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Study: Russia Lags in Managing Employees

By Irina Filatova

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Chief executives of the biggest local companies have turned to managing the performance of their employees to achieve bullish financial results this year, although less than half of them spend enough time at it to increase work force productivity, a consulting company said Thursday.

Just 44 percent of company heads in Russia spend more than one-tenth of their time managing employees' poor performance, which is much less than in the rest of the world, Hay Group said in a survey.

The global average is 64 percent.

Unlike in Western countries, Russian business leaders have not established the habit of managing performance and rely largely on controlling their employees instead, said Derk Koole, chief executive of Hay Group in Russia and CIS.

"Performance management has never been a big issue in the Russian management culture. The companies' performance was good before the crisis due to the growing economy, not that much because the business leaders were managing performance well," he said by telephone.

Russian senior managers have a different education from their foreign peers, Koole said, adding that there also was no performance management culture inherited from Soviet times.

The survey was conducted among 50 senior managers at the biggest local companies operating in the chemical industry, oil and gas, telecoms, retail and banking, as well international firms that have units in Russia.

Koole declined to specify the companies' names, citing the confidentiality policy.

According to the survey, Russian chief executives, who expect their companies to show average growth rates of 4.9 percent this year, reconsidered their approach to increasing the employee productivity to meet this target.

"With the rapid decline of the economic growth in the last two years, managing individual performance has become more important," Hay Group said in a statement.

According to the survey, 58 percent of the senior managers consider individual performance management an important driver of their company's success.

The figure is, however, lower than the 64 percent globally, with Canada and Sweden showing the best results of 90 percent and 88 percent, respectively.

Having learned the lessons of the financial crisis, many chief executives started to diversify bonuses for managers to increase work force productivity, which is lower than in developed countries, Koole said.

"Bonus differentiation for the employees showing better performance and those showing average performance wasn't a common practice before the crisis," he said, adding that employees used to think that "bonuses were guaranteed."

Senior managers used the bonuses policy as a "punishment system" rather than a motivation, not paying out to employees breaking corporate rules, Koole said.

"In order to achieve the high productivity gains Russian businesses need, managers must stop monitoring and controlling their employees and work harder to engage and enable them," he said.

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