

## Is small beautiful? Is big efficient?

### Selected patterns of HRM: a pilot study of two Russian companies.

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The article focuses on patterns and strategies developed by particular business enterprises that help to cope with the challenges of transition, like changes of property ownership, companies' structure, principles of performance, and patterns of business-government relations. The paper is based on several case-studies: those of the biggest and most influential Russian corporations (LUKOIL, GAZPROM and ROSTELECOM), and those of small business firms (a factory; an equipment-sales middleman). The author analyses the systems of industrial relations and measures of personnel adjustment to the challenges of transition developed by the selected Russian companies in comparison to how these measures are perceived, evaluated and consequently responded to by employees. The patterns applied by big corporations ("Blue Chips") and small companies differ considerably. The size of a company is a crucial factor here, as well as the history of a company's transformation, and the personalities of the company's leaders and their participation and role in the political process.

Der Artikel konzentriert sich auf Muster und Strategien von Unternehmen zur Begegnung der Herausforderungen des Überganges wie der Änderung des Eigentumrechtes, der Unternehmensstruktur, Leistungsprinzipien und Beziehungsmuster zwischen Regierung und Unternehmen. Er basiert auf mehreren Fallstudien in einigen der größten und einflussreichsten russischen Unternehmen (LUKOIL, GAZPROM und ROSTELECOM) sowie kleinen Unternehmen (eine Fabrik, ein Kaufmann). Der Artikel analysiert die Systeme der industriellen Beziehungen und Maßstäbe der personellen Eignung für den Übergang, die von ausgewählten russischen Firmen entwickelt wurden, und inwiefern diese Maßstäbe anerkannt, bewertet und folglich von den Angestellten erwidert wurden. Die Muster die von den großen Konzernen ("Blue Chips") und kleinen Firmen eingesetzt wurden, unterscheiden sich dabei erheblich.

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The cornerstone of “Small is beautiful” theories<sup>1</sup> is that a small or medium size business is more nimble and mobile in adjusting to social, political, economic and technological innovations, is the generator of new ideas and an experimental base for trying new practices. The experience of the Russian companies today tells that is only one side of the truth. A small firm is creative as it has to adjust to policy changes when they have already taken place as best and as quickly as it can – changing its operational strategy and consequently, trying to either train or hire some new people who have the skills to work under different conditions. However it has extremely limited, if any at all, influence on shaping economic environment: state regulations on safety or quality standards, foreign trade policy, tax and customs regime. The leaders of small companies can try to estimate the on-coming changes in business climate and take appropriate measures beforehand; still they most often lack information.

Such a company as OAO “Gazprom” not so much “adjusts” to technological, political and economic changes, but rather is the main initiator and beneficiary of macro-economic, macro-political and macro-social changes, as they correlate with its strategic goals.

In connection to this fundamental difference of power status, and ability to influence the transformation of the company’s environment, which exists between a big corporation and a small firm, the resources they possess are different, and require different strategies of management.

This article focuses on differences in HRM patterns of a big corporation and a small company; accounts for perception, evaluation and consequent response by employees to the personnel development measures in the biggest and in a typical small Russian company, assesses the impacts of particular human resources development policies on the individual level in terms of their effect on employees’ professional life.

The article is based on two case studies<sup>2</sup>: one of the biggest and most influential Russian corporation – OAO “Gazprom”, the other of a typical small business

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<sup>1</sup> “Small is Beautiful” by E.F. Schumacher / in Turley Mings, “The Study of Economics”. The Dushkin Publishing Group, Inc. Connecticut, 1995.

<sup>2</sup> As Robert E. Stake (Handbook of Qualitative Research, Second Edition / Norman K. Denzin, Ivonna S. Lincoln (editors), Sage Publications Inc. 2000; pp. 435 – 454) puts it, “Case study is not a methodological choice but a choice of what is to be studied. By whatever methods, we choose to study a case. We can study it analytically or holistically, entirely by repeated measures or hermeneutically, organically or culturally, and by mixed methods – but we concentrate for the time being, on the case. A case study is undertaken because of an intrinsic interest in this particular case. As the researcher seeks both what is common and what is particular about the case, he (or she) draws from all the following:

1. The nature of the case;
2. The case’s historical background;

firm (an equipment-sales middleman) “BIRO”. As what matters for us is organizational practice seen “objectively from outside and from inside, as individual and group behavior”<sup>3</sup>, and a big corporation is generally found reluctant to reveal its managerial patterns to an “outsider”, considering them to be a know-how and an “inside” information, research was conducted using quasi-experimental methods, on a non-controllable sample<sup>4</sup>. The empirical data for the analysis was collected during expert interviews with managers and executives of both companies, and counter-checked by questionnaires<sup>5</sup>, addressing the employees’ attitudes to personal and professional impacts of the personnel development programs adopted by the companies’ administration. Public relations materials issued by the OAO “Gazprom”, such as the Presentation CD-ROM of the company, books about Gazprom and Russian Gas industry edited by the then-Chairman of Management Committee of OAO “Gazprom” Mr. R.I. Vyakhirev, and publications in the leading newspapers (Nezavisimaya Gazeta, Kommersant, Argumenty i Fakty)<sup>6</sup> provided another valuable source of data.

Before going into the results of findings, it seems reasonable to present both companies.

ZAO (Closed Joint Stock Company) “BIRO” is a typical small Russian firm, acting as a middleman in supply and assembly of equipment for oil-processing

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3. The physical setting;
4. Other contexts (economic, political, ethical etc.);
5. Other cases through which this case is recognised;
6. Those informants through whom the case can be known.”

As the object of my intrinsic interest is OAO “Gazprom”, the second case presents the background against which the particularities and the uncommon peculiar to Gazprom can be better recognised.

<sup>3</sup> Handbook of Qualitative Research, Second Edition / Norman K. Denzin, Ivonna S. Lincoln (editors), Sage Publications Inc. 2000; pp. 567 – 601.

<sup>4</sup> According to Stephen Kemmis and Robin McTaggart, this approach to the study of practice is likely to be adopted especially when the research question is related to the functioning of an organisation understood as a system (and where people are seen as elements of the system); *Ibid.*, p. 575.

<sup>5</sup> 20 expert interviews were conducted at OAO “Gazprom”: with heads and higher executives of the Public Limited Companies which are part of Gazprom empire; with heads of offices of various departments of the company’s Administration in Moscow, and with employees of the Administration. 10 expert interviews were conducted in “BIRO” – with the General Director of the company, and staff members. The same respondents in both companies filled in the questionnaire.

<sup>6</sup> E.g., Nezavisimaya Gazeta, 01.02.2001; 03.02.2001; 06.02.2001; 08.02.2001.

plants since 1992. It was created by a group of colleagues on the basis of an experimental laboratory of the State Scientific and Research Institute of Chemical Engineering, when in 1992 with the beginning of market reforms it became clear that the state couldn't provide money to support applied scientific research yet there is demand for technology products. The shares of the Closed Joint Stock Company are in possession of the "founding fathers"- the initial team of the laboratory, which formed the leadership of the company – general director and his deputy; heads of construction and technology departments. Share-ownership provides access to participation in decision-making on the main strategic issues. The regular staff of the company is 25 people (including accountant and personnel manager). To supply, assembly and test the equipment the company hires up to several hundred construction workers and engineers on a contract basis.

Actually, little else can be added to this short description. The company and its leaders did not ever appear on TV screens neither did the first pages of newspapers ever dedicate articles to its policy. It is decidedly not a political decision-maker of national or international scope; it is just doing its little business, hiding taxes from the government, earning its little profits. On the contrary, OAO "Gazprom", one of the world's leading gas companies, which accounts for 94% of the Russian gas production<sup>7</sup>, and for 23% of the world's gas production<sup>8</sup>, is the most influential and powerful financial and industrial corporation and political and social actor in contemporary Russia.

## **The United States of Gazprom.**

It became evident with time that the foundation for the success of the company was laid at the very beginning of market reforms of 1991, when the holding "Gazprom" was organized through consolidation of a great technologically united complex of enterprises which form the United System of Gas Supply and its infrastructure within the Russian gas industry<sup>9</sup>. As the leaders of the company stress, it was not an easy task, especially taking into account the reforms, conceived by E. Gaidar, A. Chubais and other neo-liberal reformers. Their plan

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<sup>7</sup> Over 650 billion cube meters

<sup>8</sup> "Strategy of Development of Gas Industry in Russia" / edited by R.I. Vyakhirev/ – Moscow, Energoatomizdat. 1999.

<sup>9</sup> The United System of Gas Supply comprises about 200 gas and gas-condense deposits, 220 thousand kilometres of main gas pipes, 46 underground gas storages, compression stations with the general power of 50 million kilowatt, gas processing plants and gas distribution stations; and they all are bounded by technology into a single complex. The chief deposits are in the north of Tyumen region, in the North-West Siberia. From the extraction sites gas goes through the pipe to the center of Russia and further to West. About one forth of the whole amount of produced gas (over 150 billion cube meters) is exported to the West.

for reorganization of the oil and gas industry envisaged its breakout into hundreds of small independent companies, competing each other in their particular business areas.

To prevent such disintegration, the top managers of the oil and gas industry put forward their own strategy of the reorganization, with the general idea of setting up big oil and gas companies on the principle of vertical integration (which they borrowed from Western experience). The confrontation ended with the victory of oil and gas “generals”. Among them was the then Prime Minister of the Russian Government Victor Chernomyrdin, who used to be the head of Gazprom and of the gas industry, and insisted on the preservation of “Gazprom” as a single concern in the gas industry.

In February 1993 the special normative acts of the President and Government of the Russian Federation gave the state concern “Gazprom” the status of an open joint-stock company, OAO “Gazprom”.

Auctioning in “Gazprom” was carried out according to the holding company scheme, or “from top to bottom”. The strict hierarchy of the management decision-making characterizes the ownership and business structure of the company. It was much helped by the strict rule of accumulation of all shareholdings from daughter companies in the central company.

This is the official data on the structure of shares ownership, which is presented in the following table<sup>10</sup>:

*Table 1. Structure of the distribution of shares in OAO “Gazprom”*

Federal property	38% of shares
Physical shareholders, among them	19,7% of shares
Employees of OAO “Gazprom”	Approximately one third of the physical shareholders’ shares
Russian legal entities shareholders	31,1% of shares
Foreign investors (companies)	10,2% of shares <sup>11</sup>

<sup>10</sup> The detailed information on the holders of gross packages of shares of OAO “Gazprom”, as well as the information about which highly profitable or strategically important enterprises (TV channels, newspapers, major business centres, hotels, etc) are owned or partly owned or controlled by the OAO “Gazprom”, is privileged.

<sup>11</sup> These are the stocks and bonds issued on the shares of OAO “Gazprom” by commercial foreign banks which possess the rights of storing the 10,2% of Gazprom’s shares.

Source: “Strategy of Development of Gas Industry in Russia” / edited by R.I. Vyakhirev/ – Moscow, Energoatomizdat. 1999, updated to 2001 according to expert interviews with OAO “Gasprom” executives and annual reports of the company.

As the experts indicated in interviews, all the employees of the company received a small number of shares in exchange for their state privatization checks (vouchers) during the first stage of privatization in Russia in 1991-1992. The number of shares a person could receive in exchange to his or her state privatization checks and acquire for a discount price was determined by his or her position in the management hierarchy. Senior managers obtained substantial packages. The newcomers to the company, those who entered the ranks of its employees after privatization, can only acquire shares by their market price. As far as ordinary employees are concerned, the money they can get in dividends on few shares they own is a small sum, in average about 30 USD a year. Thus the shareholding neither adds any substantial income to their budgets, nor influences their preferences and wishes in terms of company’s strategy of profit spending: whether the company decides to invest profits into gas-pipes construction, or spend it for social benefits or pay in dividends, the ordinary employees do not see any substantial difference and do not much care. Besides, the process of calculating the revenues per share is very bureaucratic and centralized and takes such a long time and is so remote from the everyday spending needs of ordinary workers in the numerous daughter companies and public limited companies of OAO “Gasprom”, that the latter do not rely on getting any dividends at all, and if they eventually get them, regard it as pure good luck.

At present the “Gazprom” empire has in its “orbit” about 50 Public Limited Companies (6 gas extraction enterprises, 17 gas transport enterprises, and the rest are enterprises executing particular business activities – trading gas to the regions of the Russian Federation, exporting gas abroad – to the CIS and Western Europe; Gazprombank and its affiliations, transport infrastructure enterprises, air carriers, utility companies, etc.); 27 daughter companies (which are in charge of construction, assembly and maintenance of gas extraction, gas transport, gas storage and other types of equipment, geological investigation, drilling, in-flow of investments across all regions of Russia into building new gas extraction and transportation facilities, insurance companies (both industrial and personnel), etc.); and agencies, branches and institutions (representatives in regions of Russia and abroad, training centers, vocational schools and colleges, hospitals, clinics, recreational facilities and other elements of social infrastructure. In addition, 8 scientific and research institutes, inherited from the Soviet times, are now also integrated within the company’s structure (5 with the status of daughter companies and 3 of public limited companies).

Over 350 thousand people work on the companies of OAO «Gazprom», together with the members of the family over 2 million people are dependent on the OAO

“Gazprom”. Actually, the company is the second biggest employer in Russia besides the state.

The General Shareholders Meeting and the Chairman and Board of Directors form the top of the hierarchical pyramid, but in reality it is the Management Committee, which has real power. Until May 31<sup>st</sup> 2001, OAO “Gazprom” was headed by Mr. R. I. Vyakhirev, who was the Chairman of the Management Committee and the First Deputy of the Chairman of Board of Directors. As his contract expired, the State decided to replace him by, as the newspaper “Vedomosti” wrote, “a person absolutely loyal to the President Putin”<sup>12</sup>, the former Deputy Minister of Energy, Mr. Aleksey Miller. During the meeting of President Putin with the top management of OAO “Gazprom”, where the President informed the company’s leaders about his decision, he characterized Aleksey Miller as a young person whom he trusts, who has an experience of work in the sphere of business and who possesses the knowledge of the modern management methods and techniques<sup>13</sup>. Thus it is expected (as it was declared by Mr. Miller during a press-conference after his appointment the Chairman of the Management Committee) that it is intended to strengthen and increase the role of the state in OAO “Gazprom”. According to the analysts<sup>14</sup> it is possible that considerable changes may concern the key managerial positions in the company. Surely it can lead to important shifts in the company’s role as a key political actor, to reconsideration of the company’s priority political and economic goals and strategies of their attainment, which may transform the organization of the company’s business activities, the way it manages its resources, human as well, and the way its resources respond to this type of management. However, the prospects of Gazprom’s future development and transformation, and its new political place and role in the Russian economy is a much too important issue and requires a special analysis, which goes far beyond the scope of this article. It might be worth conducting another study in some time from now – to assess the impact of these macro-political changes on the general management and HRM patterns of the company. In the meanwhile, however, we shall not make any far-reaching prophecies, and restrict ourselves to the state-of-the-art.

The organizational axes of “Gazprom” extend vertically from the Chairman of the Management Committee, his first deputies and deputies, down to Administration of OAO “Gazprom” and functional departments of the company. Despite a relative independence of daughter companies (they all have their own

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<sup>12</sup> “Nezamenimykh net” (There are no non-replaceable people) / Vedomosti, # 94 (417), Thursday 31 May 2001.

<sup>13</sup> Ibid.

<sup>14</sup> Nezavisimaya Gazeta, Thursday 31 May 2001.

book-keeping and sub-account – which is connected to the IMF requirements), “Gazprom” from the very start has been able to function as a well-managed organization. Its entire member structures are linked from top to bottom by technological process, and receive short-term and strategic plans (such as, for example, for capital investment) from the central governing body - Administration.

It comprises 27 Departments, most of which are further structured into sub-departments, sections and offices, and only few of them are “traditional” technical ones: more than 20<sup>15</sup> are working on innovations in technology, research and development, management practices, marketing, public relations (within the company, with various levels of the state and regional administration, with consumers, with investors, with foreign partners and consumers), providing analysis of economic and political situation in the Russian and world gas industry, on the energy markets, in the Russian and in the world economy, making research into political climate and investment prospects, and offering strategic development patterns of OAO “Gazprom” activities in the spheres of technology, finance, HRM, marketing and interaction with the State.

Let's not bend ourselves to the will of the changing world.

Let the world bend to our changing will!

(“Time Machine”, famous Russian pop-music group)

As the now ex-head of OAO “Gazprom” R.I. Vyakhirev wrote in his book, “primarily, the financial industrial trans-national corporation, which is OAO “Gazprom” adjusts to changes in its environment, to economic transformation. It does so by including into the orbit of its activities vulnerable and strategically growing businesses, such as banking, insurance, trade, etc., which lie far beyond gas extraction and transportation and industrial infrastructure. As for the company's strategic goals, they are in directed influence on and transformation of the economic environment”<sup>16</sup>. To realize the far-reaching goals embracing a

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<sup>15</sup> Such Departments, as Administration of Science, Techniques and Ecology; Administration of Geology, Development and Licensing of Deposits; Department of Price Formation and Economic Expert Opinions; Department of Tax Policy; Department of Securities and Long-term Financing; Department of Strategic analysis and Internal Audit; Department of Perspective Development – are inherently innovative and creational by definition;

other Departments are more or less traditional, having been in the structure of the Soviet gas industry for years, but are nevertheless the cornerstones of the company's vertical integration (e.g. Department for the Transport and Use of Gas); technological modernisation (e.g. Department for Well-Drilling in the Shelf Region), HRM revolution (Department of Personnel Management with its subdivisions) and implementation of political goals of “Gazprom” (Department for Work with the Regions).

<sup>16</sup> “Strategy of Development of Gas Industry in Russia” / edited by R.I. Vyakhirev/ – Moscow, Energoatomizdat. 1999, p. 268 – 270.

wide sphere of the economy and politics, a mighty planned orderly elaborate complex structure, based on the cream of scientific achievements in Western managerial science is in charge of management of human resources in OAO “Gazprom”. Its institutional embodiment is the Department of Personnel Management in the Administration. The Department of Personnel Management directly supervised by the Chairman of the Management Committee, and thus its instructions and orders, authorized by the highest power, cannot be neglected, counteracted or challenged by any senior official heading any direction – technical, financial, etc. The Department consists of Administrations (Offices): Administration of Personnel and Social Development; Administration for the Standardization and the Remuneration of Work; Administration of Culture; Administration of Medical and Health Resort Services. The economic administration, which is in charge of improving housing conditions of employees, has an independent status, though it works in close correlation with the Department of Personnel Management. When developing the institutional structure of HRM Department of OAO “Gazprom”, setting up its offices, determining the principles of its functioning, prerogatives, duties and goals of its branches and representatives, the senior managers of the company thoroughly studied and adopted the best practices of the experience of the leading Western corporations in Human Resource Management, primarily that of RurhGaz. The Western experience was incorporated into the corporate welfare system, established in Soviet times.

The ZAO “BIRO” has no official structure in charge of HRM. There is an accountant, and a Personnel Manager, who keeps on file the data on employees, prepares contracts with the part-time workers and orders within the company, and combines these duties with those of a secretary of both General director and his deputy.

The system of work remuneration in OAO “Gazprom” is two-fold, according to the division of employees into two categories: top-managers and executives. The former sign a contract with the company. It determines the size of salary and is confidential. The latter are staff members, and their salaries are determined by a wage tariff corresponding to their personnel rank. The average salary of a “staff” employee is about 6000 rubles (about 200 US\$). The salaries specified in contracts are not revealed, but known to be many times higher. The “staff” salaries consist of two parts – a tariff rate for that rank and a “fixed bonus”, which is 75% of a tariff rate. Fixed bonuses do not depend on the employee’s contribution to the enterprise’s profits, but they are not paid for the period when an employee was on a holiday or a sick leave. The head of the department divides them between the other employees. On top of that there are also special bonuses for good work.

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In “BIRO” the management of the company determined the wage tariff for each position. Every month the Deputy director and the heads of departments evaluate the work of employees, and assign a multiplier (a figure between 1 and 2, e.g. 1,2 or 1,6) to the wage tariff of every worker. Surely, this approach depends to a great degree on personal viewpoint, still the employees did not say it has ever been unfair. In addition to the monthly salaries, there are bonuses paid quarterly, their size also determined by the boss, this time not as a percentage of the salary, but as a fixed amount based on the company’s financial results and the employee’s input. And at the end of the year there is a yearly bonus.

To work well workers should be healthy. The medical system in Russia currently has many deficiencies, including the poor condition of municipal healthcare facilities, the lack of equipment and drugs, and unaffordable prices at private commercial hospitals and clinics. Thus companies try to do what they can for employees, but again there can be different patterns.

ZAO “BIRO” operates in Moscow and it has an agreement with a medical insurance company, under which it pays the health insurance for its 25 employees, and in case of need they are provided medical services by a good commercial clinic in Moscow. The company also pays sick leaves, which is unfortunately not a general common practice for small businesses: their employees frequently have no social support and no realization of their social rights.

For the mono-functional towns in the gas extracting and gas-transport regions of the North-West Siberia, with its severe climate, marshes, mosquitoes and other “charms” of the Northern desert, their enterprises are the only source of all public goods, the source of life itself. The Administration of Medical and Health Resort Services of the Department of Personnel Management of OAO “Gazprom” is in charge of development of the system of corporate healthcare. Partly the system of industrial healthcare is the legacy of the Soviet past, but it has been so much improved, enriched and modernized, that little now resembles its humble ancestry. OAO “Gazprom” builds luxurious clinics, equips them according to the latest standards, and invites the broad numbers of doctors of highest qualification to work there. Clinics and hospitals provide services to the holders of the insurance cards of the public limited insurance companies within the OAO “Gazprom”. Every employee has two medical insurance cards. GazPromMedstrakh issues insurance cards to services provided by the Gazprom clinics. The cards of the public limited company “Gas Industry Insurance Company” (SoGas) cover particular and expensive medical services, such as operations, which are provided by the Central Clinical Hospital (the hospital for the Russian Heads of State). In order to ensure early diagnostics and prevent diseases every year every employee is obliged to be inspected by all specialists

in a clinic. OAO “Gazprom” also possesses a large and rich network of recreational and sports facilities, resort homes.

The key role in organizing and financing the employees’ cultural leisure belongs to the labor union of Gazprom. All employees are its members. The labor union works together with the Administration on Culture of the Department of Personnel Development, and with the Economics Administration. If an employee has been working for over 25 years in the industry, the company pays 90% of the price of his going to a resort home, over 20 years – 70% etc. Also the company covers up to 90% of the costs of short excursion trips of employees over the weekend or a public holiday to beautiful towns – for example, the Golden Ring round Moscow.

The expert interviews have shown that the employees of OAO “Gazprom” are quite happy with the way Medicare embraces them, they admit it is extremely efficient. Yet, the perceptions of Muscovites and Gazprom’s employees in the far-away northern Siberian mono-industrial towns, round the gas-extracting stations, differ considerably. For the latter, as was mentioned, there is no alternative to the corporate Medicare. But in Moscow there are quite good opportunities in commercial hospitals and clinics. Thus the perceptions of employees are determined by age: older people use clinic more often and need it more, and for them the existing system is the most efficient: even an increase in salary will not recompense them the cost of medical services, if they had to pay for them elsewhere in a commercial hospital. Younger people sometimes also go to see a doctor, but they would prefer an increase in salary to have freedom of choice to spend this money, as they want. Yet the respondents are positive the question of reforming the social infrastructure has never been raised and will never be.

The key role in the system of Human Resource Development of OAO “Gazprom” belongs to a complex, great, scientifically grounded, constantly improved and extended Program of Personnel Training. Its development has been based on the company’s strategic goals, on a detailed comprehensive analysis of the quality and peculiarities of human resources, the needs of each Department, and their correlation with the general tasks of the corporation, educational potential and gaps in skills of candidates to filling the vacancies in managerial hierarchy. The Program of Personnel Training is also deeply related to the career orientation and pattern in home PR strategy of the company.

The three following factors determine the strategic orientation of the Program of Personnel Training:

- First, the over-Russian and international scope of business activities of OAO “Gazprom”, its national and international interests. Thus there is a need for highly qualified and broadly educated specialists in different fields, with an excellent knowledge of foreign languages, international legal and financial

relations, economic and political systems of partner-countries, and many other things.

- Second, the diversity and broadness of business and political interests of Gazprom, embracing, besides the whole complex of gas industry with its infrastructure, banking and insurance spheres on the over-Russian level, Mass Media, Tourist business etc.

- Third, the ageing of the senior management of OAO “Gazprom”. The top and upper-middle management are in the majority people far over 60.

In this connection the branches of Program of Personnel Training are starting to reach not only the senior and upper-middle managerial levels, but also young specialists.

The first working week of all newcomers to the company is entirely dedicated to the seminar “OAO “Gazprom” – a major industrial and financial corporation”. The people are introduced to the science of how to live and work in the company. During five work days, with leave of absence from their work place, they study business ethics, psychology of team work, and surely, they learn the history of the company, its structure, interdependence between the Departments, the company’s priorities and goals.

As has already been mentioned, OAO “Gazprom” has its educational centers in Moscow, where special programs are conducted in such areas as business administration, foreign languages, personnel management, financial management, etc. There is also an educational center in Saint Petersburg, which specializes in computer technologies for system administrators and for users.

The educational programs have always been in the industry, but after 1993 they were substantially improved, modernized and transformed. Primarily they embraced only the top executives, who studied English and German languages, management, law, economics and the best managerial and technical experience of the leading Western corporations. Gradually with the understanding of the long-run benefits of investments into human capital and policy changes the programs were extended much further down the corporate hierarchy. First, they reached the so-called “top-managerial reserve” – deputy heads of offices with the capacity to be promoted higher upwards. Special programs consisting of six blocks were developed for them. Each block implies the study of particular branch of management through traditional lectures and seminars and internships in Western companies.

The young specialists of various Departments of the Moscow Administration and the middle level managers of regional enterprises of OAO “Gazprom” are currently taking part in a special training and educational program “Management (in German language)”. During a year employees in groups of 10 intensively study German every day after work. To be included into the groups the Department of Personnel Development conducts selection on a competitive basis

with the help of psychological tests and interviews. About 5-7 people compete for one place in a group. At the end of the year there will be an exam in German, and those who pass it will go for an internship to Germany according to the field of their professional occupation. The Program of Personnel Training of OAO "Gazprom" is carried out in direct collaboration with foreign, primarily German partners. Foreign companies have special departments, branches and structures executing the training of Gazprom's specialists. The goals and programs of study visits and internships are coordinated with the representatives of hosting companies and training centers who come to Moscow. The interns are asked to draft a plan of their study visit and specify what positive German managerial, technical etc. experience in particular they need and want to study and how it will be used on return to Gazprom, and how it is connected to his or her professional activities. The internships can be of different kind. There are two-months visits to RuhrGas enterprises, when every employee of Gazprom is sent to a particular workplace within the German company, has his or her own plan of work and is completely incorporated into the new business environment, language, business culture, peculiarities of work of the German corporation. During a one-month internship in Germany a Gazprom employee studies a course in Business Administration in German, in the form of lectures, seminars, roundtables, simulation business games. Two-weeks study-visits imply acquaintance with the enterprises of RuhrGas and other German companies, seminars and lectures on principles of the company's structure and management.

The employees of "BIRO" also have attended numerous trainings and seminars, though they were undoubtedly not so grand and far-reaching as the Personnel Training Program of Gazprom. Some of them were combined with work process, others granted leave of absence from work, but usually not longer than for two weeks: a small company cannot afford to do without any of its 25 employees for a long time. Mostly the trainings were computer skills up-grading courses, teaching engineers to use computer technologies and special programs to model equipment and forecast its exploitation processes.

The results of the questionnaire survey among the employees of "BIRO" and "Gazprom" provides quite interesting findings. Both groups are rather satisfied than not with their work in general, their working conditions and climate in the collective, but only partially satisfied with salaries. Both groups took part in Personnel Training Programs (though in different forms due to differences among these Programs). But there are considerable differences in opinions between the employees of "BIRO" and those of "Gazprom" on other issues. The former indicated that professional competence of an employee is contributed by:

First, knowledge, skills etc. obtained "non-intrusively" during the work;

Second, experience passed on and shared by the older colleagues;

Third, general erudition;

Forth, special skills and knowledge an employee obtained by himself, conscientiously, at his free time, guided by his career and professional aspirations;

Only fifth, professional education;

Only sixth, knowledge and skills obtained through attending the trainings where the employee was sent by the Administration under the Personnel Training program.

For the employees of “Gazprom”, the picture is quite different. Their ranking of “ingredients” of professional competence is as follows:

1–2: professional education & knowledge and skills obtained through attending the trainings where the employee was sent by the Administration under the Personnel Training program;

3: special skills and knowledge an employee obtained by himself, conscientiously, at his free time, guided by his career and professional aspirations;

4: general erudition;

5: knowledge, skills etc. obtained “non-intrusively” during the work

6: experience passed on and shared by the older colleagues<sup>17</sup>

It is evident from this pilot data that in a small firm many employees are forced to work in areas far from their professional education, they have had to re-qualify – and their up-grading of skills typically has been a home-bred set of activities. In this connection the employees of a small company stress the non-formal, latent education and up grading of skills through every-day communication with their more experienced colleagues as the main source of professional development and growth. Their primary work team is their main teacher and instructor. While working they are being educated in a “School of life”. An employee of a big corporation undoubtedly attends this “School of life” as well, yet he or she does not verbalize it at first call. The informal learning from colleagues, sharing and gaining experience is taken as an obvious, natural, matter-of-fact background for the participation in professional Personnel Development Programs.

Employees in different companies (giant OAO “Gazprom” and a tiny equipment sales middleman) perceive human resource development strategies of their enterprises in different ways, primarily because these strategies are dramatically not the same.

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<sup>17</sup> The rankings reflect the aggregated ranking given by respondents from both groups. It should be noted that there was much unanimity in opinion among the members of the same group.

## What are the key differences?

First of all, the great and powerful industrial and financial corporation “Gazprom” developed an extensive, scientifically-based, elaborate Program of Personnel Development and Adjustment, which includes many elements:

- Research (extensive and very well done) and analysis of internal and external favorable or harmful conditions, factors of company’s development;
- Strategic planning of company’s goals and resources;
- PR within the company;
- Complex multi-level personnel training system, differentiated by rank in the managerial structure, profession, age, basic education etc.;
- Conferences and workshops on a regular basis;
- Healthcare system
- Insurance system, social benefits system (corporate pension fund);
- Promotion of career orientation, professional growth aspirations etc.;
- Teamwork building, seminars and trainings on team work motivation and so on.

In the small company “BIRO” there is no regular, planned system of Personnel development, there is no special structure put in charge of it. Yet that does not mean that Personnel development does not take place. The survey results proves it does, but on a point-action basis, in case of pressing need, based on an intuitive insight, erudition and common sense judgements. Thus a Human Resource Development system of a big corporation can be called obvious, well recognized and deliberate, and that of a small firm is latent and spontaneous. The Human Resource Development system of a big corporation is professional, created by professionals and executed by specialists according to the latest developments in managerial science. The Human Resource Development system of a small firm is amateurish, homebred.

Second, employees’ motivation to enter the personnel training programs in a big and in a small company is also different. The scope of the big corporation and the power potential and power resources personified by leading positions motivate people to regard their learning as career building. They know that what they learn today can bear good fruit in the long run and it is worth to wait that long. An employee of a small company learns, as he or she knows he/she does not fit the working place requirements now, today.

Yet, in a big corporation access to the Personnel development, educational programs, is selective and restricted. In a way, they are an overburdened public corporate good. As participation in trainings, seminars, workshops, and most of all, in internships has positive influence on career and professional growth,

increases the capacities and the professional capital and status of an employee, more people would like to attend the program than is necessary and affordable for the company. Thus a Personnel development pyramid is formed: access to basic training course is universal and even compulsory (in Gazprom that is the seminar “OAO “Gazprom” – the major industrial and financial corporation” for all the newcomers), but the number of places available at each higher level of training decreases, and the motivation to attend them increases. The program of personnel development and training works as a filter to vertical mobility. On one hand this increases the efficiency of the program – both for those who study and increase their qualification, as they value something they have won in the competition, and for those who look forward to enter the competition, as they begin to prepare themselves beforehand and work better. But it is a hazard for those who were rejected; it discourages them from further aspirations and disheartens them. Another problem is the development of non-biased, objective criteria for selecting employees to participate in the Personnel professional skills development programs, and control over selection procedures.

The survey has shown that the employees of “Gazprom” have a different world picture from that of their counterparts in a small firm. It can best be described by the notion of “corporate citizenship”<sup>18</sup>. The employees of “Gazprom” primarily identify themselves as “Gazpromians”, employees of the company, and only after that as Muscovites, people from St. Petersburg or Perm, or Russian citizens. The company provides its “citizens” with education, work, home, Medicare, - to put it short, acts like a welfare state under market conditions. Not only the employees have guaranteed paid holidays and sick leaves, after 20 years of work for the company they have a special corporate pension when they retire. The size of it is confidential, but considerably higher than the average state pension. After having worked in “Gazprom” for 3 years women get subsidies on birth of a child, and a monthly bonus for raising children. They also are granted a day-off on the 1<sup>st</sup> of September and additional days off to take care of children. It is a powerful stimulus for women (who are usually more considerate cautious than men) to stay in the company even if they are not completely satisfied with their work and would like to have a more interesting and challenging job. The employees of big corporations are more conservative and less inclined to “pull roots out” and change a job than SME employees. During expert interviews at “BIRO” the respondents (whose average age was 37 years) indicated that they already have a long experience of changing jobs (mostly moving horizontally), and their previous jobs were also in small companies. They indicated that they had not found it too difficult to adjust to new workplace. The change of job did

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<sup>18</sup> Peregudov S.P. “The Big Russian Corporation as a Social and Political Actor” /Abstract of Paper Presentation at the XVIII World IPSA Political Science Congress, Panel 38.1: State-Corporate Balance: The Large Firm and Government. Quebec City, Canada, August 2000.

not lead to substantial change in status, as the small companies provide relatively similar salaries and positions; did not change lifestyle and life-long values. For “Gazprom” employees, it is much different. The loss of job is break of all life-long investments, aspirations and hopes. They can’t be sure to cope with it and regard it as the biggest calamity, the end of their world.

The readers will be disappointed that after the analysis is done, the question put at the beginning of this paper: “Is small beautiful? Is big efficient? Which company’s employees’ professional life is happier – “Gazprom”s or “BIRO”s?” has no single clear unambiguous answer. Saving on scale (or probably not paying the taxes it is due to pay to the State) the giant corporation can maintain a good social infrastructure and establish an adequate personnel training and development system. A small firm can’t create such a mighty machine of personnel training, based on newest technologies of personnel management, so well equipped and qualified. Yet if an employee is denied leave of absence to go to a two-weeks seminar – it is a nuisance but it can be survived, or recompensed later. It does not put a stop to further growth. But it is ten times harder for those numerous people who were denied access to international training programs of the great corporations. This is an eternal question: is it better to be the first man in a village or the last man in a city? Is it better to invest all efforts into building career in a big corporation, where you are irrelevant, a screw in a mechanism, yet you can hope to get promoted? The chances are not very high. Is it better to be modest and happy – being head of department in a small firm, or starting a small business of your own? Every person seeks the answer to this challenge for him or herself, and is bound to make mistakes. Sometimes the whole professional life is a series of such mistakes – then it is a personal tragedy.

It is obvious that it is not just an individual or a corporate task to cope with these personal challenges. To make both big and small beautiful and efficient, it is necessary to unite the efforts of all social, political and economic actors – and not just in one country, but internationally. Small and medium companies especially need advanced knowledge in the sphere of HRM which they currently lack, and the most promising channels for transfer of managerial know-how is through increasing international cooperation and partnership building.

In this light the controversial experience in HRM and problems of Russian companies and Russian economy in transition can be perceived deeper and with broader theoretical and practical achievements, if the analysis made at home is taken to the international scientific field, where its results are critically analyzed and commented by outstanding researchers from different countries, also undergoing transition. International scientific conferences, such as the East European Forum, create an excellent public space and serve an efficient way of promoting and disseminating the knowledge resulting from managerial studies, new theoretical approaches and trends of research development.

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