HR IN RUSSIA
2020
The digitalisation and continued modernization of the Russian workplace

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As we write these lines on 20th March 2020, the Covid-19 virus has the world in its grip and we see ourselves faced with a situation that will require massive stimulus by government and extraordinary restrictions on our daily lives before things improve again.

This report was written in Q1 2020 before the full outbreak of the virus. Yet its key messages stay intact and if anything, the crisis will double-down on many of the aspects covered here.

The speed at which digitalisation moves to the centre of our societies will increase as restrictions to mobility are enforced in time of the virus. Digital communication in business together with home-office is skyrocketing. Outsourcing, part-time arrangements and the gig economy will become increasingly predominant as the economy falters and companies shy away or simply lack enough business for permanent employees. Employee qualities such as adaptability, flexibility and forward thinking will stay paramount.

We recently spoke to a GM of a global FMCG company working in Russia who summed up the situation as such:

“The current situation is that there are travel restrictions, all conferences were cancelled and the same applies for all meetings. I am on the phone all day. 90% of our employees are working from home. What will happen after all this is over? For better or worse, people’s habits will change to digital and the use of home-office will become more mainstream. We expect that consumers that still “live the store” will not have a chance to do that now and they will go and try to figure out how to buy online. Some will like it, some not. But even if it’s 50/50, thousands of customers could be lost for traditional stores. The same applies for the logic of working from home. In the past people said that they couldn’t work from home and working remotely is a skill set that needs to be learned. But what we see right now is that employees learn and adapt very quickly to work from home and this will fundamentally shift the way we work together.”

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2. INTRODUCTION

HR and talent management are key drivers of global business. Best practice in HR often comes across as common sense advice: treat your people well, keep them safe, pay them fairly, develop them, where possible hire internally in order to motivate, reward and retain top talent as well as keeping company internal competition up.

But from our experience, some companies “talk the talk” on HR but do not “walk the walk”. Too many companies invest in people during good times and then recklessly and excessively cut costs and people when business is less good. So much investment into people is sacrificed for short term budget targets.

Many CEOs and boards talk about the strategic importance of HR departments, but then tend to treat it like a “service centre”. The blame for this mismatch also lies in HR departments, which sometimes prefer to avoid engagement in strategic business planning and avoid taking on responsibilities or lack sufficient business experience and application to make HR function well. To make the perfect match, it does require good talent, awareness and open thinking from business management and HR executives.

HR practices in Russia are changing fast in response to digitalisation and the overall modernisation of the workplace. On top of that, there is additional pressure from younger generations as they become a larger share of the total workforce (Generation Y and soon Generation Z). Some of these factors may impact some industries faster than other – for example, IT/digital companies may see some impact sooner than more traditional businesses. But over time and especially as government practices and legal requirement adapt to the ongoing changes, most businesses will see the increased need to adapt to current HR practices, whether in recruitment, retention, training and development or compensation management.
3. EXECUTIVE SUMMARY

There are 5 overarching trends that General Managers and HR Managers in Russia see.

1. **Digitalisation**: there was not a single interview we held that did not mention digitalisation. Most executives see this trend as ‘the big one’ regarding the future of HR but many admit that it can be a ‘black box’. One of the key lessons to understand about the digitalisation process is that being at the forefront of it entails serious commitment and depending on where you are in the process, this may include an overhaul of many company practices. ‘Just’ hiring digital talent externally is not enough; corporate strategy, attitudes towards what failure means within the company, hiring and retention practices, training methods and the role of HR departments may have to adapt as well. Companies in traditional industries, such as manufacturing, may currently see less need to adopt such practices than an e-commerce business in Moscow. But here comes the cue where most companies in Russia will see an impact: governmental services and requirements are increasingly digital and of course the legislative changes will follow.

2. **The employee-centric approach**: organisations increasingly ensure their office environments are comfortable and encouraging. Topics around work-life balance, remote work, sufficient training opportunities and fair pay are on the rise. Underlying this are the development and modernization of management styles and workplaces in Russia and as younger generations enter the job market this is also a response by companies to attract and retain new talent.

3. **Increased focus on potential when hiring**: in response to the fast-changing business environment and digitalisation, there is an increased need for people who are flexible, adaptable, communicate well and ideally have an affinity towards technology. Those hired increasingly need to show that they have the potential to learn and develop. The origin of this trend is that current specific skills are less important in an ever-changing environment; the philosophy goes that smart individuals with great personalities and the potential to develop can learn new capabilities quickly along the way.

4. **Outsourcing**: this is an international trend and it equally affects Russia. Yet moderate economic growth in Russia over the last 5-6 years leads to even greater pressure to control costs, keeping budgets tight and managing headcount and personnel costs. Outsourced labour tends to be cheaper (especially when looking at the total costs and benefits of permanent employees) and are more readily let go in case of economic downswings. But there is a second trend here, one less publicised, which is that the younger generations are on average not permanently committed to companies and look for work flexibility.

5. **From hierarchical to dynamic**: the major trends we just listed together push for companies to become faster and leaner. As business practices change, HR practices change accordingly, and companies are increasingly dynamic instead of hierarchical/traditional. Dynamic company structures both come with their strengths (faster, more agile, more transparent) and weaknesses (lack of specialisation, lack of ownership over specific tasks). External factors also play a role in determining how dynamic a company is: a start-up by default is more dynamic than a large corporation with thousands of employees. For the Russian local subsidiary of an international organisation, best practice is to leverage the scale and systems of their international organisation, yet remain agile and dynamic on a local level.

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**Source of income for Russia and the Federal Districts in 2018 (in % of total)**

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<thead>
<tr>
<th>Source of Income</th>
<th>Business income</th>
<th>Salary</th>
<th>Social benefits</th>
<th>Property income</th>
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Source: Russian Federal Statistics Service

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In the digital environment, the versus widespread success. initiatives are likely to stay siloed and have limited impact failure. Without such fundamental changes, digitalisation is creative, flexible and willing to risk experimentation and in the company’s culture and employees’ mind-sets that executives struggle with most is to achieve a turnaround people’s mindset towards a digital mindset. What many That is the bread-and-butter starting point of gearing milestones and to link reward-systems to those new goals. The starting point for a change in the company culture people to change company culture and applies them to our operations. Firstly, we presented our ideas and plans to regional HQ in Europe. We explained them our situation, outlined all the benefits of our new strategy and how we would achieve success. Local organisations that report to HQ sometimes see the role of HQ critically, seeing them as those that cut budgets or introduce bureaucratic new guidelines that do not apply to the local situation. But I have worked internationally for many years and fact is that HQ should be seen as partners and facilitators. When we presented our ambitious and forward-looking plans to HQ, they were excited too, quickly got on-board and we have received great support from them and relations have been very good throughout the project.

To kick-start our digital transformation, we regularly held workshops where the whole local company came together to exchange ideas and we still do this today. Whenever we feel the need, we can bring in experts on digitalization to these workshops. But the fantastic thing is that in principle we started the digitalisation process from scratch with our internal talent. We did have to hire additional people eventually, but that is because we grew so quickly as we became more knowledgeable about e-commerce and so the process was organic.

We did adjust our rewards systems to reward those that have good ideas, are innovative, move fast and generally drive things forward. On top of the monetary aspects, we have created company-wide awards and other forms of recognition, such as a peer-to-peer evaluation platform. Too often, companies focus on negatives, but through our peer-to-peer evaluation platform, we provide a systematic tool that allows those that make a difference in our organisation to be recognised and rewarded.

In conclusion: we achieved our goal within 12 months (instead of our original plan of it taking 2 years). We went from single digit to double digit growth and doubled our e-commerce business. Building the digital framework we have created took time and effort, but it will now be used as a basis for other countries within the organisation and this has led to a reputational boost of the Russian organisation. All in all, a real success!'

4. HR AND DIGITALISATION

Digitalisation is the topic that we hear General Managers and HR managers mention most. There are many ways in which digitalisation has (and still will) affect HR practices in companies. Initiatives may vary depending on company size and industry and can range from smaller projects to entire shifts in company culture.

4.1 To successfully digitalise, start with the people to change company culture and structure

The starting point for a change in the company culture towards digital affinity is to have clear goals and KPIs/ milestones and to link reward-systems to those new goals. That is the bread-and-butter starting point of gearing people’s mindset towards a digital mindset. What many executives struggle with most is to achieve a turnaround in the company’s culture and employees’ mind-sets that is creative, flexible and willing to risk experimentation and failure. Without such fundamental changes, digitalisation initiatives are likely to stay siloed and have limited impact versus widespread success.

Integral to digital transformation are cross-functional teams that move fast and act agile. Such teams allow for a faster idea generation compared to larger teams that are only of one business function.

Sergey Khalyapin, Citrix: "In the digital environment, the best ideas come from cross-functional teams where many perspectives come together. An additional aspect to consider is that in our quickly changing world, training initiatives should allow for broader learning instead of focusing too much on niche content. That gives perspective!"

In the above case study, Andrey Krishnev, General Manager Nike Russia, shows what he has done to transform the organization. Not long ago, they were just at the start of the digitalisation process and he and his team have managed to transform the organization quickly and effectively. Their recipe to success starts by focusing on company culture and the people first. Once that is done, results can come in surprisingly quickly: within 12 months of starting their digital journey, they have doubled e-commerce sales,
moved from single digit growth to double digit growth and have become a leader on the Russian market.

4.2 Where to find digital talent and what qualities to look for

Companies struggle to find digital talent externally on the market, especially as demand for them increases. Only 11% of executives surveyed said that finding people for their digital business was fine and that they had no issues and 20% said it was a bit difficult. The majority (69%) found it tricky to very hard work to find the right people. Apart from the intrinsic difficulty of finding such talent, once you have recruited them they tend to be expensive and often get poached after a short time or leave because they seek a new challenge.

In response to this, companies turn to their internal talent pool and promote and train existing staff to fill open vacancies for their digital business.

Olga Molina, Sandoz: “We had great success with internal promotions for positions related to digital. In our organization, we found people who are very enthusiastic about digital and the organization was behind them and supported them. One of them was so successful that she was promoted to the regional HQ and now works for Europe.”

Maria Shelamova, Essity: “Some of our external hires were not successful: they are typically high cost, did not deliver the expected results, or were headhunted and left the company after 1-2 years. Our solution was to start promoting internally and focusing on our best talents that have the right mindset and the capabilities needed in the digital age (such as IT savviness, creativity and adaptability). Our experience is that employees really value being part of the digital team. They move there to expand their skill set that will make them highly demanded in the company and elsewhere and will help them progress in their careers. We have witnessed a few cases where employees accept a move down in the hierarchy ladder in order to be part of the digital team.”

For most positions in sales, marketing or customer relations, the requirement is for a businessperson with a good understanding of IT-processes, not an IT expert. Best practice is to take those that have talent and interest, and to
“Regarding the hiring of digital talent, there are 2 difficulties. Firstly, there is a lack of people with the required experience. In the current market of candidates, it is difficult to find talent that ticks all the boxes and often compromises need to be made. The second difficulty is that HR specialists too often do not know what they want in a candidate.

To a large extent this is understandable. Technologies are ever changing, and the landscape of job titles and certificates makes things less transparent than with traditional positions. But too often HR professionals could find all relevant information about a candidate online which is a very straightforward process, and still they do not investigate properly and end up asking irrelevant questions or proposing job positions that are outside the domain of a candidate.

There are several things that need to come together to solve this. HR could be trained about the digital landscape as well or at least try to better understand the new rules and requirements of the market. Most of those active in digitalisation utilise professional and social platforms and there is plenty of information about them online.

Hiring IT-professionals (those for which HR is trying to fill the vacancy) also need to support HR more. At a minimum, they should be very specific about the requirements of the post that they need filled. Ideally, they should be a sparring partner to HR and be at least partially involved in the hiring process.

Regarding what to look for in the ideal candidate there are 3 areas: technology, soft skills and business skills. But people that combine all 3 are scarce! It’s a real hunt for such people. The question is what to do if someone is strong in one area but not in the other? Here it depends on the position: if we are looking for a coder, then we need an IT specialist. That is clear. But if we are looking at a manager, or positions in digital marketing and sales, the suggestion would be to weigh personality and communication skills higher than the technological aspect. The technical aspects can be learned on the job or taught in trainings while fundamental psychological characteristics are hard if impossible to change.

Unfortunately, there is no easy fix to this situation; instead greater learning and understanding needs to take place.

4.3 The use of technology in the hiring process

The successes in digitalisation and its future promise make it an exciting trend. But does that make all things digital good to have? The psychology of people and the impact of digital trends must not be neglected. As with any technology, there are places where success is likely and some areas where success is less likely or could potentially cause harm.

There are 3 areas in the hiring process that are targeted by start-ups: 1) search, 2) interviews and 3) evaluation. Software that helps search for candidates online (for example, by looking for keywords on job portals) are the least controversial and possibly the faster and cost-saving option. Software that holds the interviews may not apply to all positions but could serve the purpose for lower-skill positions with high turnover rates. At a most basic level, such interviews would come in a standardized format and record candidates’ answers. The HR professionals would evaluate those later (but of course the technology is improving steadily and more organic uses may become mainstream soon).

The most worrying trend is the increased use of technology and artificial intelligence to evaluate/select candidates in the hiring process. There are several start-ups that work on AI that is supposed to recognise emotions and
“We started our company as a digital business 15 years ago, long before digitalisation became a trend. Over that time period, we have conducted much research in the field of organisational psychology and human behaviour in companies. From this research we understand very well what psychological profiles and capabilities affect organisational changes positively or not.

We have created an index that measures innovation based on the personality profiles of employees. What we have found is that people who work at banks and FMCG companies, due to their personalities, are more innovative than in manufacturing companies by 12.5%. This then leads to more rapid changes in banking services and e-commerce.

Comprehensive long-term studies using Big Data have discovered what cannot be seen on a day-to-day basis. For example, the examination of psychological profiles in over 200,000 people from the ages 16-70 has shown that so called “Z-generation features” are mostly a “product of youth” and will recede as this generation gets older.

New technologies require a higher number of people who are more open to technologies, flexible, like to develop and change constantly. The problem is that people with such psychological profiles often like new things for the sake of them being new. They bring ideas on new technology without probing sufficiently or testing them against the experiences of other companies.

In such an environment, those that see the risks of constantly changing technologies are eliminated off as unwilling to change. Often, they are not against change per se but want to provide a balanced view that doesn’t accept new technologies just because it is “trendy” to do so. Such people tend to be the older, more experienced and often better educated part of the workforce and those factors should carry weight. But it is difficult to have an independent view on technologies when at every conference one hears appearances and suggest whether the psychological profile of the candidate fits the job position. Apart from ethical considerations, AI has difficulty reading emotions because emotions are contextual in their nature.

4.4 Legal requirements and government interaction in HR are digitalising

Russian government services are undergoing a transformation from traditional “paper-based” methods to modern online solutions. The digitalisation of government is still an ongoing process. But based on much of the progress that has been made, life for companies has become easier overall and more convenient.

There are many programs now where a camera measures what kind of emotions were demonstrated during a conversation in the hiring process and then creates a psychological profile based on that interview. This can be a dangerous development for obvious reasons: it lacks a scientific approach where results are actually proven. A new IT company set on expanding market share is likely to say: “Why do I need all this research? I am no expert in psychology; all I need to do is feed my Artificial Intelligence with enough information, and it will come up with plenty of correlations”. Yet these correlations can be extremely low! For example, with enough data anyone can provide you with correlations between completely unrelated events (but that does not mean there is causality).

Regarding the digitalisation of training initiatives: it is very difficult to bring digital technologies to trainings without losing effectiveness. In terms of costs, digital training programs have the clear advantage over real-life classes and this of course is relevant in times of cost savings and reduced budgets. The key issue with online trainings is that they are difficult to measure in their impact and thus pose many questions: How effective are the courses really? Have people learned anything from the training, or have they just clicked through the test to pass? Perhaps most critically, what skills and competencies have formed that benefit the company?

All too often, trainings and courses in organizations becomes a game of “ticking the boxes”: the HR department has done its part and provided a form of training, the legal and PR teams are happy because they have in their files proof that the company “did its part”, and those taking the tests avoid repercussions with their superiors.

That does not mean that all online classes are bad. Online courses that combine “real-life” classes together with online material work well from our experience as these re-introduce one of the key elements of a good education: dialogue and direct feedback. But the moment the human element is put back in those classes, costs shoot up again.”

Maria Shelamova, Essity: “Many of the governmental services have improved over time. An example is the platform My Work, which partners with businesses to help them find employees in general or fill quotas for special groups (such as disabled) within the workforce. They also provide those seeking career-changes with free trainings.”

Some of the recent developments are increased electronic workflows between employers and employees, maintenance of electronic medical certificates and electronic employee workbooks.
**CASE STUDY: BAKER & MCKENZIE**

Elena Kukushkina, Counsel at Baker & McKenzie CIS, shares her insights and know-how as a legal specialist and elaborates on the latest trends in the digitalisation of government services.

“The digitalisation of the economy and the electronic document flow present challenges to all employers in Russia. There are business-related impacts, such as competition or cost-cutting, but digitalisation has increasingly become the domain of political initiatives, such as the digitalisation of government services as part of the National Projects, and on a legislative level.

One of the first developments I want to bring up and one that is already quite popular among companies is the use of electronic medical certificates. Electronic medical certificates can be issued by medical insurers and provided directly to employers. Especially in the regions this program has proven to be very popular and reduces administrative effort. The benefits are clear: the new system is quicker, more convenient and to some extent proves to be safer as the electronic workflow between insurers and employers is transparent. One of the requirements for the use of electronic medical certificates is that both the employer and the insurer need to use the same software.

Secondly, there is increased experimentation of electronic workflows regarding HR in companies’ day-to-day activities, which the Ministry of Labour has initiated and is further pushing in 2020. The goal is to make electronic communicating with employees possible without the need and legal requirement of providing stacks of hard-copies, requiring wet-signatures and so on. Many companies are interested in this trend as currently the amount of documents that need to be issued by HR and legal departments in paper is substantial. Employees that work remotely are an exception to the rule and electronic communication is already permitted here. They work via e-mail, the internet, phones and in this case employers and employees use electronic signatures. Electronic signatures need to be provided by the employer to the employee and once qualified and certified they act as tokens when using electronic communication channels.

Thirdly, as of 1st of January 2020, new legislation came into place that allow employee workbooks to be held electronically by employers. The workbook is a legally required document that contains the employment history, including information such as the date of hire, date of termination but also the grounds of termination. It is a required document when applying for new positions, as well as when applying for a pension. In the past, it could be an inconvenience to gather missing documents and certificates in case there were any discrepancies in the record. By being held electronically, the workbook by default is up to date. While for 2020 the use of electronic workbooks is still optional, as of next year, all new hires entering the labour market will use electronic workbooks by default.

To achieve all the benefits of digitalised communication at the workplace, there are also some hurdles to cross. There is the requirement for companies and stakeholders to use the same or at least compatible software systems. Then there is the issue of providing safety for the stored data, which is an increased responsibility that employers will have to face.”

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5. THE EMPLOYEE-CENTRIC APPROACH

Organisations increasingly put focus on the well-being of their employees. The reasons for this vary, as it is due to the general modernization of management styles that is moving away from old hierarchical structures towards a workplace that is more comfortable, as well as changing attitude among employees (especially among younger generations) and the struggle to attract the best talent.

Concepts such as work-life balance or remote work or work-from-home have become mainstream concepts and many companies in Russia offer such opportunities. Only 17% of executives say that they currently do NOT offer options to work from home and do not plan to change this any time soon. 30% say that they offer options to work from home and this is used by most of staff, 44% say that they offer work from home but only for some of their staff and 10% say they do not currently have the option of home-office but plan to change this soon.

Yana Blezig, Heineken: “Flexible working hours are now becoming a bigger part of our organization. We offer this for all employees – they can work 1 day from home a week. But for this to work, pre-alignment is key and to have the right systems and structures in place. Line managers need
CASE STUDY: HORTON INTERNATIONAL
Andrey Philippov, Managing Partner Russia and Regional Director EMEA, Horton International, has extensive experience on the Russian labour market and shares the latest trends in hiring practices and leadership.

“The best employees are ever more in demand. It’s a real fight over them! The situation is as such that finding the right people can be relatively straight forward - identification is a commodity. Assessing people can be more challenging, but through various instruments (interview techniques, assessments etc.) and with a recruiter that has good experience that can be handled as well. The key challenge is to attract and get that ‘yes’ from a potential candidate, and subsequently retain the talent. That is the most important thing.

Dynamics in HR can sometimes be as such that companies hire for skills and subsequently fire for lack of development. That is why it is so important to hire not only not only for skills, but also hire for potential and that is something we understand very well.

If potential is so important, then the know-how of how to estimate potential becomes the most critical thing. Why do some people develop to the next stage and others fail? Why do some fail in one role, but develop greatly in another? Estimating potential is what will win in this market and we specialise on this. When focusing on potential in the hiring process, there are a number of ways to do this. Although assessments and psychological tests are important, we emphasise the importance of using experienced professionals in interviews with several years of experience in the industry.

Once good talent has been found, what follows is the question of what to pay them. Companies sometimes use the wrong benchmarks for this. Sure, average salaries can widely vary between the regions – if Moscow is 100%, then salaries in St. Petersburg may be 75%, those in the Volga region 60%, or 50% in the South. But that is beside the point: for GMs and most other executives, salaries across Russia are roughly similar. Such managers are willing to relocate (also to more remote places), but they demand their “Moscow salaries” plus accommodation and thus need to be benchmarked as such.

Another example comes from digital talent: the right benchmark for salaries regarding such positions can be CEE or possibly all of Europe. The paradoxical situation is that while this leads to higher salaries for the best talents, companies overall struggle for budgets, for headcount and salary increases and costs are an issue, and this is highlighted everywhere.”

Maria Shelamova, Essity: “With home office, we find that employees themselves are sometimes not comfortable doing this. But this is where we need to educate: even if a person sits next to you, there is no way to guarantee that they are not distracted, absent minded or focusing on something that they should not be focusing on. An approach that looks at results and not at time spent on a task solves this dilemma.”

Hugh Piper, ManpowerGroup Russia & CIS: “There are 4 major trends across the globe and in Russia that we see employees ask more of: 1) The opportunity to re-skill, 2) a greater understanding of why we are coming to work, 3) an increased demand for autonomy regarding the decisions of how one works and lastly 4) what is fair pay. All 4 of these trends have in common that they entail increased control of the work-day by employees.”

Maria Shelamova, Essity: “With home office, we find that employees themselves are sometimes not comfortable doing this. But this is where we need to educate: even if a person sits next to you, there is no way to guarantee that they are not distracted, absent minded or focusing on something that they should not be focusing on. An approach that looks at results and not at time spent on a task solves this dilemma.”

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<th>30%</th>
<th>40%</th>
<th>50%</th>
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6. INCREASED FOCUS ON POTENTIAL WHEN HIRING

The fast-changing business environment requires talent that can adapt to new circumstances. This has led executives to focus more on potential when making a new hire or when looking at potential candidates for internal promotions versus current capabilities.

By no means do we imply that capabilities and hard-skills are not important anymore: to be considered for a position, candidates need a good mix of hard-skills, good experience and a proven track-record. And the more specialised a position is, the more this will apply. But for the general business environment – especially when looking at management positions – there has been a shift in hiring practices. Executives increasingly ask themselves, whether a candidate with the right skills now has the potential to transform into a new role if the business environment should change in 1-2 years’ time. Will the candidate be able to adapt and grow into those new requirements? In a sense, capabilities and skills have become a hygiene factor – you must have them to be considered for a position, but what gets you hired or promoted is proving that you have the potential to further develop.

Hugh Piper, Manpower: “We hire not just for today, but for the long-run and the future, especially for digital talent. Companies are less interested today in what you can do immediately, but much more interested in what your potential for additional learning and adaptability is. It’s not what you know that is most interesting, but what you can know and what you can learn is the biggest thing. Technology is changing so fast, that what you need is someone who can think ahead about what the next thing is. Communication and listening skills are vital! Some years ago, you only wanted someone to write code, but that is not what we need now. They must be alert to the market, understand the dynamics that are going on, understand how to change things quickly because things are so dynamic. I look at people’s CVs and think to myself: are they adaptable? Do they have communication skills? And are they adaptable?”

Andrey Krishnev, Nike: “When we look for people, we take them only when we are positive that the person can at least grow one level up. This policy is in response to what we saw happen with many cross-functional projects: job responsibilities can change very quickly and so being successful today does not indicate whether you will be successful in 12 months. The only way to counter this development is to hire someone who has the capacity to grow.”

7. OUTSOURCING

Increased levels of outsourcing and an expansion of the gig-economy are a global phenomenon. Although estimates can vary, roughly a quarter of the workforce in the US are part of the gig-economy. The Russian labour market does not escape the trend and in our many discussions with senior executives in Russia we hear about outsourcing a lot and this is a common theme in Russia. In our survey 44% of executives say that they outsource more staff than they did before. Another 35% say that they use more remote workers than they did before.
Several dynamics have led to this development: the major one is technology. With technology, remote work and geographical arbitrage become possible. This applies to blue-collar work, but equally to the white-collar professions, where service centres specialising in areas such as accounting or customer support are placed in the regions or entirely different countries with lower labour costs. Technology additionally drives the speed of change in business; this asks for companies to be dynamic and adaptable, leading to a lower willingness by companies to commit to employees long-term.

And to top things off, the general softening of the global economy and the moderate growth outlook for Russia has led to cost-cutting and tight budgets, meaning that keeping headcount low remains a priority. It is also the case that younger generations are less prone to long-term commitments than in the past. There is a higher focus on self-fulfilment and flexibility and employees no longer remain with the same company for years and years.

Yana Blezig, Heineken: “Companies do not operate within companies anymore. They increasingly operate as ‘organizational ecosystems’ that include consultants, freelancers, outsourcing and the use of flexible contract arrangements (part time or remote work). What we as a company believe is important in such an environment is to keep standards high: we closely look at whether human rights, minimum wages and ethical behaviour are upheld. This includes ethical audits of the companies that outsource to us, using the SMETA methodology. Our responsibility has moved beyond our own company and I see this trend with other companies as well.”

Yevgeny Merkel, Excelion Partners International: “We hear about the gig economy and that companies are unwilling to hire permanently. But this trend is not only due to companies themselves; people from the younger generations are generally less willing to commit to companies full-time. They want flexible hours and to work freelance for several projects and companies simultaneously.”

8. CONCLUSION: FROM HIERARCHICAL TO DYNAMIC

We have looked at the driving trends of HR in Russia in 2020: digitalisation, the employee-centric approach, the increased focus on potential when hiring and outsourcing. What all 4 trends have in common is that they either require companies to be forward thinking, or adaptable, or both. Digitalisation with its constant transformation requires companies to be forward thinking and adaptable as new trends roll in, the employee-centric-approach is forward thinking (invest in people now to reap the rewards later), hiring for potential is forward thinking and outsourcing provides adaptability.

The trends together result in HR practices that go from hierarchical to dynamic, where strategic thinking by leaders in HR become increasingly important and administrative services and tasks are less important as digital support comes in to take those over.

Sergey Khalyapin, Citrix: “Nobody knows where technologies will be in 10 years given the current speed and potential for change, and companies may find themselves fundamentally re-structured or bought/merged with another company. Questions by HR such as “Where do you see yourself in 10 years?” will just not suffice anymore.”

Elena Kukushkina, Baker & McKenzie: “The digitalisation of the economy and document workflow are part of a political trend. As such, all employers will face these challenges and need to adapt to upcoming new legislation.”

Andrey Philippov, Horton International: “In a world of technology when you have all the information and things move fast, leadership is in even higher demand than before. We know of companies where they have such strong IT infrastructure that information is very much at hand and administrative assistants can pull all relevant information. For what purpose do I need several layers of middle-management anymore?” one top executive asked me.
In this appendix, we include all questions from the HR survey held at the end of 2019 as a general reference, providing a quick overview of the survey. We note that not all questions from the HR survey presented here are integrated into this report.

### Is your company devoting more resources to staff/HR related issues than 1-2 years ago?

- Much more: 19%
- A little more: 37%
- No change: 28%
- A little less: 10%
- Much less: 6%

### This last 18 months (compared with previous years), candidates and current staff are less fixated with their pure salary levels and bonuses:

- Much more focused on money and salaries: 9%
- More focused on salary: 24%
- No change: 46%
- A little less focused: 20%
- Yes, they are much less focused on pure salary issues: 1%

### The voluntary turnover levels of staff for our business sector are:

- Very high: 0%
- High: 9%
- Normal / standard: 57%
- Low: 27%
- Very low: 7%

### Today, compared with the last 2-3 years, I would say that staff are:

- Much more loyal than they used to be: 7%
- A bit more loyal: 26%
- No change: 47%
- Less loyal: 19%
- Much less loyal: 1%
The selection process of new candidates is quicker than in recent years (from first contact through interviews to job start):

- Yes, much quicker: 18%
- No change: 55%
- In fact slower: 27%

The quality of staff overall in terms of skills and education levels in the current candidate pool is:

- Very good: 1%
- Good: 27%
- Acceptable: 53%
- Poor: 18%
- Very poor: 1%

Retaining staff using a variety of factors is now:

- Much easier compared with 2-3 years ago: 12%
- No change: 59%
- Less easy: 29%

Acquiring new staff to operate our Digital Business is:

- Very, very hard work: 2%
- A major challenge and difficult: 23%
- Tricky but manageable: 44%
- A bit difficult: 20%
- Fine and no issues: 11%

We pay digital staff more than those working in traditional departments doing the same kind of work (for the same level of work):

- Yes, a lot more: 11%
- A little more: 39%
- No difference: 48%
- Less: 2%

We are asking staff to work both in the traditional business and also to mix into the Digital Business as well at the same time:

- Very often: 3%
- This is normal practice: 64%
- Only occasionally/rarely: 31%
- Never: 2%

We are outsourcing more staff (either existing ones or new ones):

- Yes, a lot: 7%
- Yes, a little: 37%
- No: 56%

We are using more “remote workers” than before:

- Yes: 35%
- No: 65%
We allow some staff to work part of the week from their homes in a limited, focused manner:

- Yes, very often with many staff: 30%
- Yes but just a few: 44%
- No but we plan to do so: 10%
- No and no plans: 17%

At General Manager and senior levels, are you seeing changes in the numbers of Western expatriates in the last 18 months?

- Yes, many expatriates have left/are leaving and are being replaced by Russian locals: 21%
- Some expatriates are leaving: 18%
- There is no change: 57%
- In fact more expatriates are being hired: 4%

How often does your company have organisational changes in its structure in Russia/CIS?

- We have not had organisational changes: 0%
- Yes, very often with many staff: 17%
- I don't know: 6%
- Those are a few more international transfers: 45%
- No change: 39%
- In fact fewer transfers abroad: 11%

Are Russian staff being promoted to more permanent international, global roles?

- No and no plans: 0%
- No but we plan to do so: 10%
- Yes but just a few: 44%
- Yes, very often with many staff: 30%

What were the reasons why the organisational structure was changed?

- External reason: macroeconomic changes (economic growth, inflation, FX volatility etc.): 18%
- External reason: new legislation / regulations / sanctions: 9%
- External reason: new competitors / increasing competition: 18%
- External reason: new best practice in the industry / new technologies: 24%
- External reason: internal reason: change of company strategy / new goals / new vision: 74%
- Internal reason: to cut costs / increase efficiency: 63%
- Internal reason: change of company strategy / new goals / new vision: 74%
- Internal reason: to cut costs / increase efficiency: 63%
- We have not had organisational changes: 6%
- I don't know: 1%
After the organisational changes were completed, did your company need new people with new skills to fit the new organisational structure?

- Yes, we needed new skills and we mostly hired them: 27%
- Yes, we needed new skills and we mostly promoted internally by training employees: 44%
- No (we had all the talent we needed onboard): 29%

Regarding the previous question: in case you needed new skills and promoted internally by training employees, who did you train?

- Upper management: 26%
- Mid-management: 87%
- Specialist (such as IT personnel, accountants, supply chain specialists etc.): 59%
- Workers / temporary staff: 10%

Do you think your current organisational structure fits the purpose?

- A great deal: 5%
- A lot: 54%
- A moderate amount: 39%
- A little: 2%
- Not at all: 0%

How do you choose providers of HR services (e.g. companies that do trainings, workshops, help with recruitment etc.)?

- There are no limitations from HQ and we decide on HR providers locally: 39%
- We chose HR providers locally, with HQ approval: 40%
- HR providers come globally from HQ, with some exceptions: 18%
- All HR providers come globally from HQ: 3%

When hiring internally or externally for a position, what tools do you use to find the right candidate?

- We use the hiring managers criteria for what a good candidate is: 53%
- We use a selection processes that is offline/in-person (structured interviews, assessment centers): 84%
- We use online assessment tools (online tests, online questionnaires): 46%
- We use external consultants for an independent assessment of candidates: 34%
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**Moscow**

White Gardens  
9 Lesnaya Street  
Moscow 125196 Russia  
Tel.: +7 495 787 2700  
Fax: +7 495 787 2701  
moscow@bakermckenzie.com

**St. Petersburg**

Bolloev Center  
4A Grivtsova Lane  
St. Petersburg 190000 Russia  
Tel.: +7 812 303 9000  
Fax: +7 812 325 6013  
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Local Organising Committee “Russia-2018”
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• Development of competencies
• Operational Readiness evaluation

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Contact information
https://www.detech-group.com/
Address: Moscow, 75 Butyrskaya st.
Telephone: +7 495 663-20-62
E-mail: info@detech-group.com