both groups expect differently from their employers and behave differently in their work. Given this background, it is unsurprising to see HRM a challenging task in Russia.

2.4.2 ***Russia's Current HR issues and challenges***

Just like other emerging markets, Russia's greatest operational challenge is HR (Thorniley 2007). One of which is the lack of managerial skills and knowledge among Russian managers (Hall 2012; Plakhotnik 2013). Though Russian HRs are the best in the world (Thorniley 2007), their strengths lie more on quantitative rather than behavioural skills. Unfortunately, the behavioural skills that they lack are so vital in HRM (Plakhotnik 2013). It should not be misconstrued however that Russian managers are ineffective. The fact remains that they are still the best when it comes to understanding the unique ways of conducting business in Russia - something that foreign

managers need to learn for years (Lawrence and Vlachoutsicos 1993). What Russian managers need to learn is the capitalist way of conducting business, because they are unfamiliar to it.

Another lead head-aching HR issue in Russia is the imbalance and misfit between supply and demand of much needed talents. This can be attributed to the declining quality of the Russian educational system. New graduates are not as well-educated as those who were educated under the Soviet educational system but were not subjected to Soviet ideology and **experience. Worst, new graduates are infected by the capitalist system's high** regard for money that they demand for higher wages, more benefits, and better working conditions without the guarantee of diligent work. Meaning, if the price is right, the best talents can be hired and retained. The rarer the much needed talent, the higher the payment. Given the stiff competition of talents, good human resource managers are unsurprisingly at a premium. (Thorniley 2007) Exacerbating this problem are the work attitudes to which Russian managers are accustomed to but do not fit-in capitalist companies. **For example, "Western concepts as participative management, empowerment, reengineering and team work do not translate immediately in Russia" (Thach 1996, p. 37). Also, organisational involvement and communication feedback are very low, while responsibility avoidance is high among Russian employees. Added to these HR challenges are "the changing labour environment, the short-termism inherent in Russians when it comes to career planning, and the high concentration of skilled professionals located in big cities" (Hall 2012)**

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses how this study was conducted to answer the research question. It essentially explains and justifies the research strategies and techniques utilised in the study following the research pyramid –paradigm, methodology, method/design, and technique (Jonker and Pennink 2010). Hence, this chapter is structured as follows: the underlying research paradigm that guided the overall design of the study; the research methodology that showed the conduct of research following the research paradigm, the research method/design that identified the specific steps taken to achieve desired result, the research techniques that specified the instruments used for generating and gathering the needed data, the procedures undergone to analyse data, the limitations of the study, and the evaluation of the trustworthiness of the study.

As stated in Chapter I, this study seeks to answer the question: *What are the HR skills and competencies that Russian HR professionals perceived crucial for them to effectively fulfil their HR functions and make Russian **companies succeed in today's ever changing global business landscapes?*** This research question rests on the premises that post-transition Russian enterprises have HR managers and that, Russian HR managers are **themselves cognisant of their shortcomings in dealing with Russia's current** HR issues. Thus the analysis will mainly rely on the subjective experiences of respondents backed-up by earlier studies. Thus, the study aims to establish emerging business landscapes of the HR functions in Russia, to identify emerging HR issues and challenges in Russia, and to suggest possible skill set/competencies solutions to the emerging HR issues and challenges in Russia. This study simply explores; hence, there are no hypotheses to prove or disprove.

3.2 Research Paradigm

The importance of research paradigm in research study is to put the **researcher in the right perspective. It serves as the researcher's theoretical lens** in determining the most appropriate research design for the research problem being investigated.

As originally used by Kuhn (1962, cited in Romiszowski 1997, p.10), a **paradigm refers to “the underlying assumptions and intellectual structure upon which research and development in a field of inquiry is based.”** Simply defined, a **paradigm is the “basic belief system or world view that guides the investigation”** (Guba 1994, cited in Krauss 2005, p.759).

Three major research philosophies currently dominate the research field: (i) positivist – aims to prove or disprove a hypothesis; (ii) interpretivist – seeks to allow the emergence of concept rather than proving or disproving it; and (iii) critical theory – seeks to change and challenge long-held traditional beliefs (Mack 2010). The exploratory nature of this study corresponds to the interpretivist paradigm. Interpretivist believes that reality and knowledge are socially constructed. Similarly, this study believes that the conceptualisation of the HR skills and competencies crucial to HR functions in Russia today must be grounded on the views of Russian HR managers because it is their business.

3.3 Research Methodology

The qualitative research methodology was employed because the exploratory nature of the research question requires a natural setting. Plus the fact that qualitative research is the methodology coherent with the interpretivist or **naturalist paradigm. In qualitative research “things are studied in** their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them (Denzin and Lincoln 2005, **p.3).** Furthermore, **this study aims not to replicate or generalise findings but** rather to explore at best the topic at hand. Thus, the researcher expects a unique interaction with research participants. Meaning, the same participants may in another setting give a different answer to the same question. According to Lincoln and Guba (1985), subjective interpretation is inherent to qualitative methodology because the researcher-participant relationship is context-bound and value-laden. Thus, its findings cannot be generalised.

However, these can be useful in similar context, aside from its original purpose of bringing out new possible areas of research study. Lastly, since the answer has to be constructed from the details provided by participants, the best approach to answer the stated research question is through an inductive approach – a characteristic of qualitative research (Harwell 2011).

3.4 Research Method/Design

This study was designed as a qualitative descriptive research utilising qualitative survey method. Qualifying descriptive research here to be qualitative despite being clear from the beginning on the qualitative nature of this study is to note that descriptive research can either be qualitative or quantitative. What made this study descriptive is the research question which aims to describe the chosen phenomenon, in this case HR in Russia. In short, **descriptive research answers the question ‘what’ and thus “uses description as a tool to organize data into patterns that emerge during analysis. Those patterns aid the mind in comprehending a qualitative study and its implications” (Knupfer and McLellan 2001, par. 41.1)**

Similarly, qualifying survey method as qualitative is to make known that contrary to traditional belief survey method can also be qualitative. Jansen (2010, sec. 2) explains that statistical and qualitative surveys are both descriptive designs. But unlike statistical survey studies that mainly aim at “describing numerical distributions of variables (e.g. prevalence rates) in the population,” **qualitative survey studies mainly aim “at determining the diversity of some topic of interest within a given population.” In short, Jansen furthers, “qualitative survey is the study of diversity (not distribution) in a population.” Even Fink (2003, p. 61) recommends qualitative survey to answer descriptive questions. Although she does not categorically classify qualitative survey as a design, she clearly assigned to qualitative surveys the collection of “information on the meanings that people attach to their experiences and on the ways they express themselves” – the nature of the data needed for this study. Whereas Wester (1995, 2000), Jansen (2010, sec. 2) notes, classified qualitative survey among the types of qualitative research other than ethnography and case study.**

3.4.1 Sources of data

Data utilised in this study came mainly from primary sources constituted by a number of Russian HR managers working in major industries in Russia who were personally interviewed by the researcher. Other than this, secondary data gained from earlier related studies were also utilised to help the researcher better analyse data gathered.

3.4.2 Population

Determining the population is crucial to satisfy the demand of the study because it is from the population that respondents will be chosen. In short, a research question carries with it specific characteristics required from its respondents. Specifically for this study the required characteristics of the population are Russian, HR professional, and employed as HR manager at **various levels in any enterprise of Russia's** major industries since the post-transition period.

There are two ways by which population is understood. The broader one, **'population' defines population as "the theoretically specified aggregation of study elements"** (Babbie 2011, p. 196). Applied to this study, **'population' refers to all HR managers in Russia's industries. The more specific one, 'study population' refers to the "aggregation of elements from which the sample is actually selected"** (p.197). For this study, **'study population' refers to post-transition Russian HR managers employed in various enterprises of Russia's major industries. Thus, the difference is determined by the enterprise, industry and specified period. It was from this specific population of Russian HR managers that sampling was done.**

3.4.3 Sampling design

Sampling determines the representative of the 'study population' and is determined by the research problem and purpose. For this study, the purposive sampling technique or judgment sampling was employed. Purposive sampling is a non-random technique wherein, unlike scientific sampling, respondents are deliberately selected based on their possessed characteristics congruent to the requirement of the study. Thus, the selection of who and how many should be included in the study rests on the intelligent judgment and discretion of the researcher. (Tongco 2007)

This study made use of purposive sampling because (i) this sampling technique is consistent with exploratory research, (ii) it is the widely used sampling strategy in qualitative research, and (iii) it is meant for studies seeking rich information that can be studied in depth (Hoepfl 1997), just like qualitative descriptive research. Specifically, the purposive sampling used was maximum variation sampling, because the study population was heterogeneous. According to Lincoln and Guba (1985), maximum variation sampling strategy is most useful for the naturalistic approach, like this study, because it seeks to encapsulate and describe what is common across the heterogeneous study population. As such, the sample size of this study is determined by the type and size of existing post-transition enterprises in various major industries of Russia on the assumption that the different types and sizes of enterprises and industries have different HR issues and pose different HR challenges, requiring different skill sets/competencies of HR managers. As such, what guided the researcher in selecting the respondents was the representation of the major industries of Russia.

Identification of the major industries of Russia was based on the study by the VM Consult - **“an international business consulting firm that specialises in Russian market entry consulting” (VM Consult 2011, p.3).** Selection therefore revolved around the following industries: energy, construction, metallurgy and minerals, retail and consumer, automotive, information and communication technologies (ICT), and chemicals. To see whether HR managerial skill and competency requirement differ according to the type of industry, two enterprises for each industry, except for retail and consumer, were selected. Since the retail and consumer industry deals with a very broad category of products and services, two enterprises for the following products was selected: food and beverage; durable goods; clothing, apparel and fabric; and hotel and restaurants. The choice of two enterprises for each industry was aimed at having two views for comparative analysis. Target respondents were the HR directors of the selected enterprises. Ultimately, the sample size redounded to 20 enterprises, thus 20 HR directors representing 10 varied lines of business.

3.5 Research Technique

Within the qualitative approaches, unstructured instruments for collecting data like interviews are most useful, because this allows the researcher to explore the actual views of subjects of study since interviews are very flexible. Contrary to common belief that interview is an easy research technique; it is actually a complex process in the sense that it is spontaneous and subjective. Though the spontaneity of interview gives the researcher, turned interviewer – the freedom to ask more information from the interviewee, which is a good opportunity to enrich data, this also provides the interviewee the opportunity to take control of the interview because the interviewee has the idea the study needs. Thus, the interviewer should be prepared before conducting actual interview. Furthermore, though the beauty and benefit of interview is its own natural setting, this also **becomes a source of difficulty for the interviewer because the interviewees'** responses embody only their own subjective reality expressed in their unique style. (Daymon and Holloway 2002) Thus, the interviewer needs to be very attentive.

There are different types of interviews. But for this study, the one-on-one online interview was exploited. One-on-one interview was preferred because interviewees were from competing and heterogeneous enterprises; whereas online mode of interview was chosen because interviewees were in various places far from the interviewer. This mode did not only save the researcher money and time but also save him potential hassles and risks that usually occur to foreigners in a foreign land. More than this, this mode of interview also saved the researcher the recording task because computers have auto-saving functions. Thus, the problem of accuracy was greatly lessened.

The interviews were all formally conducted because in the first place, the setting is formal (the position of the interviewees and the purpose of the interview), and the researcher is not personally familiar with the interviewees. Though this unfamiliar climate made the researcher feel awkward and nervous, the formality helped the researcher focused on the **data, thus compelling him to be sharp in understanding interviewees'** responses and to be systematic, clear and direct in asking questions taking in mind that his interview hour is only limited. As the interview went on to

other respondents, the researcher gradually became used to it. Thus, later interviews were richer.

Interview questions were semi-structured to ensure similarity on the type of data gathered. The types of questions asked were experience questions, for example, **'What are your HR functions?'** and knowledge questions, for example, **'What are the skills and competencies that HR professionals should acquire to become successful? What changes do you perceive necessary for business organisations operating in Russia to become successful?'**

In aid of data analysis, secondary data from earlier studies and reports were also gathered via the Internet. These online materials were chosen according to their academic stature, meaning those published by reputable journals and magazines.

3.6 Data Analysis

The analysis of data underwent three steps. First step was finding out the richness and accuracy of data – Had interviewees substantially provided answers to the questions and were the responses clear to the researcher? During the interview, the researcher clarified with the interviewee responses that sound vague to him. Then every after interview, the researcher reviewed the result to verify the sufficiency of data and to improve his questioning technique for the next interview. These helped achieved the richness and accuracy of data.

The second step was the sorting out of data. The researcher mapped out all the answers generally categorising them into the experience questions and the knowledge questions and grouping them according to the 7 major industries studied. To achieve confidentiality and anonymity, **interviewees' name and the enterprise were withheld. Instead,** enterprises were given direct general labels conveying their area of expertise or products and services. For example, car enterprises were labelled simply as automotive industry. Since the HR Directors were clustered according to their industry, there was no need to give them codes.

The third step was analysis and interpretation of data. Trends and counter-trends were noted. Then the implication of these were analysed. At this juncture, the researcher was aided by earlier reports and studies.

3.7 Study Limitations

The limitations of the study lie on the inherent limitations of qualitative methodology like objectivity and generalizability. These however were sufficiently addressed as evaluated. Other limitations were time constraints - pertaining to the limited time interviewees spared for the researcher, distance - denying the researcher actual observation, and the scope of enterprises involved, which was compensated by the broadness of the industry represented. The choice of respondents was also limited by the availability of their directory.

3.8 Research Evaluation: Trustworthiness of the study

The trustworthiness of this study was evaluated, following Guba's (1981, cited in Shenton 2004, p.64) constructs: credibility (validity), transferability (generalizability), dependability (reliability), and confirmability (objectivity). Credibility of the study was achieved through correct operational measures in gathering data - appropriate choice of instruments and identification of respondents, triangulation by broadening the scope of population, identifying questions, and member checks. Transferability was sought by clearly laying-out **the study's specific context. In such a way, later research** of similar context may find this material useful, like how this study was aided by earlier studies. Dependability was established by justifying the study framework and explaining each part of the research design. Confirmability was achieved in three ways: detailed methodological description, member check, and triangulation.

CHAPTER FOUR: DATA ANALYSIS

4.1 Data Presentation

4.1.1 *Respondents' profile*

Respondents refer to the HR directors of 10 arbitrarily selected firms who were subjects and participants of this study. They were those interviewed by the researcher.

There were 20 target respondents, equally distributed among Russia's major industries (energy, construction, metallurgy and minerals, automotive, ICT, chemicals, and retail and consumer which was specifically categorised into food and beverage; durable goods; clothing, apparel and fabrics or soft goods; and hotel and restaurant). Out of the 20 target respondents who were e-mailed a request letter for interview, only 15 (75%) gave their informed consent to online interview for a limited time of 1 hour. All of these 15 were interviewed by the researcher. To complete the list, the researcher followed-up thrice the remaining 5 target respondents, but to no avail. Since the 15

respondents broadly represent the seven major Russian industries, the researcher found this sufficient enough, so he proceeded.

All respondents are currently working as HR directors of large and medium-sized enterprises in Russia. Furthermore, they have been HR directors of their companies for at least five years now. Majority of the respondents were male; only 4 were female. Their ages range from 30-55. Majority had business management education with two studied abroad. For a clearer picture of the profile of respondents, Table 1 is provided below.

Table 1: Respondents' Profile

Industry	No. of Respondent	Sex	Age	Education
Energy	1	M	55	Local
Construction	1	M	50	Local
Metallurgy & Minerals	1	M	53	Local
Retail & Consumer				
Food & Beverage	2	M/F	35/30	Local/ Local
Durable goods	1	M	41	Local
Clothing, Apparel & Fabrics	2	F/F	39/37	Local/ Local
Hotel & Restaurant	1	F	30	Abroad
Automotive	2	M/M	47/36	Local/ Local
ICT	2	M/M	32/30	Abroad/ Local
Chemical	2	M/M	43/40	Local/ Local

4.1.2 Responses to experience questions

The first set of questions is the experience questions. These questions which mainly focused on four issues - (i) functions of HR in Russia, (ii) HR issues and challenges causing headaches to Russian HR managers, (iii) common solutions applied to problems, and (iv) employer-employee relations - essentially laid out the context of HR in Russia. For easy reading, answers to these questions are summarised in Table 2.

For the first question, the responsibilities and functions entrusted on HR departments that respondents ensure to achieve includes the following: recruitment of needed employees; hiring and firing of personnel; labour relations; determining personnel wage and benefits; staffing positions; dividing workloads among personnel within the HR department; review of personnel records and performance; attending to personnel complaints; personnel discipline; training and development of personnel; employee relations; regulatory compliances of the company; personnel performance; employment contracts, conditions and disputes; organisation of employment records; and intra-company communication. Some clarifications were made **regarding the strategic planning of the company's current and future HR needs**. According to them they can recommend and suggest if the CEO of the company asks their opinion. But common practice illustrates that HR departments are more of an implementing department as to the people need of the organisation.

For example, the determination of the qualities of recruits is determined by the CEO. But, in terms of personnel discipline, most of them answered that it was within their full discretion including the personnel compensation package. It turned out that CEO makes the rules regarding personnel qualification or the needed talents, corresponding responsibility, company discipline, and personnel performance. The implementation of which is left on the HR department. Thus, the supply and retention of needed talents, training and development of personnel, and personnel discipline are the full responsibility of the HR department. Aside from these are the legal compliances of the company.

For the second question, the HR issues and challenges that respondents cited are the following: ageing work force – this was specifically cited by HR directors in enterprises of the energy, metallurgy and minerals, automotive and chemical industries; drinking and poor discipline characterised by perennial tardiness and absenteeism – these problems were commonly cited by HR directors in male-dominated enterprises like construction, metallurgy and minerals, and automotive; shortage of qualified personnel especially in the energy, metallurgy and minerals, and chemical industries; recruitment and retention of much needed talents; sub-standard recruitment and hiring process – this was specially mentioned by the two HR

directors educated abroad; highly flexible wage system - they perceive this as one of the reasons for talent poaching and low talent retention in enterprises; absence of clear government regulation on HR (e.g., no law regarding standard compensation system, and non-legally binding employment contracts); leadership style of CEOs was also cited, specifically foreign CEOs - among those specially cited were the incomprehension of the national and work culture of the Russian workforce, and the imposition of the organisational culture of the foreign mother company; personnel indifference to responsibility; and lack of training - this they specifically refer to the work behaviour and attitude that work well with the capitalist enterprise; and court cases due to abusive employees.

For the third question, the common solutions that HR directors implement to personnel problems they cited were essentially characterised by: reprimand, training and education, higher compensation package, good working conditions, private talk with personnel, simple information regarding company changes, gradual introduction of capitalist practices (e.g., performance based promotion, team work, and feed-back system), and having good lawyers to win court cases. Asked about the solution regarding their CEOs, those who cited this said culture orientation, both ways on the part of the CEO and Russian managers, helped mitigate potential problems that may arise due to culture differences.

For the last question, respondents commonly characterised current Russian employer-employee relationships more on the basis of labour relations as they cited a significant increase in the number complaints in courts filed by employees against their firms on the bases of illegal dismissal, and undue salary and benefit reductions. They also noted that there is an increasing weakened company loyalty among employees. This they said can be seen in the widespread poaching among enterprises. One practice they commonly noted rampant in Russia is the practice of temporary employment. This they said has bearing on talent retention. Asked why they allow it, two related views came up - one is the reason for cost saving and the other is evading state taxes. Asked why employees accept such scheme, they said employees prefer having jobs than having no jobs at all.

Table 2: Summary of Responses for Experience Questions

HR functions	<ul style="list-style-type: none"> ➤ Hiring and firing ➤ Training and development ➤ Employee relations ➤ Compensation package ➤ Benefits administration ➤ Personnel record keeping ➤ Risk management ➤ Performance evaluation ➤ Personnel discipline ➤ Intra-company communication ➤ Talent retention ➤ Labour relations
HR issues & challenges	<ul style="list-style-type: none"> ➤ Ageing workforce ➤ Drinking and poor discipline ➤ Shortage of qualified personnel ➤ Recruitment and retention of much needed talents ➤ Sub-standard recruitment and hiring process ➤ Highly flexible wage system ➤ Leadership style of CEOs especially foreign ones ➤ Personnel indifference to responsibility ➤ Lack of capitalist training ➤ Abuse of employee's rights resulting to legal disputes
Common solutions	<ul style="list-style-type: none"> ➤ Reprimand ➤ Training and education ➤ Higher compensation package ➤ Culture orientation ➤ Good working conditions ➤ Private talk with personnel ➤ Simple information ➤ Gradual introduction of capitalist practices ➤ Good lawyering to win or settle legal disputes
Employer-employee relations & practices	<ul style="list-style-type: none"> ➤ Unhealthy labour relations resulting to labour disputes ➤ Weakened company loyalty of employees ➤ Temporary employment scheme

4.1.3 Responses to knowledge questions

The second set of questions – the knowledge questions that illustrate the HRM skills and competencies of HR professionals in Russia – essentially **focused on four issues: (i) perceived most critical challenge to Russia’s HR,** (ii) perceived function of the HR managers; (iii) perceived vital skills and competencies that Russian HR managers should acquire, and (iv) perceived necessary HR changes in business organisations operating in Russia whether local or foreign. For easy reading, answers to these questions are presented in Table 3.

For the first question, respondents’ answers can be summed-up into four areas of concern. One was how to make the Russian workforces compatible with the capitalist system – this includes work attitudes, discipline, and behaviour of employees; feedback system; and performance appraisal system. Most of the respondents found the Russian workforce not so perfectly fitted to the way capitalist enterprises are managed and operated. According to them, the most challenging workforces are the older ones. They found the younger generation more adaptable and career-oriented but less zealous and more money-oriented. Another one cited was effective recruitment, hiring and retention of talents. Actually for the respondents, these were three big separate but closely related HR issues. Most of them saw recruitment and hiring to have a bearing on the retention of talents. The challenge can be stated in question as: How can most qualified talents be recruited to the organisation; what is the most effective system to ensure those hired are best talents; and what other measures can be taken to retain talents other than salary raise and promotion? Underlying these questions was their search for qualified and zealous talents. Related to these HR issues was the diminishing number of best and zealous talents compounded by the weakening quality of new employees. Lastly, they cited the employee-friendly labour code of Russia, which they saw misfit to the capitalist-oriented post-transition Russian enterprises.

The second question was introduced to respondents by asking this question: Are you satisfied with the roles and functions assigned to you and your HR department? All respondents categorically answered, no. Asked, why – The answers can be summed-up as follows: The department is given so much responsibility, yet lesser authority in defining necessary HR systems; HR director is not given a strategic role to enable full understanding of the

HR needs of the firm; HR roles and functions are almost administrative and technical, yet HR issues and challenges being confronted are too strategic to the operation of the firm. Asked what to them is the ideal role and function of HR directors or managers - they gave the following answers: designing and building the ideal workforce for the firm - determining, selecting, and hiring the talent need of the firm; managing the workforce - personnel discipline, compensation and benefits package, tasking, motivating, good working condition, building loyalty to the firm, address complaints and settle legal disputes, intra-firm communication, and personnel record keeping; and training and development of the workforce along the desired future of the firm.

For the third question, the skills and competencies they perceived vital to HR managers can be summed-up as follows: expertise in personnel management (recruitment and hiring, compensation and benefits, performance/employee appraisal, labour disputes, personnel discipline, and training and staff development), knowledge of the company and the business (the vision, strategy, culture and leadership of the company, and the HR issues confronting the business), organisational skills (problem solving skills, leadership skills, and accounting skills), social skills (communication skills, network building skills), and knowledge of the legal environment.

For the last question, the changes that the respondents' perceived necessary for HR in Russia are the following: strategic role for HR directors, gradually putting in place a feedback system attuned to Russian culture, a comprehensive plan for training and development of workforce to address the increasing problem in talent shortage, a standardise compensation and benefit system, and updating the Russian Labour Law to the present context of labour relations. The respondents clarified that they see these changes necessary to improve the management of workforce in order to develop in them loyalty to the organisation and to maximise them. Although they admitted that these changes are not easy to take place in a micro and macro **context. They attribute this difficulty to the government's lack of leadership** to align employees along the systems of the capitalist enterprise and to the uneven consciousness of the Russian workforce - the best and most zealous workforces are the ageing employees who grew in a planned economy, thus resist the changes and the younger workforces who are more open to

changes but whose qualities and zeal are found to be weakening. Both groups pose challenge to HR.

Table 3: Summary of Responses for Knowledge Questions

<p>Most critical challenge to HRM</p>	<ul style="list-style-type: none"> ➤ Making the Russian workforce compatible with the capitalist system ➤ Recruitment, hiring, and retention of talents ➤ Diminishing number of best and zealous talents compounded by the weakening quality of new employees ➤ Russian labour law
<p>Perceived roles and function of the HR managers</p>	<ul style="list-style-type: none"> ➤ designing and building the ideal workforce for the firm (determining, selecting, and hiring the talent need of the firm) ➤ managing the workforce (personnel discipline, compensation and benefits package, tasking, motivating, good working condition, building loyalty to the firm, address complaints and settle legal disputes, intra-firm communication, and personnel record keeping) ➤ training and development of the workforce along the desired future of the firm
<p>Vital skills and competencies for HR managers</p>	<ul style="list-style-type: none"> ➤ expertise in personnel management (recruitment and hiring, compensation and benefits, performance/employee appraisal, labour disputes, personnel discipline, and training and staff development) ➤ knowledge of the company and the business (the vision, strategy, culture and leadership of the company, and the HR issues confronting the business) ➤ organisational skills (problem solving skills, leadership skills, and accounting skills) ➤ social skills (communication skills, network building skills) ➤ knowledge of the legal environment
<p>Necessary HR changes</p>	<ul style="list-style-type: none"> ➤ strategic role for HR directors ➤ gradually putting in place a feedback system attuned to Russian culture ➤ a comprehensive plan for training and development of workforce to address the increasing problem in talent shortage ➤ a standardise compensation and benefit system ➤ updating the Russian Labour Law to the present context of labour relations

4.2 Data Analysis and Interpretation

4.2.1 Respondents

From the respondents' profile, it can be gleaned that HR directorship in Russia is characterised by a male-dominated, middle-aged, and locally educated HR directors. The dominance of male managers in the respondents is not unusual even for a society that had strongly advocated for gender equality. A study by Mandel (2004) shows that gender equality in production jobs in Soviet Russia is true only in terms of the accessibility of employment for women even in traditionally male-dominated industries like auto and farm-machine sector. However, gender discrimination was notable in the kind of work usually given to women and men. Women were commonly found in unskilled, low paying, and hazardous jobs; whereas in the management positions were overwhelmingly males. This was despite the appraisal of managers that women employees worked better than male employees who they said were drunkards and perennial latecomers. Nonetheless according to the Grant Thornton International Business Report (2012), Russia has the most women in senior management at 46%.

The dominance of middle-aged and locally educated respondents may have impacted on the way they perceived the questions. For example, the researcher observed that answers to the questions suggest a sharp, open-minded, practical, culture-sensitive, and strategic HR. The respondents left an impression on the researcher that they know and understand the situation, and they know what they need and what they want. This impression however was not shared by respondents coming from the energy, construction, and metallurgy & minerals. Incidentally, these were the respondents who belong to the ageing group. Perhaps, earlier studies (Elenkov 1997, Fey et al. 1999, 2000, Alexashin and Blenkinsopp 2005, and Denisova-Schmidt 2008, cited in Denisova-Schmidt 2011, p. 2) regarding the two different workforces in Russia apply here – Those workforces with previous professional work experience in the Soviet Russia are those ageing respondents (49-50) who did not display high interest to changing the Russian HR management; while those workforces without previous professional work experience in the Soviet Russia are those younger respondents who displayed high interest to changing the Russian HR management.

4.2.2 Responses to experience questions

HR function

The first thing that can be noted at the respondents' cited HR functions is that these functions are traditional HR functions. There is nothing wrong with this, especially so that these are in fact necessary to the operation of the company. Then it can be noted that these functions focused on the internal strength of the organization, which again is in fact the essential function of HR. It is being the internal strength of the organization that actually made HR crucial to organisation's success. However, if we are to analyse these cited HR functions to Ulrich's ideal HR roles in building a competitive organization (see Figure 1), it will appear that Russia's HR is only performing half of its supposed roles and this half is a source of company's headache. In fact to Bizyukov's (2005, cited in Shulzhenko2012, p.10) conclusion, HR functions in Russia "represented 'a management periphery'."

Following Ulrich's model, there are four HR roles that focus on people, processes, day-to-day operations, and the organisation's strategic or future needs. These HR roles are manifested in four major HR functions as follows: (i) management of strategic human resources, which role he termed as *strategic partner* – the activity of which involves aligning HR and business strategy or what he referred to as "organisational diagnosis;" (ii) management of firm structure, which role he termed as *administrative expert* – the activity of which involves reengineering organisation processes or what he referred to as "shared services;" (iii) management of employee contribution, which role he termed as *employee champion* – the activity of which involves listening and responding to employees or what he referred to a "providing resources to employees;" and (iv) management of transformation of change, which role he termed as *change agent* – the activity of which involves managing transformation and change or what he referred to as "ensuring capacity for change" (Ulrich 1997, p.25). As such, it can be gleaned that the respondents are only performing two HR major roles and functions, which are more concerned with the organisation's day-to-day operation: the management of firm infrastructure and the management of employee contribution as illustrated in Figure 1.



Figure 1: Ulrich Model – HR Roles in Building a Competitive Organisation (Source: Ulrich 1997, p.24)

HR issues and challenges

The HR issues and challenges noted by respondents can be categorised as follows: sufficient pool of talents (i.e., ageing workforce, shortage of qualified personnel), standard compensation package (i.e., highly flexible wage system), administrative systems (i.e., sub-standard recruitment and hiring process, recruitment and retention of much needed talents), leadership style (i.e., leadership style of CEOs), work attitude, behaviour and discipline (i.e., drinking and poor discipline, personnel indifference to **responsibility, abuse of employee’s rights), and knowledge (i.e., lack of capitalist training)**). These issues and challenges were repeatedly noted in various earlier studies (Berger 1998, Thorniley 2007, Denisova-Schmidt 2011, Shulzhenko 2012) which only shows that these are indeed the HR issues causing headaches to HR in Russia. Similarly, these studies root out these issues and challenges to the economic transition of Russia from planned economy during the Soviet period to free market in the current Russia. Although, none of the respondents categorically attributed these changes to the transition, their answers clearly imply the same explanation.

For example, the mere fact that they categorised workforces into these two periods implies that they recognise that HR practices differ in both areas

and that this affect HR today. But aside from this, respondents also note government role why these problems persist. This observation was similarly noted in the 52-page report of the World Economic Forum (2013) outlining the biggest challenges that hundreds of business leaders in Russia foresee in the coming years. Two of the three key challenges stated express these **concerns. One noted key challenge is the country's weak institutions** as characterised by high levels of corruption at all levels of government and private institutions and offices. In business, this according to Butler and Purchase (2004) is profoundly expressed in the Russian term '*blat*' that has become well-entrenched in the Russian psyche. '*Blat*' means accessing the inaccessible through exchange of favours. In fact, the loyalty of employees to line managers strongly impact on their wages (Bizyukov 2005, cited in Shulzhenko 2012, p.24). Another noted key challenge is low social cohesion as illustrated by brain drain (50% of Russian professionals seek to leave the **country) which the Report noted not only reduce the country's pool of talents** but also emphasises capital flight and domestic consumption reduction.

Common interventions

Observably, the common interventions that respondents cited are all tactical solutions, which imply that they only attend to daily problems traditionally **taking much of HR's effort and energy. One may argue that culture** orientation is a strategic approach to the problem as this will impact on the adaption of workforces to the demands of the present free market system. This could be true if culture orientation is structural. But their practise only shows a person to person orientation. Meaning, either the foreign CEO teaches the HR director on the daily HR needs of the firm which the HR director in turn teach the HR staff or the HR director orients the firms **company's along company's vision, mission, and goals, and policies and** practices. Perhaps one strategic approach that came-up from respondents, but not in this question, is the clamour for attuning the Russian Labour Law to the present economic context. By doing so, the current problems regarding highly flexible wage system, talent retention, and personnel discipline can be strategically addressed.

Employer-employee relations & practices

Given the current changes that HR in Russia has been going through and subjected to without sufficient preparation, it is unsurprising to hear respondents saying that employer-employee relations are unhealthy. Though the respondents complain that the Russian labour law is employee biased and that employees tend to abuse this government bias, the root of the matter obviously lies on the opposing features of socialism and capitalism in labour management. In short, the increasing labour disputes that respondents confront only illustrates that the HR is gradually aligning to the framework of the free market and is gaining ground because if not, then there would be no increase in cases of labour disputes. Hence, HRs in Russia must brace their selves because as they systematically align their companies to its required HR design, labour issues will expectedly arise. In short, HR should plan ahead to mitigate this business disruptions.

4.2.3 Responses to knowledge questions

Most critical challenge to HRM

The most critical challenge to HR as perceived by the respondents essentially **pertains to two interrelated issues: Russia's talent pool and Russia's legal environment**. Understandably for the pool of talents, what concern the respondents most can be encapsulated as HR design (What kind of pool of talent will work best for their firms?), HR building (How can the appropriate **pool of talents be built?**), and HR retention (How can the firm's built pool of talents be safeguarded against poaching?). Given the high uncertainties confronting the future economic growth of Russia as the World Economic Forum (2013) reports, the problem confronting HR regarding Russia's pool of talents is undeniably critical to companies in the country. Such problem requires an industrial-wide approach to the problem and a positive government intervention, which unfortunately is the other most critical challenge cited. As Thorniley (2007, p.17) noted in his report, the stiff competition of HR in Russia is further exacerbated by an extremely employee-biased Russian Labour Law. According to him, among the three shocking things about **Russia's Labour Code** are the practical impossibility of employee termination, none-existence of fixed-duration employment contracts, and the legality of poaching - **"by law, regardless of seniority or**

nationality any employee can leave the company after just two weeks' notice, and can go to work for a competitor immediately."

Perceived roles and function of HRM

The respondents' cited roles and functions they expect for HRM indicate that they recognise the compelling need for HR in Russia to become a strategic partner of the company. Actually, this perception is not new. More than a decade ago, Berger (1998, p.7) had already noted among Russian HR managers the strong sense for strategic HR role and function at least in their **firms, as indicative of their desire for** "information about appropriate organizational structures and decision-making levels for their individual operations."

Yet, the respondents still see the need to improve the traditional roles and functions assigned to HR or the so-called '**management periphery**'. Understanding the Russian HR context will not leave one to think that Russian workforces are problematic because it has long been established that Russian HRs are the best in the world (Thorniley 2007). Instead, this indicates the problem of workforce transition - meaning the effective attuning of Russian HR to the present free-market practices, norms and standards. The challenge here of course is the mitigation of greater problems and disruptions to the company once changes are implemented. Even the training and development of workforces is not because they are incompetent, but because they are alien to the new system. Some even rejected it.

Vital skills and competencies for HR managers

The skills and competencies respondents see vital for HRM address both the tactical and strategic need of the firm. Analysis of these set of skills and competencies indicate that these are leadership and management competencies. It is not clear however if they considered this vital because these are the competencies much need to their current context, or these are the competencies they seem lacking, or they do not see other set of skills and competencies or they have different way of categorising HR competencies. But from the way the questions are presented, it is more likely that these are what they see vital at the current context of Russia. Thus,

these skills and competencies were directed at making the necessary changes in the firm.

It is somewhat surprising that the respondents seem not worried as to the effect of these changes on their workforces. Instead their main concern is to develop a workforce effective to the free market system. Perhaps this is because the Russian Labour Law is strongly pro-employee, and that the glaring challenge confronting the respondents is achieving the firm-workforce fit.

Necessary HR changes

The necessary HR changes that respondents cited essentially address three big HR issues: the strategic position of HR in the company; the transformation of the various aspects of human resource management, specifically the standardisation of the recruitment system and compensation system, the systematisation of the training and development of personnel, and the establishment of the feedback system; and the intervention of the government through the attuning of the Russian Labour Law.

These desired changes indicates the following: (i) the strategic importance of HR has not yet been incorporated into corporate strategy of enterprises in Russia; (ii) the shortage of qualified talents is indeed causing headaches to HRs that they are now compelled to take more strategic roles in their companies; (iii) Russian HRs are indeed good; it is evident that they know what the problem is, why the problem is, and how to deal with the problem. Furthermore, they are also much aware on the crucial role the government can play to help put in place the necessary systems of the free market enterprises.

CHAPTER FIVE: CONCLUSION

Truly, there is no better way to describe the HR in Russia than the title used by Daniel Thorniley – the Senior Vice President of the Economist Intelligence Unit – **in his report:** “*Human Resources in Russia: the greatest opportunity, the greatest challenge.*” **The following conclusions** will attest to the accuracy **of Thorniley’s description of HR in Russia.**

The three objectives this study aimed at were all successfully achieved, as they are presented below.

First, the emerging business landscapes of the HR functions in Russia are established. As gleaned from the study, the emerging business landscapes of the HR functions in Russia are greatly shaped by the prevalent HR practises in the former Soviet Russia that are not fitted into the HR practises demanded in the Post-Soviet Russia. Resultantly, though enterprises in Post-Soviet Russia are operating within the economic framework of the free market, HR functions are still greatly marked by HR practices in the former Soviet Russia which economic framework was the planned economy. Among those noted are the prevalence of highly flexible reward system; the persistence of the informal recruitment system; the management periphery functions assigned to HR; and the retained workforces whose professional development, and work attitudes and behaviour were greatly shaped by their work experiences in the former Soviet Russia or in modern large Russian companies which corporate culture remain to be largely Soviet. But as the growing economy of Russia demands higher growth, companies are compelled to perform better and thus the greater demand to align Russian workforces along the free market HR systems. The contrasting HR practices of two different periods in Russia are **presently causing the country’s HRM much headaches and challenges** that require structural changes. To do so entails the strategic positioning of Russian HRM in enterprises in the country and the possession of HR of comprehensive set of skills and competencies to enable it address both the strategic and tactical needs of existing enterprises.

Second, the emerging HR issues and challenges in Russia were identified. As gleaned from the study, the emerging HR issues and challenges in Russia essentially revolve around three interconnecting clusters of issues. One cluster pertains to the challenging composition of Russian workforces in terms of skills and competencies, work attitudes and behaviour, motivation, and loyalty. The second cluster pertains to the assigned roles and functions of HR directors or managers by their firms. The third cluster pertains to the legal environment of HR in Russia.

The issues and challenges in the first cluster are identified as recruitment and retention of talents, and personnel discipline. It does not mean that Russian workforces are not qualified because they are indeed the best in the world. Rather, the challenge of recruiting and retaining talents should be understood within the prevalent poaching practices in Russia and against the emerging trend of the reducing number of highly skilled workforces in Russia and the weakening quality of Russia's graduates. Thus the challenge is how to attract and retain the shortening number of much needed talents in the firm. On the other hand, problems of personnel discipline are identified as drinking, smoking, perennial tardiness and absenteeism. The challenge here is how to get rid of the company of problem employees, because in Russia, employee termination is taboo.

The issues and challenges in the second cluster are identified as the lack of enough authority and power of HR directors to redesign the workforce. This starts from the HR planning to identifying qualifications for positions. The current roles HR directors are entrusted with by their firms mainly pertain to management periphery, which logically submerged them to operational functions without being able to examine the strategic HR need of the firm. This positioning essentially constricts their problem solving and decision-making. Thus the challenge is how to make companies realise the strategic role and function of HR.

The issues and challenges in the third cluster are identified as employee-biased Labour Laws in Russia and the lack of government regulations regarding standard compensation system, and the lack of policy regarding fixed-term of employment. These legal challenges exacerbate the challenges identified in cluster one.

Third, possible skill set/competencies solutions to the emerging HR issues and challenges in Russia are suggested. Those suggested are expertise in personnel management, knowledge of the company and the business, organisational skills, social skills, and knowledge of the legal environment. These are essentially leadership and management competencies that are aimed at addressing both the strategic and tactical roles and functions of HR with the ultimate goal of transforming the Russian HR into free enterprise firm-fit workforces.

In conclusion, the HR skills and competencies that Russian HR professionals perceived crucial for them to effectively fulfil their HR functions and **make Russian companies succeed in today's ever changing** global business landscapes essentially focus on addressing the current issues and challenges confronting Russian HR. First is the need to align and strengthen the human capital of Russia along the free-market framework – thus the ability to transform the Russian HR into free -enterprisefirm-fit workforces. This involves both strategic and tactical HR skills and competencies like knowledge of the industry, strategic HR planning, and operational HR management systems. These can also be referred to as leadership and management competencies. Another focus is paving a free-market enterprise legal environment – thus the competence to challenge the Russian Legal environment which allows the existence of HR practices disruptive to free-market. This calls for the need to attune the Russian Labour Laws to the present free-market enterprises. Additional focus is the strategic role and functions of the HR to enable the changes being sought – thus the vital need for strategic management skills.

These identified set of skills and competencies actually fit-**in Ulrich's ideal** HR roles in building competitive organisation: strategic partner, change agent, administrative partner and employee champion. Thus, the present issues and challenges confronting HR in Russia require a set of strategic and comprehensive HR management skills and competencies. As Thorniley described, *“HR in Russia: the greatest opportunity, the greatest challenge.”*

CHAPTER SIX: RECOMMENDATIONS

Three sets of recommendations are provided: One addresses the specific findings of the study; another attempts to contribute to HR management practice; and third encourages further research.

6.1 Russian HR Issues and Challenges

It is tempting to recommend specific techniques to the specific issues and challenges confronting HR in Russia, because it seems easier to do so. However, studies have shown that various specific techniques have been employed long before this study is conceptualised. Besides, it is clear that these issues and challenges are deeply rooted in the planned economic system but which remnants remained in-tact in Russia. Thus, it is recommended that these issues and challenges be approached at two complementary levels: at the micro level (firm-wide) and at the macro-level (industry-wide). **In short, the resolution to the problem of Russia's HR must be addressed at both levels because if not, the problem will just reoccur.**

For example, the problem of talent poaching cannot be solved at the firm level alone because by doing so they will just heighten the competition **and they will just give the shrinking number of Russia's pool of talents** greater leverage. In the end, firms will be at the losing end, especially the smaller ones who cannot compete with larger firms. Hence to regulate the competition, an industry-wide solution must be conceived. For example, to avoid the highly flexible wage system that a diminished needed talent usually take advantage of in the absence of a regulatory law regarding wage schemes, enterprises of the same industry or related industries must come together to draw their own regulations. In effect, this action will also

transcend legal obstacles. Furthermore, this may even push the government to attune its Labour Laws to the present economic system.

But there are also HR issues that are better solved at the firm level. One of which is the strategic role and function of HR. The problem of HR in Russia is like this: How can HR make the firm recognise its strategic role and **function to the firm's corporate strategy? There are many ways to assert this**, but all these ways require competence, determination and strategic knowledge on the part of HR. In short, given those issues and challenges that disrupts company operations the HR has all the golden opportunities to make the firm realise that HR should be an integral part of corporate strategy.

6.2 Management Practice

The case of Russia clearly shows the importance of effective management practises not only to maximise HR but also to ensure a pool of HR that will replenish the ageing workforces. Based on the experience of Russia the management practices recommended are the following:

One, the competition for highly skilled workers is not a problem unique to Russia. In fact, this is becoming a worldwide problem. As companies compete for a diminishing supply of qualified workforces, HR managers should be more innovative in conceiving strategies and techniques to lure and retain highly skilled workers. Among those techniques recommended are multiple ways of talent scouting, restructuring the work environment along the demands of much needed talents, multi-purpose company activities, and maximisation of the corporate social responsibility for example scholarship program meant to prepare a pool of new talents.

Second, the intrusion of MNCs to other territories worldwide is causing cross-cultural interactions which if not addressed effectively will cause problems to the company just like the experiences of expats in Russia. Again, this is not unique to Russia because even before globalisation, MNCs have already introduced cross-cultural interactions. However, the difference today is that along globalisation is the globalisation of workforces resulting to multi-cultural interactions. This calls for the need create mechanisms that will gradually lessen the impact of cultural differences within the company.

As such it is recommended that HRM utilise a supra-culture approach by creating the culture of the organisation. This is better done by strengthening a distinguishing work attitude and behaviour among workforces.

Third, the study shows the importance of what is called management periphery in ensuring the effective operation of the firm. These transactional functions may not be strategic, but the mere fact that these deal with the day-to-day operation of the firm make these necessary. In short, management functions must be done effectively. It is recommended that necessary systems be built, starting from the system of record keeping to an effective feedback system.

Fourth, companies operate in different context. These contexts greatly define HR focus, priority, and path of development. For example, the context of HR in Russia focus on HR transformation, but this may not true in the US or in the UK. As such, it is recommended that HR management practises should be responsive to changing needs of HR. This becomes especially relevant today as the world is fast changing. Added to this, since rapid changes inevitably affect HR, it is therefore recommended that HR managers develop the so-called change management skills.

6.3 Future Research Study

The case of Russia opens various areas of research to better understanding the HR. One area that seems intriguing is to understand the women workforces in Russia. It was noted in this study that women in Russia work even in male-dominated industry like automotive and farm-machine industry, and that Russia has the highest proportion of women in senior executive positions. Furthermore, it was also noted that women in Russia are widely seen to be better employees than men, yet the dominance of male employees remain especially in highly skilled positions. Understanding this seeming irony is a good point of study, especially in the face of a shrinking pool of highly skilled zealous HR.

Another area that merits further study is to look at the positioning of HR management in the local enterprises in Russia and to look at the nationality of the HR managers of MNCs operating in Russia. The purpose of this study

is to see how do Russian CEOs appraise the importance of HRM; and to understand how do MNCs rate the HR management capability of Russians.

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