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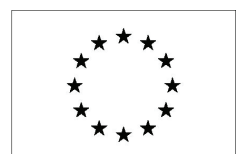
Heidi Kivelä

**ASPECTS OF HUMAN RESOURCE MANAGEMENT IN
RUSSIA: BUSINESS COMPETENCE,
TRAINING AND RECRUITMENT**

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Selected Abbreviations

HRM	=	Human Resource Management
HR Manager	=	Human Resource Manager
MBA	=	Master of Business Administration
Spb.	=	St. Petersburg

Foreword

The Northern Dimension Research Centre (NORDI) is a research institute run by Lappeenranta University of Technology (LUT). NORDI was established in the spring of 2003 in order to coordinate research into Russia. LUT has a long tradition in conducting research and educating students in the field of communist and post-communist economies. From the point of view of these studies, LUT is ideally located in the Eastern part of Finland near the border between EU and Russia.

NORDI's mission is to conduct research into Russia and issues related to Russia's relations with the EU with the aim of providing up-to-date information on different fields of technology and economics. NORDI's core research areas are Russian business and economy, energy and environment, the forest cluster, the ICT sector, as well as logistics and transport infrastructure. The most outstanding characteristic of NORDI's research activities is the way in which it integrates technology and economics.

This research report deals with business competence in Finnish companies operating in the Leningrad Region, Russia, as well as supply and demand in the training market. Some aspects of recruitment are also examined. 15 representatives of Finnish subsidiaries in the Leningrad Region were interviewed in November 2005 in order to hear their views on these themes.

First, I want to thank all my interviewees, who have given their time and shared their thoughts for research purposes. In addition, all my encouraging colleagues in NORDI deserve my sincere thanks, particularly Project Manager Jari Jumpponen for his valuable comments throughout the research project. I would also like to express my gratitude for Professor, D.Sc. (Econ.) Janne Tienari and Project Manager Iiro Jussila from the Department of Business Administration. The operations of Finnish training organization, Fintra, in Russia have been a great source of inspiration for me, so I would like to thank the Managing Director Leena Masalin for cooperation. Senior Lecturer Dmitry Harakka-Zaytsev from Herzen State Pedagogical University of Russia has contributed to this research project by conducting interviews in St. Petersburg.

Lappeenranta, August 2006

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1 Introduction

Internationalization is always a challenge for a company: how to enter the market smoothly, how to finance it, how to keep growth in control. But how about human resources: what kinds of competencies are needed when operating in a foreign market, in this case in Russia? Are there certain competence gaps, and why do they occur? This research report handles business competence in Finnish companies operating in the Leningrad Region, Russia, needs for training and challenges in recruitment.

Russia with its 17 million square kilometers and over 140 million inhabitants is not only an enormous country, but also an enormous context for research. In the beginning of this research process HRM and training especially stood out because of the topicality in today's business life in Russia. In addition, management training in Russia has not been studied widely after 1990s. So, what is really special about training as a research subject is that it is topical but at the same time has not been extensively studied in the contemporary Russian context. However, even if the context at hand is Russia, the companies that are studied are Finnish. Naturally, having a Finnish perspective involved has an impact on the subject: instead of local, Russian, companies the focus lies on international companies. Still, it remains to be seen how strongly the Finnish perspective affects the actual findings.

One of the most essential concepts in this research report is definitely business competence ("liiketoimintaosaaminen" in Finnish). Despite being a part of every-day language in Finland, business competence does not really have a widely established definition. Furthermore, in other countries business competence is not discussed at all – at least in the same form. Thereby, examining business competence is by no means a simple task. In order to clarify this complicated concept, this report also includes a section where the meaning and content of business competence are described.

In order to mention a few words about the empirical data, two sets of interviews have been conducted within the framework of this research project. First, a small sample of experts with significant knowledge of training market in St. Petersburg and its surroundings have been interviewed during the spring 2005. The second round of interviews has included interviewing representatives of Finnish companies operating in the Leningrad Region in November 2005. The purpose of these interviews has been to deepen the focus from the market level to the company level.

One of the goals of this research project has been to provide information that would be useful for training companies or other educational organizations that are planning to start training activities in Russia. Partly for that reason the organization levels that are under the microscope within this study are top management and middle-management. The sums used for personnel training in companies in Russia are relatively low and thereby the focus on managerial level employees is the most profitable one from the point of view of training companies operating in Russia.

1.1 Research Approach and Data

Below is the research problem presented in the form of a question:

*What kinds of **business competence related training needs** do Finnish companies operating in the Leningrad Region have?*

In addition, five sub-problems are set as follows:

- *What do the interviewees view as **business competence**?*
- *For **which reasons** do training needs occur?*
- *What is the current situation in the **training market** in St. Petersburg like?*
- *What are **training practices** in the companies like?*
- *What challenges do the companies face with **recruitment**?*

To put it in a nutshell, the approach of the study is qualitative, thematic interview has been used as the research method, and 15 interviews have been performed. Interviewees have been mostly General Managers or HR Managers. Additional interviews have been conducted in order to find out the current situation of the training market in St. Petersburg.

A list of Finnish companies operating in the Leningrad Region was needed for gathering empirical data. Company data, which was provided by Finnish-Russian Chamber of Commerce, included contact information to 285 Finnish organizations operating in the Leningrad Region. Several organizations were removed while they were not companies, such as Finnvera (a specialized finance company owned by the Finnish state) and Finpro (a trade center). In the next stage the remaining 254 companies were divided according to their activities, in order to gain a general understanding on whether these companies had trade, service or manufacturing activities. Another loose division was made according to industries.

The basic idea in the selection phase was to gather a diverse group of companies by choosing companies with differences in size, from different industries exercising trade, services or manufacturing. In order to gain an extensive view on the companies in the Leningrad Region and their HRM practices, not too many restrictions were made. Eventually, 24 companies were selected. As the aim was to diversify the sample, a lot of weight was given to companies with manufacturing activities. Manufacturing companies were seen as very attractive research objects because of their wide range of different kinds of activities. The first contact to the selected 24 companies took place in October 2005, as the author began to reach the managers by phone. Later on it became clear, that the total number of interviews would be 15.

The goal was to interview the person, who would be responsible for training issues in the company. In most cases that person was the director (5) or HR Manager (5) of the unit in St. Petersburg. It was not that usual to interview the Vice President or Vice General Manager (2), Deputy Director (1) or Commercial Manager (1) of the St. Petersburg unit, or the General Director of the whole company (1). Altogether, eight companies were excluded at this stage for several reasons: it seemed impossible to receive information about the suitable interviewee (3), the Russian unit was too small for a research object (2), the manager did not have time (1), the manager did not consider the research project as useful for the company (1) or the author simply was not able to contact the manager (1). Later on, also one of the companies needed to be excluded, because of the illness of the interviewee candidate.

Meetings were arranged either in Russia or Finland, depending on the preferences of the interviewee, during November 3-23, 2005. Senior lecturer Dmitry Harakka-Zaytsev conducted the interviews that took place in Russia, and the author took care of the meetings organized in Finland.

Before conducting any of the actual interviews, the author conducted a pilot interview in order to find out how the prepared interview questions would work, and how long the interview would last. Speaking about the actual research interviews, the estimated length, 45-60 minutes, was in most cases achieved, sometimes even exceeded, although one of the interviews was as short as 25 minutes, as the interviewee was in a hurry. All the interviews were tape-recorded and conducted in English (with two exceptions).

The data gathering method used was thematic interview, which is the intermediate form of structured (closed) and unstructured (open) interview. It is typical that the subjects or *themes* of the interview are defined beforehand, but the order of questions and exact phrasing is determined during the interview. (Hirsjärvi, Remes & Sajavaara, 2000, 195-196) The

researcher explores certain themes, but respects the way how the interviewee frames and structures one's responses (Marshall & Rossman, 1999, 108). The following themes were discussed in the interviews for this research project (please see the Appendix 1 for more details concerning the questions):

1. Business competence and competence gaps
2. The origin of the training needs
3. Training practices

The preliminary expert interviews were not tape-recorded, unlike the interviews with the managers from Finnish companies operating in the Leningrad Region. The data was analyzed using a qualitative method of coding topic areas, and searching for and identifying emerging themes. In addition to transcribed interview data, also field notes were used to assist in forming a broad image of the interviews.

1.2 Russia as Business Environment – Focus on the Leningrad Region

The geographical focus of the study is the Leningrad Region in North-West Russia. The Leningrad Region borders both Finland and Estonia, and shares an administrative border with five subjects of the Russian Federation: the Novgorod, Pskov and Vologda Regions; the Republic Karelia and the city of St. Petersburg. The region has an area of 85.900 km² and population 1.669.000 (2002). The absolute center of the region is St. Petersburg – a metropolis with about 4,7 million inhabitants (2002). (Leningrad Region, 2005) Even if the Leningrad Region and St. Petersburg have separated administrative bodies, within this research project the city of St. Petersburg is considered as a part of the Leningrad Region. Thereby, when Leningrad Region is mentioned in this report, also St. Petersburg is covered.

Figure 1. Maps: Russian Federation, Leningrad Region and St. Petersburg. (Wikipedia, 2005; Russian Information Network, 2005)



According to the findings gathered from the company register provided by Finnish-Russian Chamber of Commerce, Finnish companies in the Leningrad Region have geographically mainly concentrated in St. Petersburg. As an indication of that, the company list only included five companies operating in the other parts of the region. In fact, Finland is the most significant investor country in North-West Russia when measured with the number of joint ventures in the area. According to specialists' opinions the value of the investments to Russia made by Finnish companies is about 2 billion euros. (Finpro, 2005)

Another major finding from the company list is that there is a great number of companies practicing trade (mostly export from Finland to Russia), but not that much manufacturing. The most important reason for that is apparently the lack of an investment protection agreement between Finland and Russia. Among the companies exercising service activities there is a considerable number of various kinds of consultancy services, such as legal counseling, advertising services and recruitment assistance. Also services related to transport and logistics are worth mentioning. When the focus is given on individual industries, construction really stands out from the group of companies. There are a lot of actual construction companies, but also trading companies exporting various kinds of building materials from Finland to Russia.

1.3 Structure of the Report

In chapter 1 the research problem and sub-problems are presented, and some general background of the research project, as well as Russia – and particularly Leningrad Region – as business environment, is provided.

Chapter 2 comprises of sections related to business training market in St. Petersburg, business competence, training needs and recruitment. This chapter includes findings and quotations from empirical data and reflections to previous studies as well.

In chapter 3 conclusions are provided and suggestions for further studies presented.

2 Aspects of HRM in Russia: Business Competence, Training and Recruitment

This chapter includes the empirical data that has been collected for this research report. First, a general view is taken on the training market in the Leningrad Region – St. Petersburg and its surroundings. Then, the focus is deepened, and managers from 15 Finnish companies operating in the same area share their opinions of what business competence is. However, while the concept is fairly new, this section is complemented with some previous definitions of business competence. Then, the 15 managers give their views on training in their organizations as well as challenges faced with recruitment.

In order to give a brief summary of the 15 companies involved, the group comprises of service, trade and manufacturing companies from several industries – a very diverse group, which has also been the original intention. In Table 2 detailed information about the companies is presented. However, no information concerning the identity of the interviewees is provided. Interviewees are here called Interviewee A, Interviewee B etc. instead of their own names.

It should be noted that the information in the table is based on the interviewees' views, unless it is otherwise indicated. Number of staff is given at the time of the interview, in November 2005. The year of entering the Russian market is linked with that particular unit at hand, and is not necessarily the first entry to the market by the whole company.

Table 1. Summary of the 15 Companies Involved in the Research Project.

Company	Operations in Russia	Entry to Russia	Number of staff
ZAO Containerships	Container transport business.	1993	140
ZAO Elcoteq	Electronic manufacturing service.	1997	300
OOO Ensto Elektro	Sales of electrical equipment.	1994	35
ZAO Espe	Sales of pillows and mattresses of Familon materials.	1996	16
OAO Hlebny Dom	Bakery producing bread, ginger bread and coffee bread.	1999*	600*
ZAO Kiilto-Kley	Sales of glues, adhesives and different kinds of building materials.	1995	26
ZAO Lenta Sp	Printing business: production of the self-copying blank.	-	30
OOO Mantsinen	Organizing logistics in ports and railway terminals; organizing subcontracting in loading and unloading of goods.	1997	50
ZAO Mark Invest Spb.	Marketing and Internet services; finding and selecting subcontractors and employee candidates.	1993	8
ZAO Metso Paper	Sales, maintenance and service of machines for pulp and paper industry.	1993	14
OOO Nokian Tyres	Manufacturing and sales of car tyres.	2004	186
OOO Rocla Rus	Sales and service of forklifts and spare parts	2004	24
OOO Ruukki	Production of basic metals, solutions for construction industry and engineering industry.	2000	170
Stora Enso Timber Oy Ltd.	Sawmill business.	2002	115
ZAO YIT Peter	Construction business: housing construction, industrial installation, maintenance and service.	1999	250

* Information gathered from the website of the company.

The final list includes service, trade and manufacturing companies from several industries. Most of the companies involved have started their operations in the Russian market during 1990's, but there are also some exceptions. Some of the companies have been exporting goods already during the Soviet times, like Nokian Tyres (1964), Rocla (since late 1960's) and Ruukki (then Rautaruukki) for example.

The majority of the companies operate in the city of St. Petersburg. However, Nokian Tyres has a production plant in Vsevolozhsk, and Stora Enso Timber runs sawmills in Impilahti (Carelia) as well as in Nebolchi (Novgorod region) in addition to an office in St. Petersburg. Most of the companies involved in this research project are owned entirely by their Finnish mother companies; only a few exceptions exist regarding this matter.

The combined number of employees in Russia in all 15 companies is around 2000. However, as it may be seen in the table, the variation is significant: the number of staff among the

subsidiaries varies from 8 (Mark Invest) to 600 (Hlebny Dom). At the moment seven out of 15 subsidiaries employ more than 100 people and the other eight less than 100.

2.1 Views on the Training Market

In this chapter an overview of the training market in St. Petersburg and its surroundings is taken. The market is viewed from the demand, as well as from the supply side. After getting to know the market, some expectations that have been made over the years concerning the development of the training market are presented, and these expectations are evaluated from today's point of view. In addition, some current issues related to the training market, such as the apparent lack of qualified trainers and teachers, are covered.

Data includes findings from interviews of professionals who are highly familiar with the business training sector in St. Petersburg (more information of the interviewees is available in the list of references). In addition, market research data and some earlier studies are used in order to create additional perspectives on the topic. Furthermore, it is investigated, which themes have been popular among Russian press during last year or so.

2.1.1 Demand for Business Training

The following studies will demonstrate what kind of demand exists in Russia when it comes to managers' training. Some of the studies have been written in the late 1990s, while the newest ones have been conducted only a couple of years ago. Thereby, a thorough overview on demand for business training in Russia is offered here.

Gurkov (1997) analyzed the results of a survey that was conducted among 200 industrial enterprises in Russia. The focus of Gurkov's analysis was on managers' training needs and preferences, which are presented in the table below.

Table 2. Perceived Necessity of Russian Managers for Training in Certain Subjects. (Gurkov, 1997)

Subject	All managers on average*	Top managers*	Senior staff officers*	Middle managers*	Shop-floor managers*
Computer skills	3,58	4,30	4,11	3,54	3,16
Law	3,44	4,20	3,80	3,26	3,12
HRM	3,44	4,10	3,47	3,32	3,30
General management	3,42	4,10	3,86	3,04	3,14
Economics	3,42	3,95	3,81	3,22	3,15
Accounting	3,41	3,80	3,77	3,24	3,17
Financial management	3,30	3,80	3,57	3,17	3,08
Strategic management	3,04	3,90	3,40	3,17	2,66
Engineering	2,97	2,58	2,88	2,45	3,24
Foreign languages	2,78	2,25	2,82	2,86	2,64
Other subjects	3,08	3,88	2,84	2,56	3,14

*Scale from 1 (“not required at all”) to 5 (“extremely necessary”).

It seems rather surprising, that computer skills were ranked very high in the survey. However, according to Gurkov the explanation is quite simple: Russian managers conceived computer skills as not only using Word or Excel, but also mastering all the new decision-making and planning tools available. However, not only computer skills, but also legislation is a bit of a surprise among the most popular training subjects – especially when it comes to top managers. Besides these two, topics such as HRM, general management and strategic management, as well as economics, accounting and financial management were all popular training subjects in the top managers’ group.

One should also keep in mind that top managers gave a considerably high ranking to subjects other than the ten mentioned above. In top managers’ group the ranking was 3,88, which was relatively same than for strategic management. This means that training programs should also include some highly specialized topics to fulfil the diverse training needs of the top managers. Gurkov’s final recommendation for trainers and consultants was to develop integrating skills of top managers, and expand the general knowledge and horizontal capacity of middle- and shop-floor managers.

Iitti & Stenberg (1999) investigated the training needs of forest industry companies in the Archangel Region. Findings of this study were based on a small survey among corporate managers in forest industry (23 respondents) and additional interviews. According to the

findings, four most popular training topics were general management (30% of respondents), financial administration (30%), logistics (28%) and personnel management (28%). Topics that gathered not that much attention were communication and negotiation skills as well as manners in foreign cultures. Half of the respondents found a combination of local and foreign trainers as the best method of training. The major suggestion for increasing the quality of training was decreasing the gap between theoretical instruction and practice. (Iitti & Stenberg, 1999)

Business training needs in Finnish companies operating in Russia in particular have been studied extremely rarely, excluding the market research studies that have been conducted by individual companies interested in the market potential in Russia. These kinds of reports are usually not public and thereby cannot be often used for research purposes. There are of course several research papers that have a focus on business training needs of *Russian* managers, but focus on Finnish companies in Russia is relatively uncommon.

However, the main findings of two market research studies are presented here. A market research by Fintra ("Corporate preferences for training services in Saint-Petersburg", Agency of Social Information) was conducted in September–November 2004. An investigation by Fintormenta considering training needs in foreign companies operating in Russia was completed a year before, in December 2003. It is important to note the fundamental difference between these two studies: the focus of Fintormenta investigation was on foreign companies only, while Fintra's own study had a wider approach covering both local (Russian) and foreign companies operating in Russia. This difference shows clearly in the findings. Another note worth making is that while both studies made comparisons between industries concerning measured factors, the size of the samples was relatively small. That is why any advanced conclusions concerning possible differences between industries basically cannot be made.

Table 3. Findings from Two Market Research Studies Concerning Training Needs. (Fintormenta, 2003; Fintra, 2004)

Factor	Study	
	Fintra market research (n=100)	Fintormenta investigation (n=50)
Frequency of training	Once half a year or more: top managers 32%, managers 32% Once a year or year and a half: top managers 16%, managers 19% If necessary: top managers 21%, managers 23%	Once half a year or more: top managers 38%, managers 49% Once a year or year and a half: top managers 24%, managers 27% If necessary: top managers 28%, managers 22%
Sum spent for training / year / person	max 300€ 43%, 300-1000€ 20%	100-190€ 28%, 200-490 € 26%, 500-990 € 21%
Industries investing the most in training	Most frequent training: construction and trade Biggest training budget for top managers: trade and finance Biggest training budget for managers: finance and construction	Biggest training budget: trade
Most popular training mode	Short trainings, open seminars	Short trainings
Training plans made for next year	50% not planning at all 20% full-scale planning	26% not planning at all
Decision-maker of training related issues	-	General Manager (30%), Head of Training & Development (20%), HR Manager (20%), employee's suggestion (18%)
Selection criteria	Adaptation and responding to the needs of the company (49 / 56%), price (44%), reputation (32%), teaching materials (23%), possibility of making contacts (11%)	Content of courses (60%), price (26%), suitable period of time (24%), duration (18%) <i>(modified)</i>
Only Russian accepted as training language	Top managers 69%, managers 80%	Top managers 30%, managers 37%
Training in Western institutes	Regularly 19%, occasionally 19%, never 58%	Regularly 60%, occasionally 26%, never 14%
Preferred training topics	Top managers: strategy planning, HRM, change management, team building Managers: communication and negotiation skills, customer service culture, sales skills, problem solving, time management	Sales techniques, training on some highly specialized field, strategy planning and organizing, customer service culture, cooperation with colleagues and internal communication

Differences between the two studies stood out especially when it was asked whether it would be possible to use English as training language, or whether the companies have used the training services of Western institutes before. The sample of Fintormenta's investigation consisted of companies with Western ownership, and most of the managers in these companies were able to participate in training in English. This suggests to a relatively high number of Western expatriates or at least an internationally oriented corporate culture. 60% of the companies in Fintormenta's sample had regularly used the services of Western training institutes, while in Fintra's sample the equivalent was 19%.

While studies of business training needs in Finnish companies operating in Russia have been quite rare, Lindström (1996) was, however, an exception with her study about human resources in Finnish, Swedish and Italian companies operating in the Russian market. However, it should be noticed that not all the companies actually operated on Russian soil, but also companies with export or import activity in Russian market were accepted to the sample. (Lindström, 1996, 19-21)

The findings showed that in addition to one's own specialty employees needed to know how to operate in Russian business environment, what Russian culture and local business practices were like, and how to speak Russian language. According to the findings, the level of knowledge on all of these areas was comparatively good. (Lindström, 1996, 34-38) The common opinion among the respondents was that previous training programs with focus on Russia had not been practical enough. 69% of respondents considered the information received as too superficial and generalized. 67% of respondents stated that the training available did not offer solutions to the problems experienced within the companies. The respondents argued that training was mostly aimed at large companies, or companies that were only planning to enter the Russian market. (Lindström, 1996, 54-55) However, it should be noted that these comments were only linked with open courses and seminars instead of tailored trainings packages. By tailored training many of the concerns mentioned could be removed.

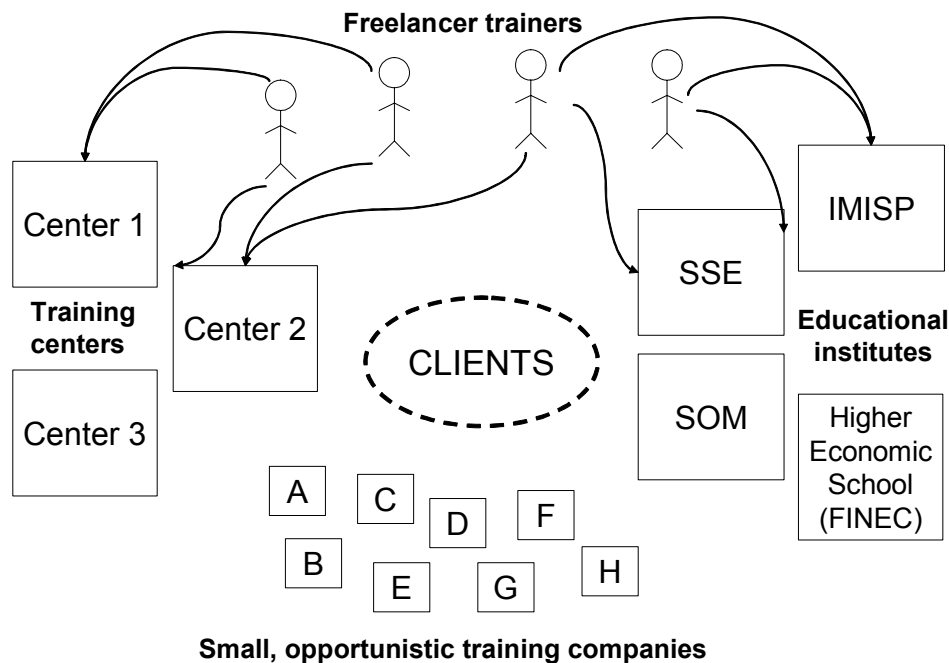
2.1.2 Business Training Supply

If the business training sector in St. Petersburg should be described with one word only, it would be "fragmented". According to Igor Dukeov from Stockholm School of Economics, in St. Petersburg, the training market is nearly saturated. However, compared to Moscow, the St. Petersburg market is not as developed. In St. Petersburg there are 3-5 big training centers, but in Moscow the number is around 10. About 150 training organizations operate in St. Petersburg, including those linked with universities. The number of major players has stabilized, but the number of smaller ones is still increasing. Large training companies will hardly consider acquiring the smaller ones, since they are interested in fairly different target groups. (Dukeov, 2005) Growing demand for training services has led in an increasing number of newly established local training companies in St. Petersburg, but above all else, a real invasion of Moscow based training companies have established offices in the city (Ters, 2004).

A group of actors in the business training market, that Dukeov firmly emphasizes, are the individual trainers – freelancers. Their position in the market is considerably strong, as they work for several training organizations at the same time, in spite of constantly being pushed by their employers who do not want them to work for their competitors. (Dukeov, 2005)

According to Dukeov, four types of actors operate in the training market in St. Petersburg, as it is described in the figure below: large training centers, small training companies, academic educational organizations and universities, and freelancers.

Figure 2. The Structure of the Business Training Market in St. Petersburg (Dukeov, 2005).



As Dukeov already pointed out, supply of business training in the North-Western Russia is disintegrated. Findings of the Fintormenta report are quite similar. The actors in the market are divided into following four groups:

1. Foreign training companies,
2. Russian training companies using ready-made concepts by Western trainers or their own methods,
3. Independent consultants, and
4. In-house trainers in large-scale enterprises.

(Fintormenta, 2003)

However, it seems that foreign companies mostly operate in the Moscow market, and the actors of the St. Petersburg market basically belong to sections 2-4 (Fintormenta, 2003).

A new trend among training organizations seems to be offering tailor-made, customized courses that meet the specific needs of companies. Pioneers in this field are for example Stockholm School of Economics and IMISP (International Management Institute of St Petersburg). There is an increasing demand for these kinds of targeted training services. According to several training providers the most popular training topics in 2004 were communication, assertive behavior, and negotiation and presentation skills. (Ters, 2004)

Also Jesus Belle, a member of Finnish training company, Fintra, has noticed the increasing demand for tailor-made training in St. Petersburg. According to him the MBA market has already saturated, since a huge number of American and European institutions have entered the market over the years (often with finance from the development aid funds of the EU or the USA). However, there is clearly a need for tailored in-company programs. Belle emphasizes that local presence in the market is needed in order to be able to understand the needs of the clients. He estimates that the price level in business training market in St. Petersburg is roughly 40% when compared to prices in Finland. However, according to him the prices will increase and reach 75% of the Finnish price level in two years at maximum. (Belle, 2005) Another view on training costs is offered by Ters (2004). According to her costs vary depending on the training mode: open courses or corporate training. In general the training courses in St. Petersburg are around 50% cheaper than the courses offered in Moscow. A typical two-day open seminar at one of the well-known training organizations in the city costs somewhat \$250 per person. (Ters, 2004)

Belle states that one of the major factors increasing the demand for training in Russia is outsourcing activities from the West. More and more companies receive orders especially from Europe, and these companies need to ensure that their staff is able to fulfill the requirements of their clients, and that they are able to operate effectively and to produce good quality. Employees have mostly been educated in state universities and thereby their background is very theoretical. Training organizations have a lot to offer for these companies. (Belle, 2005)

According to Dukeov, the most common mode of training is a two-day course during the weekends. Employees do not need to participate in the expenses, as the employer companies pay the training almost without exceptions. Usually there is only one trainer, who might have

one or two assistants with him / her. Courses are promoted especially with advertising letters and spam, which are mainly targeted to the employee level. (Dukeov, 2005)

Courses are very focused by content. However, it seems that “a star lecturer” attracts clients more than the content of the training program. Advertising by using the names of previous clients (“A.B.C. Inc. uses our services, too!”) is not common anymore, as opposed to few years ago. Nowadays it is considered unethical. (Dukeov, 2005)

Andrey Medvedev, representing International Management Institute St. Petersburg IMISP, mostly concentrates on the MBA market, as IMISP is one of the major providers of MBA programs in St. Petersburg. Medvedev seems to share Dukeov’s view of the incoherence in the market. According to him, there are 1.500 MBA students in Russia, of which 500 study in St. Petersburg. The market is experiencing 20% annual growth. The major players in the MBA market are IMISP, School of Management (St. Petersburg State University), St. Petersburg University for Economics & Finance and Open Business School, which is interested in a fairly different target group. Speaking about Russia in general, there are 20-30 well-known business schools offering MBA programs of good quality. Apart from them, there are also smaller institutions that call their training programs MBA. These players are named by the others as “Junk-MBA”. (Medvedev, 2005)

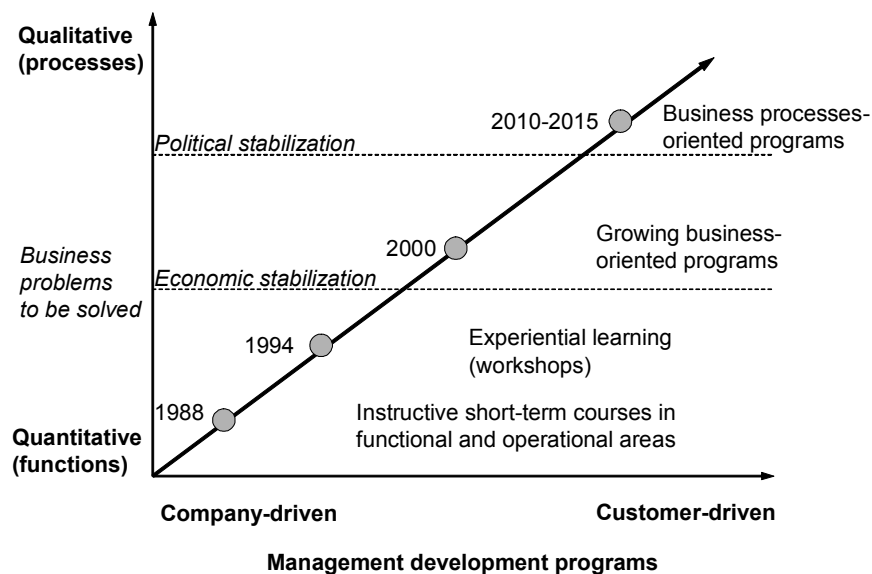
Medvedev says that the greatest challenge for educational organizations is the need for specialization. IMISP, too, has been planning to arrange different major subjects for MBA students. Thereby, the students would have a possibility to specialize in international marketing or finance, for example, instead of just acquiring a conventional MBA degree. Also expanding activities to neighboring areas has been under discussion within IMISP, although not much progress has been seen related to that matter. (Medvedev, 2005)

MBA programs are also mentioned in the Fintormenta report, by remarking that they are clearly in fashion right now. Russian educational institutions organize MBA programs by themselves, or together with Western partner universities. (Fintormenta, 2003)

In order to have a look at the past, over the years many different kinds of expectations have been presented of the development of management and business training market in Russia. Conyngham (1982) stated already in 1982 that there was a broad recognition that the level of competence of the managers had to be raised. He predicted that executive training would be a major issue in the future. (Conyngham, 1982, 213)

Vikhanski & Naumov (1996, 121) presented their view on how business training sector would continue to develop in Russia. They estimated that management training programs would develop and become more customer-driven in future (as opposed to company-driven) and concentrate more on processes than functions. The figure below visualizes the expectations of Vikhanski & Naumov concerning management training programs and their development in the future.

Figure 3. Development of Management Training Programs in Russia (Vikhanski & Naumov, 1996, 121).



Puffer (1996) saw management and business training as a critical element in the transition and suggested that it might have a significant impact – either positive or negative – on the economic, political and social environment in Russia.

- **Negative impact:** Business schools might fail in training managers well and quickly enough to make a difference in the economic performance of the country. They might also fail in developing ethical standards for their own operations and their graduates. This might lead in business schools becoming the scapegoat and government could blame them for failing the transition to a market economy and infiltrating the country with unfavorable foreign influences.
- + **Positive impact:** On the other hand, it might happen that business schools could create a new economic infrastructure. That would happen by teaching people how to start their own businesses and designing reward and control systems that lead in

productive work behavior and a healthy economy in general. Business schools could also have a great role in changing attitudes more positive towards the market economy. (Puffer, 1996, 104-105)

Edwards & Lawrence (2000, 143) stated, that the development of business training sector in Russia would be dominated by Anglo-American model because of the general widespread American influence and globalization. This would most likely be seen in the popularity of MBA programs. MBA is generally considered as a managerial qualification in the United States and it has been getting more and more popular also in Russia during the last decade. (Edwards & Lawrence, 2000, 143)

In general, it can be noticed that the presented expectations concerning the development of the business training market in Russia over the years have mostly been quite correct. Training programs have definitely become more customer-driven and process-oriented over the years, and it is obvious that MBA programs have landed to Russia for good. At this point it seems that business training has had a positive impact on the development of the business environment in Russia.

2.1.3 Current Issues Affecting the Training Market

Training market in St. Petersburg is continuously affected by various factors, of which some current issues are covered in this chapter. First, the lack of qualified trainers and teachers is viewed. A bit different perspective is to consider the macroeconomic and demographic factors that might have an effect on business life and thereby on training market as well.

Most of the interviewees mention the lack of qualified trainers in St. Petersburg, which has created a real problem for training companies. Dukeov admits that the number of good trainers in St. Petersburg is low and human resources are not increasing. Freelancer trainers play a major role in the market, as they work for many training centers and universities at the same time. Obviously, training organizations try to prohibit freelancers of competing by special contracts, because they do not want the freelancer to cooperate with their competitors. (Dukeov, 2005)

Okorokov and Medvedev consider the lack of trainers as a serious threat for the business training sector as well. Also Okorokov has remarked that several teachers work for many universities at the same time. Okorokov emphasizes, that especially educational organizations in the private sector are troubled by the lack of trainers, as they do not have long traditions.

Medvedev from his behalf is particularly worried about young people, that do not seem to consider a career as a teacher as very attractive. Thus, training resources do not seem to increase in the future either. (Medvedev, 2005; Okorokov, 2005)

Teachers of commercial subject should not only have excellent skills in teaching and lecturing, but also hold personal experiences of business world and knowledge of the business environment. The number of these kinds of teachers and trainers in Russia in general is considerably low. In addition, due to the shortage of qualified teachers, several business schools offering MBAs have been forced to hire MBA graduates as teachers without any pedagogic qualifications. (Muhm, 2005)

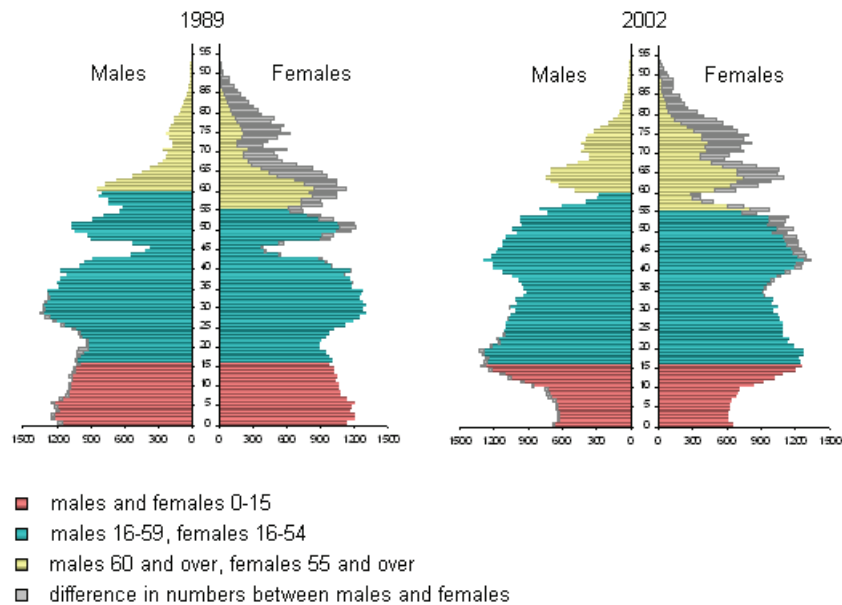
Igor Plyakin refers to the low number of qualified teachers in St. Petersburg, as he tells about the small amount of team work completed in Russian MBA programs. Of course it is possible that it might result from a general lack of resources instead of just a lack of qualified teachers with excellent pedagogic skills. (Plyakin, 2005)

However, it is not only qualified teachers who are needed in St. Petersburg, but also qualified employees. The federal government estimates that by 2006 there will be a serious shortage of qualified employees. The lack of qualified staff is forcing individual companies to invest in training to improve the professional competence of their employees. (Ters, 2004)

The most important macroeconomic factor affecting training needs at the moment must be rapid technological development. First, it has a direct effect on the training needs of almost every person involved in the working life. Factory workers are facing challenges, as the old production equipment is exchanged into new machinery representing higher technology. Office workers need to update their IT skills in order to be able to use the new software. Technological development also has an indirect effect on training organizations, which are now forced to include courses and programs related to technology in their training selection. Some of the training organizations may even specialize entirely on technology related training, while the needs for such training are huge.

Another factor that might have an effect on the training market in Russia is population structure. In the picture below the results of the population censuses in 1989 and 2002 are presented.

Figure 4. Population in Russia by Age and Sex (thousands) according to the Population Censuses in 1989 and 2002. (Goskomstat, 2005).



It is interesting to note that there are roughly twice as many 15-year-old children in Russia than 10-year-olds. It means that the share of entry-level youth will decline and middle-aged workers will form a great proportion of the whole workforce, but it will take one more decade. This will naturally affect the whole Russian economy, especially the labor market, while the demand of qualified employees will be even higher in the future than nowadays. Most likely this kind of development will also have a considerable effect on the training market.

2.2 Business Competence

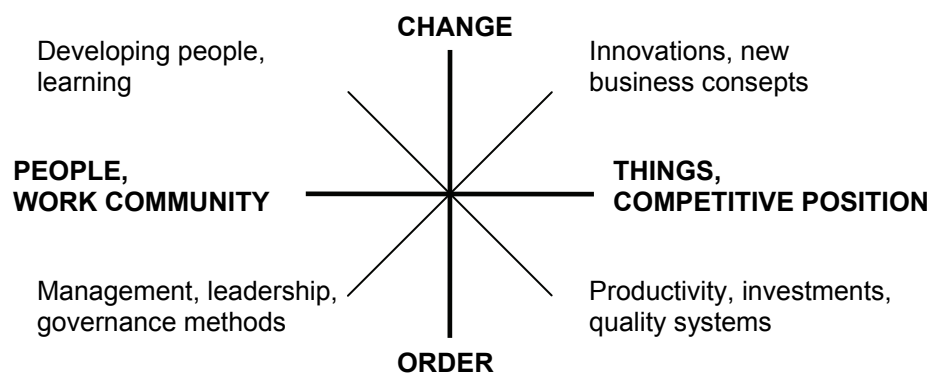
This research project handles business competence in Finnish companies operating in the Leningrad Region and the needs for training, so the term business competence in this particular context needs to be clarified and defined. Thereby, in this chapter previous definitions of business competence are given in the basis of other literature in order to give an overview on the concept. Next, it is presented how the interviewees have defined business competence during the interviews and which topics they include in the concept.

2.2.1 Concept of Business Competence according to Literature

In Finland business competence, or “liiketoimintaosaaminen” in Finnish, is a term that is frequently used while describing the set of skills, know-how and experiences that are essential in creating and developing business activities. It is often linked with success in international markets, and has been discussed on both individual and company levels. As a term business competence has become a part of every-day language after entering the 21st century. However, as a concept business competence is a real challenge. Even if it is used widely, it has neither established interpretation nor definition.

Suggestion that business competence consists of capabilities to create, study and develop commercial activities, is probably one of the most far-reaching and detailed definitions that exist. According to this view, not only commercial know-how and general problem solving skills, but also communication and negotiation skills, and cooperation and teamwork skills included in business competence. Continuous change, development and regeneration defined business competence to a great extent. Development might take place as searching and creating competitive position, as well as developing the work community internally. The figure below demonstrates the different dimensions of business competence. (Kettunen, Carlsson, Hukka, Hyppänen, Lyytinen, Mehtälä, Rissanen, Suviranta & Mustonen, 2003, 29)

Figure 5. Dimensions of Business Competence (Kettunen et al, 2003, 29).



Laamanen & Tinnilä (2002, 61-62), provided a more general view on the subject. In another context they used to define a business process as a process that had critical importance for the success of the business. Thereby, adapting this definition to business competence, it may be defined as *competence that has critical importance for the success of the business*. According to this definition, business competence is a very wide concept and its meaning is in fact quite subjective.

A member of Fintra, Jesus Belle, who instructed the Russian trainers that were recruited to Fintra's office in St. Petersburg, described business competence as the set of business processes related to the relevant activities of the company. (Belle, 2005) This definition is also very general.

Koski & Eklöf (2003, 10-11) did not really define business competence at all in their report on business competence and training needs of IT entrepreneurs. Instead, they mentioned that it had no established definition, and chose three divisions of business competence on which they focused: 1) accounting and finance, 2) corporate law and taxation and 3) marketing. However, in the foreword to the book authors made an almost unintentional definition by suggesting that business competence was a combination of knowledge and skills received with education, and know-how adopted along with one's experiences.

Larjovuori, Laiho & Talonen (2004, 23) noted that business competence was not only related to economic issues and marketing, but also production and technology. Authors suggested that business competence might be even defined as all the skills, knowledge, competencies and know-how that increased the competitiveness of a company and enabled its success. However, in the report production processes were excluded, and the divisions of business competence studied were: 1) internationalization, 2) sales and marketing and 3) corporate law and other regulations.

While writing about competencies Kirjavainen & Laakso-Manninen (2000, 108) also mentioned the concept of business competence. According to them four kinds of competencies existed, and they were related to:

1. clients (knowing the clients' industries, contacts)
2. business (sales and product concepts)
3. production (information systems, production processes, technical skills)
4. personal capabilities (communication and presentation skills)

From these four types of competencies number 2 referred to business competence (the authors used the specific Finnish word "liiketoimintaosaaminen"). The definition by Kirjavainen and Laakso-Manninen was the narrowest one of those represented here. Business competence was defined only as knowledge and skills in sales and product concepts.

Both Koski & Eklöf, and Larjovuori et al chose to discuss business competence by emphasizing certain functions – three factors of business competence. They both selected sales and marketing, and corporate law and regulations. Also Kirjavainen & Laakso-Manninen emphasized sales function. From this one could draw a conclusion that competence related to sales is an essential component of business competence.

In their text book Viitala & Jylhä (2001) defined business competence by using the following themes:

1. Entrepreneurship,
2. Customers, sales and marketing,
3. Production, technology and innovations,
4. Accounting and finance,
5. Personnel management,
6. Growth and internationalization: strategic choices, and
7. Reacting to the changes in the business environment.

Viitala & Jylhä were the only ones to mention personnel management, entrepreneurship and change management as separate themes concerning business competence. However, this definition still cannot be considered as especially broad when compared to some other definitions, especially the one by Larjovuori et al.

Leena Masalin, CEO of Fintra, considers business competence as a capability to carry on business in a successful way. According to her business competence may be divided into smaller factors and functions, such as sales, marketing, accounting, finance, strategic management, leadership, customer relations management, subcontractor relations management, managing and organizing production, supply chain management etc. Masalin suggested that the required business competence depended highly on industry or business in question. According to Masalin, the source of business competence is previous experience. (Masalin, 2005)

According to the Finnish Union for Professionals in Economics, SEFE, business competence consisted of extensive know-how in economic sciences, language skills, internationality and a capability to learn new things. (SEFE, 2005)

The definitions by Viitala & Jylhä and Leena Masalin are based on a list of functions. They both emphasize sales and marketing, accounting and finance, as well as production

management. Another kind of list is given by SEFE, which lists individual capabilities and qualities instead of business functions when defining business competence.

A summary of the nine definitions presented here is given in the table below.

Table 4. Definitions of Business Competence.

Reference	Definition	Type
Evaluation team of economics and business education (2003)	<ul style="list-style-type: none"> • Capabilities to create, study and develop commercial activities. • Commercial know-how, skills in problem solving, communication, negotiation, cooperation and teamwork. • Continuous change, development and regeneration define business competence. 	Deep and detailed
Laamanen & Tinnilä (2002)	<ul style="list-style-type: none"> • Competence that has critical importance for the success of the business. 	General
Belle (2005)	<ul style="list-style-type: none"> • The set of business processes related to the relevant activities of the company. 	General
Koski & Eklöf (2003)	<ul style="list-style-type: none"> • Focus on 1) accounting and finance, 2) corporate law and taxation and 3) marketing. 	Emphasizing certain functions
Larjovuori, Laiho & Talonen (2004)	<ul style="list-style-type: none"> • Focus on 1) internationalization, 2) sales and marketing and 3) corporate law and other regulations. 	Emphasizing certain functions
Kirjavainen & Laakso-Manninen (2000)	<ul style="list-style-type: none"> • Competence related to sales and product concepts. 	Emphasizing certain function
Viitala & Jylhä (2001)	<ul style="list-style-type: none"> • Entrepreneurship; customers, sales and marketing; production, technology and innovations; accounting and finance; personnel management; strategic choices; reacting to the changes in the business environment. 	List of functions
Masalin (2005)	<ul style="list-style-type: none"> • Capability to carry on business in a successful way. • Sales, marketing, accounting, finance, strategic management, leadership, CRM, subcontractor relations management, production management, supply chain management. 	List of functions
SEFE (2005)	<ul style="list-style-type: none"> • Competence in economic sciences, language skills, internationality, a capability to learn new things. 	List of capabilities and qualities

Despite of not being an actual definition of business competence, the statement in SITRA's (The Finnish National Fund for Research and Development) Economic Strategy for Russia (2005) provided interesting views on the subject. According to SITRA, Finnish companies and other actors had considerably strong business competence in international business activities, issues concerning law and regulations and controlling processes and project management. Another observation made by SITRA was that Finnish business competence in

Russia was especially visible in industries, such as logistics, forest, construction, technology, energy and foodstuffs. (SITRA, 2005, 23)

Based on the definitions presented in this chapter, it is well-grounded to state that business competence consists of competencies at least in the areas of 1) strategic management, 2) finance, 3) sales & marketing and 4) technology & production. However, in this study a moderately liberal approach is chosen, as business competence is here defined (with slight assistance from Laamanen & Tinnilä and Larjovuori et al) as *competence that has critical importance for the competitiveness and success of the company*.

From now on, while discussing *business competence or competencies* in this report, especially in the empirical part, one should keep in mind that what is meant is the kind of business related competence described in this chapter.

2.2.2 Manager Views on Business Competence

In the interviews business competence has been discussed on many different levels. First, it has been inquired, what the interviewees consider as business competence in general. Later on, it has been also asked, what kind of business competence they would consider as especially important for managerial and middle-managerial level employees. Also the most important business competence for the interviewees themselves has been often discussed.

Based on the author's findings related to previous definitions of business competence, in this report it has been defined as competence that has critical importance for the competitiveness and success of the company (please see chapter 2.2.1 for more details). Thereby, business competence has been approached also in the interviews from the success perspective. The interviewees have been asked what kind of business competence is the most important from the point of view of their companies' success in Russia.

The definitions of business competence fall into three groups. The order of the groups is determined roughly by the frequency of each definition type mentioned in the interviews:

1. Competence related to operating in the market or business environment,
2. Management competence, and
3. Competence related to technology and products.

In addition, sometimes business competence has been defined by describing its origin: experience, educational background, skills and personal characteristics.

The first competence, that is definitely a major factor for very many interviewees, is competence regarding the market and the business environment at hand – in this case the Russian market. The competence is related to knowing the specifics of the business environment, being proactive on the market or finding the suitable position or niche on the market. In fact many interviewees mention the exactly same thing: you have to understand the way of doing business in Russia.

“Business competence. I would define that, it’s a combination of some theoretical knowledge: what are the possibilities of running formally the business, understanding of the local business environment, understanding the changes that happen on daily basis on the market...” (Interviewee A)

“Yes, first of all you have to switch off the Finnish way of doing business. Russia and Finland, they are completely different environments business-wise. The Finnish way is not the Russian way. And everyone should remember that. So you need experience on Russian market. I myself, I’ve been working here since ’74, so that means 31 years. And still, every day is a new day and some surprises rise all the time.” (Interviewee F)

Some interviewees also include understanding of the local people in business competence, instead of only stressing the importance of the local business environment. Building trust and networking are seen as valuable elements of Russian business life. Also previous research supports these statements: Russia is often described as a country where personal relationships play a great role.

“How are you able to work with those people, as a foreigner, so that you will reach some success? And I think that’s the biggest challenge in this, because basically everything else will turn out well. But then, working with people. While you’re a foreigner instead of a Russian, and don’t necessarily realize it, even if you would have been there already for a long time, it’s a big challenge. -- To understand, like, what is their background. What kind of school, and educational system there is. In other words, from which circumstances these people have come to join your company. Here in Finland we know it, in general. But in Russia we don’t.” (Interviewee H)

“So the first, and the most important thing is to understand the Russian mentality. Russian mentality has been formed during several hundreds of years. And secondly, you have to be very flexible, because you have to understand that the legislation and internal orders of different officials, such as customs, tax authorization and so on, they are different things. -- You have to understand the way of doing business in Russia. And as it is very person-based systems, you have to have... You have to have an ability to build up trustful connection with your clients. You have to understand people, and you have to make people understand you. Then it goes well.” (Interviewee F)

In addition to pure market competence, a sub-factor that has been also mentioned in the interviews is competence regarding the clients: knowing the clients and their needs even beforehand, and having the ability to cooperate with them. Competence regarding the clients is here handled as a part of market competence, while they are strongly linked with each other: in order to know the clients and their needs, also market competence needs to be involved.

Some interviewees emphasize the importance of simply being established in Russia, while the existence of a dealer network only will not let the company to have a contact to the clients. The most far-reaching view is given by an interviewee who emphasizes the attitude towards the customers, and wants everyone in the company to consider the customers as the most valuable thing for the company, and to act accordingly.

“Actually we consider our advantage our good approach to the client. It seems to be free market, and every time customers are making the decisions. Our main task is to reply the customers’ demand, and customer service, attitude to customers, and work as customers as the most important thing. We should just react and reply to their requirements concerning special rules, special equipment... -- Whatever they need, we should be ready to give it to them.” (Interviewee E)

“The knowledge, good knowledge of our clients. There’s, specific of our biggest clients, so what they want. And to -- prevent (predict) what they will want tomorrow.” (Interviewee I)

It is rather surprising that even if several interviewees emphasize competence concerning operating in the market or with clients, only one also mentions the importance of sales. Sales is, after all, very closely combined with working with clients.

“But still, the core of success for the company, it’s the sales. It’s the possibility to conduct the sales. Grow. To have the right kind of customers – the partnership. Because the customers that we are working with, we are working with them for years already. So we have a background. And that is the real core of the success.” (Interviewee A)

When speaking about actual people – managerial level employees, competence in management and leadership clearly stands out. Still, some interviewees do not actually specify what they mean by leadership or management skills.

“Business competence, in my mind, this is a set of required skills or necessary features or characters. -- (And what factors are included, for example for the managers?) OK, for the managerial positions it’s... From my point of view is important leadership, managerial skills. OK, for sure it should be quite some professional. Some kind of interpersonal skills is important.” (Interviewee K)

Some other interviewees make more detailed statements. According to them managerial and leadership competence comprises of skills such as ability to motivate people, building and leading teams, and also giving orders.

“Another important thing I’m sure for manager, this is ability to influence on other people. To share vision, to lead people, to motivate people especially in the situations where business environment is not very friendly or you have difficult situation in business or you have some unclear situation – are you ready to take the risk. So the risk taking, another competence that’s required for any manager.” (Interviewee M)

“Of course the ability to build team and lead team of people; nobody can do in our industry, I think everywhere, not possible, nobody can do job alone. So it’s very important, how you organize people around yourself, how you can organize the work of these people. -- To make them possible to reach the common goal.” (Interviewee M)

While emphasizing the importance of managerial and leadership skills, many interviewees speak about influencing skills, and put it like this: how to make an impact on the people, so that they will do what I want them to do. Some interviewees see leadership skills as a synonym for giving orders, while some others have noticed that commanding is not really working.

A tendency to see management as mostly giving orders to subordinates gives quite a mechanistic view on employees as human beings. On the other hand, it is consistent with the statements of some of the interviewees, who claim that democratic way of leadership cannot be used in their companies in Russia.

“Even today, they expect that when you tell them, they do it. If you think, if you compare it to Finland. If you have a so called working meeting, you say ‘okay, this is my task, right’. ‘Yes.’ But not in Russia. You need to say everything separately, ‘hey, your tasks are these and these and these. -- I’ve experienced that as a great challenge. Even if I’ve been doing it almost for ten years already, it’s not working. Well of course the employees haven’t been the same for all that time either. But where to find the strength to do it over and over again... I don’t have it. It’s the easiest way just to say ‘do this and this and this’. And it feels stupid.” (Interviewee H)

The importance of strategic thinking as a part of business competence has been also recognized. Strategic thinking clearly belongs to managerial competence, as it is mainly the managers who need to look forward to the future and make long-term plans for the company. However, the time period of long-term strategic planning discussed with these interviewees is not seen as longer as one year at maximum. This is most likely linked with the rapid development that is taking place in the Russian market: it seems impossible to look forwards, because no one really knows what the situation will be tomorrow.

“I think I should see, as I said, whole picture. In future I should understand what will happen. It helps, I’m from Finland so I have seen this business. This business won’t be so much different from... Business in Russia, it’s coming all the time much more like Western, business in Western countries.” (Interviewee G)

“Then strategic thinking of course, because I should think all the time how the situation will be in half a year, in a year. What is going on here in this area, in St. Petersburg, in terms of labor market? -- What should we do in this case? What is the satisfaction of the customers, internal customers, for example for my department etc.” (Interviewee O)

Some interviewees define business competence as competence related to technology and products. Mostly these managers are proud of the level of this kind of competence in their companies, emphasizing that their managers have previously worked in the old Soviet companies, and thereby acquired substantial technical skills.

Those interviewees who have stressed the competence related to technology or products throughout the interview, most often have not recognized the importance of any “soft” competence at all.

“Most of our managers, they are coming from the old Soviet maintenance companies, installation companies. So they’re very well qualified, very good skills (in the industry). Real technical profession. So they are professionals, with a real understanding. -- And they know the existing equipment and machinery extremely well because some of them even have installed this equipment on the mills by their own hands, being young at that time many, many years ago.” (Interviewee J)

“First of all, business competence.. -- For the production people and sales people, so the product knowledge is crucial. -- And constructors and designers we have, and also the sales people, they have to know the products very well. -- Then we’ve got the sales director’s level, so of course they need to know the products, but of course they need to implement the strategy to find the right direction, where to go, where to find the empty niche in the market. And then the sales managers, who sell to concrete clients, they need to know more about the products.” (Interviewee L)

From another kind of perspective – not related to the substance but to the origin or form of competence – experience, education and skills are all linked with business competence. Also the ability to connect one’s education to one’s current work is mentioned.

“As again from my point of view, the basic element is education. The vision of person himself, how the person is developed... How the person... ability of person’s... And ability of the person’s connection to the current business – it’s business competence.” (Interviewee E)

“I think the first is the skill. When you work a long time in one business, you have experience, very good experience. And so we often say in Russia that if person works -- in one specialty, even he has no special education, he’s a specialist in this. So the best thing is the skill and the experience, where you are working.” (Interviewee D)

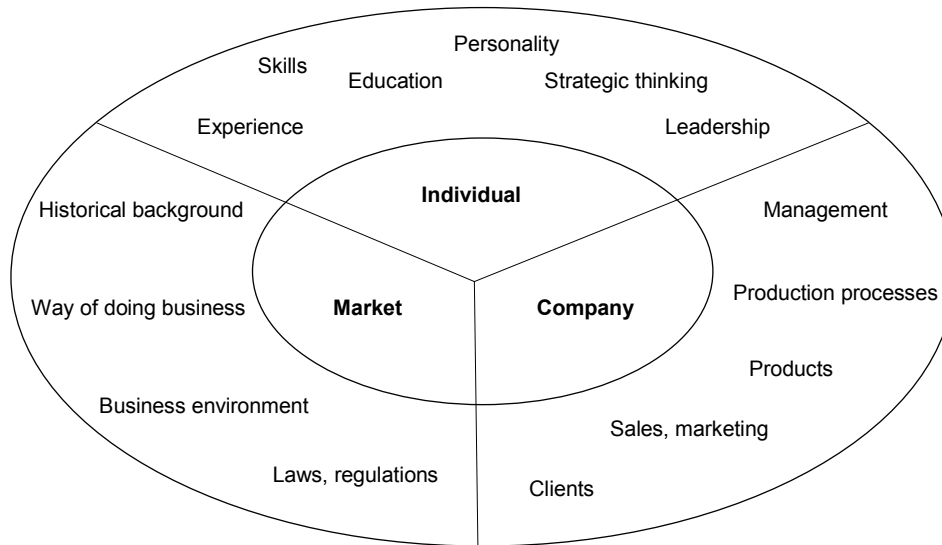
However, one of the interviewees holds the absolutely opposite opinion regarding the origin of business competence. According to Interviewee M, instead of experience, skills or education, business competence is based on completely personal factors. However, this interviewee does not mention whether business competence could be still somehow learnt, or it would be totally internal.

“And from my point of view, all this competence area related to personality of employee, of any person. So this is something related to personality, personal profile. Because people may have the same education level, more or less the same experience, more or less close skills level, and maybe even the same knowledge level, but could be different results during the work. (How they can use this skill...) Yeah, how they can apply, how they’re thinking, how they behave, how they act in different everyday situations. This is the... makes difference, and this is the competence.” (Interviewee M)

Then of course, several separate factors are mentioned as parts of business competence, such as networking, innovativeness, ability to gather information concerning the business, flexibility, activeness, ability to carry responsibility, communication skills and competence in labor legislation.

As a summary, figure 6 describes the structure of business competence. Basically, it comprises of competencies related to three different levels: individual, company and the market. Some competencies, such as leadership and management exist on two levels, because even if leadership or management skills are linked with the manager, they are also linked with managing the whole company. Three areas of business competence that stand out from the research data are the following: 1) competence related to operating in the market or business environment, 2) management competence and 3) competence related to technology and products.

Figure 6. Structure of Business Competence according to the Interviewees.



When comparing the statements of the interviewees to the previous definitions related to business competence, that have been introduced in chapter 2.2.1, the biggest similarity is undoubtedly the fact that variance within these both samples is considerable. Based on the previous definitions, at least strategic management, finance, sales & marketing and technology & production are elements of business competence. Out of these four elements competencies related to technology & production and strategic management have been mentioned by the interviewees as well. Competencies related to finance have been basically ignored. Sales and marketing have not been emphasized either, even if competencies related to operating in the market and working with the clients are given serious attention.

Concerning the previous definitions of business competence, many comments have been made related to the origin of the competence, like education and experience for example. However, the managers interviewed for this research project have not mentioned these factors that often. Another difference is that the interviewees have rarely built long lists of business functions when giving their definitions. They have mostly had some particular topic on which they have focused. Some of the previous definitions were given in the form of list of several elements, or were otherwise very general.

Overall, the interviewees have had a very down-to-earth approach to business competence, while they have not considered the character of business competence as especially deep. Emphasizing competencies in market operations, management, products and technology refers to the fact that the interviewees have defined business competence on the basis of the

everyday operations in the companies. Thereby, according to the competence levels defined by Quinn, Anderson & Finkelstein (1996), business competence would most probably be a combination of cognitive knowledge (know-what), advanced skills (know-how) and, at least to some extent, systems understanding (know-why). However, the interviewees have not reached the fourth level, self-motivated creativity (care-why), in their statements.

2.3 Training

This chapter focuses on training in the 15 companies at hand. First, training needs mentioned by the interviewees, as well as reasons behind them, are explored. Then, different kinds of attitudes, resources, preferences and experiences related to training in these 15 companies are examined.

2.3.1 Training Needs related to Business Competence

Discussing training needs with the interviewees has been in most cases very open, and several interesting views have been shared. However, at this stage the discussions have turned out to be quite different with HR Managers and General Directors. Many of the HR Managers have mainly described their development discussion procedures as a tool to identify training needs, but not that much the actual substance of the training needs. This has probably happened due to the fact that the HR Managers interviewed for this research project represent relatively big companies. Thereby, it must be challenging for an HR Manager of a company employing several hundreds of people, to name any actual training needs of managerial level employees.

Another note is that in some cases the interviewees have not been willing to discuss the competence gaps in their organizations, but still, at some stage later on they usually have opened up and shared some training needs they have perceived. However, sometimes the comments have been very vigorous, and the existence of any competence gaps has basically been denied. In addition, one of the interviewees simply was not able to name any training needs at all, saying that it is too tough a question.

It is interesting to wonder about why some interviewees have found it difficult to reveal the training needs in their company. Does it have something to do with shame or embarrassment, while not everything has been taken care of in the company? Nevertheless, each and every person who has ever been involved in business life would without a doubt admit that there have been competence gaps and training needs in all their previous places of employment. Or

is it possible, that these managers just could not think of any training need at that particular moment and thereby decided to refuse the whole existence of competence gaps?

Interviewee A points out a reason, which makes it difficult for him to name any specific training needs: the situation is changing rapidly in the market, new personnel is being recruited, and it is not easy to have an overview on the competence level in the company in general.

“So we have made big investments during this year, we have hired a great amount of new personnel. We have made changes in the organization, we have a new sales personnel coming in, and sales director, and I hope that I will be able to hire this year also the logistics director and so forth. So there are plenty of new things happening in the company. And to some extent I don’t, I’m not able to say today, what lack we have in our competencies, because there are so many new people involved.” (Interviewee A)

Also many other companies are in the process of recruiting more employees, and thereby new employee orientation is emphasized surprisingly strongly. Orientation programs differ significantly from training the current employees, while they usually contain training in several fields instead of just one clear topic. Based on the strong emphasis that many interviewees have on training new employees, it is obvious that recruiting new employees and training them must take a considerable share of the time and the energy of the interviewees. (For more details about issues related to recruitment, please see chapter 2.4 Recruitment.)

The following five groups comprise most of the actual training needs that have been identified by the interviewees:

1. Market research, clients, sales,
2. Management and leadership,
3. Legislation and accounting,
4. Internal cooperation, and
5. Languages.

When training needs have been discussed in the interviews, the most popular themes have definitely included market research, sales and working with clients. Emphasis on sales and related skills can be at least partly explained with the number of sales offices involved in the research project.

“Perhaps some education from sales processes would be needed: how to work systematically with the client or with the project case.” (Interviewee L)

“...we have implemented here in 2002 like a sales technique training but it was mostly... It was specially done in such way that it was like a systematization of the existing skills that they have. So the trainer had the task to determine special trend or special features or special things that should be... That the managers should have. And then we were trying to analyze what, how we are doing, what we are doing. -- Because all of them, they have skills. They have been doing practical almost every day. So just maybe necessary to... even for them to get the information that they're doing things in the right way.” (Interviewee J)

It seems that quite many companies have arranged training for their sales personnel. However, most of the interviewees admit that in fact it has not been actual sales training, but only some product or related technical training.

“On the sales managers' level I would say that it's too little. They are more natural sales, let's say so. So we have the right kind of employees but we haven't spent that much time for example for the sales skills. It has been more of training within the company: technical sales, what are the goods about, maybe some contractual matters...” (Interviewee A)

Interviewee J has quite an interesting view on sales training. He states that when it comes to sales, training is not always enough, while also some natural talent has to be involved. This opinion is indirectly supported by some other interviewees as well.

“...and of course if we are speaking about sales managers, of course it should be some sales skills. -- But not only skill, but sometimes it's necessary to have some... like tunes in their own behavior and mind and so on. Because sales – it is a very strategic thing. So good sales managers, they should have something inside already for this profession.” (Interviewee J)

Another point that is made regarding sales training is the attitude, or even the ego of sales personnel. Interviewee A describes that the members of sales team are often very self-confident and do not feel that they would need any training in sales. According to him, this matter sets a very high standard for training that could even be offered for sales personnel.

“You know, when we talk about sales personnel... Sales personnel, they are really... When they are good sales, they are really proud and self-confident. And they are often very sarcastic. If you propose them something they say that 'I don't need this, I can train this myself.' So the level of education that we offer for them has to be really on a good level. It has to open their eyes; to make them see new things from another point of view, and so on. -- So, I would say that there are some new salesmen in the group that really need the base, even the base. Base education for the sales. And then there are these old sharks that think that they know everything but we have to be... And I'm sure that there are programs that would be useful even for them.” (Interviewee A)

Besides actual sales, information regarding market analysis is given attention. However, it seems that due to the rapid development of the Russian market, companies consider conducting a simple market analysis as a real challenge. After finishing the analysis the situation in the market may have changed almost entirely.

“All this is quite new and business is growing so fast, so maybe one problem is, people, our managers have no time to think about the future, big picture. -- What kind of business could be... next five years, so... I don't think it's their fault. it's growing so fast, that all the time new customers and... But that, they should think more, to see the whole picture. Of course it's my job also. -- What this business is in Russia? Where is it going, what direction?” (Interviewee G)

Interestingly, Interviewee I does not find it necessary to gather the market information within the company, but is ready to buy that from a consultancy or other service provider. At the same time, Interviewee A feels that it is a real necessity for the company to know the market by themselves.

“One of the most important things is knowledge of situations in the market. So, but... Of course, we have no enough free time to research market very deep and in all regions of Russia. So what's the main... And it's very complicated to get precise information about competition: which company takes which part of market and so on. This information is quite complicated to get in Russia. So market research is one of the most important things which could help to develop business and to change direction of the business. So knowledge of the situation on the market, deep knowledge of your competitors, and their position on the market. -- For ourselves, we are now planning to order marketing research in one of part of our business.” (Interviewee I)

“From the point of view of sales, we have need for maybe some tools we need for analyzing the market situation. We have plenty of information about the market, but so far we haven't been able to structurize it, and to analyze to ourselves. We know much but we don't really know what we know. So it's in bits and pieces, each and every salesperson knows his own market, he knows his own customers but we don't know the total picture what is happening in the Russian market. -- It's our, it's really our core. It's part of core business to know the market on the daily basis ourselves. So on the regular basis it will not be the case that we will be buying that information. We have to know ourselves.” (Interviewee A)

Working with clients, or customer relationship management (CRM) has been recognized as an important object for development in two companies. Both of them have already organized training regarding CRM or are going to have that kind of training in the near future. Good relationships with clients are seen as the basis for trust creation.

“Next month, in December we're going to have a training course for the middle-level managers and for top managers, exactly the heads of the departments, the project managers, the directors, for... -- The training course will concern the effective work with clients, and delivering of our services to the clients.” (Interviewee B)

Besides different kinds of market research and sales skills, also skills in leadership and management have been very often mentioned as training needs in the interviews. Several interviewees just mention general management and leadership skills without defining clearly what the problem is, if there is any.

“For top management -- I should say that the management skills and the leadership skills, these are the things that should be developed all the time. We cannot read the book, ‘Management 1’, and after that you can consider yourself professional and guru in management. Of course it’s not possible.” (Interviewee O)

“We think that for our managers, for our supervisors, a very important thing, activity is management of the personnel. And we have got a real resources in this area to implement and to improve our results. And we’re going to look at this program and problems very carefully with them and plan special course for them, several modules for example.” (Interviewee N)

It is worth noticing, that managerial training is not needed for top managers only. One of the interviewees states that managerial training is especially important for supervisors with technical background, while these staff members do not necessarily have previous experience or knowledge in business administration.

“In our everyday work, everyday life we come across with the deficit of management knowledge and... -- So sometimes our manager are lack of knowledge and experience in business administration. -- These skills should be developed because our engineers and managers very often are lack of this, of this knowledge. -- Very often these people are very good technicians and experienced technicians, but as to administration management they are only... They only they start their activities as managers and so that’s why they don’t have any basic knowledge. And the development of their manage... Their activities as managers is not so rapid as it is necessary for the company. And the company must help them to develop quicker in this direction as administrative, as managers also. Not only as engineers.” (Interviewee B)

Some interviewees specify the need for management training to consider especially project management, or time management as a couple of interviewees name it. In addition, one of the interviewees finds the project work itself as a training need, not only managing the projects.

“It’s very important to forecast and to make the right time schedule, and even more important: to follow the time schedule. And the company tries to train people, to teach them how to dot it and how to follow. -- Last year and this year we had training in time management. -- And this training on time management was held for the middle-level managers and for top managers, for project managers, for heads of the departments of the company. -- This autumn the managers had the training course, two day, two days training course in time management for the big projects: how to make schedules, working schedules, time schedules for these projects.” (Interviewee B)

Another specified management training need is change management. Interviewee M in fact underlines that it is not only managing change that is important, but also handling the change in general – on all organizational levels. However, even if this interviewee considers change management as a serious training need, it remains unclear whether that subject can really be trained.

“Of course sometimes we make some changes in our company and it’s of course very important for our management, and of course for our managers to understand what is the change and how we have to work in the new situation after the changes and how to implement these changes in everyday activity.” (Interviewee N)

“So I must say that business in (our company), it’s over-change management. This is over-change management. And this is not an easy task to do. -- To live every day when you know that every day something can change. And plans that you prepared yesterday, maybe not really accurate today. -- And I think the change management, this is specific, (our company’s) specific, and this required for every manager in the company, for every employee. Somehow learn this and to develop this competence inside yourself. (How?) Some activities you participate in, you study during the work, you learn from your colleague, you try to better understand the customer... -- Of course there is some specific trainings, that we provide for managers or employees, but I must say that there is not really training for change management. -- ...there is no course, so called change management.” (Interviewee M)

An interesting point is made by two interviewees, who need skills in “distant leadership”: how to manage your subordinates that are located somewhere far away. The geographic realities of Russia create a real challenge for companies who either want to establish new subsidiaries to different parts of Russia, or for managers who are managing the Russian subsidiary from the Finnish side.

“As I see how business will develop for (us), the coming years... It will definitely grow. It means that most likely we will have our representatives in different regions. Not only in St. Petersburg and Moscow, but maybe in Kazan, Novosibirsk, Krasnodarsk and so forth. So it’s very, very difficult case, when you have subordinates far away, It’s very specific case, how to deal with them, how to manage the partnership and so forth. So that is definitely, that will be a difficult task. Because I have seen few times how it doesn’t work, so I know it’s difficult.” (Interviewee A)

Considerably many interviewees state that there is a continuous need for training in legislation and accounting. In Russia the legislation and accounting regulations are experiencing changes relatively often, so the high frequency of these kinds of answers cannot be considered as a surprise.

However, the interviewees have still quite diverse wishes concerning the training in legislation. The topics that are asked for vary from labor legislation and safety regulations to customs and trade legislation.

“If we’re speaking about equipment sales managers, they -- of course need some additional... Legislation of course possible, customs, price calculations, such things. Yes, and we are going and we have already prepared to arrange this training, like ‘The Special Features of the Russian Trade Legislation and Customs Legislation’. Such things. Or the calculations of the payback, calculations of such things. (In terms of Russia?) In terms of Russia, in terms of our Russian customers, how to say... Just maybe more adapted to (our industry), if possible.” (Interviewee J)

“As I see it, the biggest problem lies within personnel administration, if there is a link with legislation. Work, contracts of employment, because the administration in Russia, contracts, everything related to personnel administration is totally different from what we have. -- So that’s a training need: to present in a concrete way issues linked with personnel administration. Contracts of employment, exceptions, how many jobs can a person have at one time, everything related to misusing the information owned by the company....” (Interviewee H)

Knowing the accounting regulations and updating one’s knowledge in that field is considered as especially important. As a couple of interviewees remind, it could be very expensive for any company to neglect these kinds of regulations.

In most cases it is only the chief accountant or other members of the book-keeping department who need this kind of training. However, also one of the managers stated that he wants to be involved in financial administration and know at least the basics, just to be able to understand the content of any document before signing it.

“But we are using special course for our chief accountant and for our book-keeper. So this kind of education we are giving regularly. Quite important because legislation in this area is changing quite soon and it could be really, very expensive if you will make mistake.” (Interviewee I)

“Yes, it’s a factor that our book-keeping department mainly used. They one time in few months they go to seminar, course, training, of course attend it. It’s another department, I can’t say how much training they have, but of course they take care of Russian legislation. It’s very, very important. The taxes could be... Inpayable taxes could reach too much penalty.” (Interviewee D)

Several interviewees mention that they have come across with a problem related to internal cooperation within the company. In some cases this issue involves the whole company, but in some other cases it is only a question of problems with teamwork. Some interviewees are demanding wider attitude and competence, instead of just knowing and caring of your own field.

As a training need internal cooperation within the company is a very interesting one. Compared to managerial skills or sales skills, for example, internal cooperation is not an issue related to a specific person, but rather teams, departments or the whole company. In other words, it does not make the situation any better, if only one person realizes that things need to change. Instead, the whole group needs to be involved. Thereby, improving the internal cooperation might require a change in the corporate culture.

“One thing very important is the... let’s say, the spirit in the office. We can see it there. Because like in all offices, there are some people in different departments, are looking too much... That’s one of the problems, by the way, here is that sales, service and parts departments are very focused on their own profit, on their own task. And they cannot see the advantage of the whole company. -- And this is one of the things that will be a topic in the management training.” (Interviewee C)

Training needs in languages are also given a high priority among the interviewees. Most of them especially emphasize the appropriate level of language skills that is needed in business life: it is not enough to know the basics, but one has to be able to use the language in telephone, meetings and negotiations. English is the most popular language to be trained, but also German and Finnish are mentioned.

“There are always needs for business languages, business English. Many people come with the language but it’s not on the level that they could freely speak or freely write emails or correspondence. Language is... it s a tool for working.” (Interviewee L)

In quite many companies there is already an existing training program in languages at the company’s expense. In some cases companies encourage their employees to improve their language skills not only by paying for it, but also letting the employees include the lessons in their working hours.

“And in fact we have started already in, was it in March, we started a program, so the company is paying language school. Well, most of the management is there, and those who are not, they speak rather fluent English. And all the ladies from the office attend, and also, I would say, 50% of the mechanics. And it’s not mandatory. But it is so that if they have two hours per evening, I think it’s twice per week, one hour is working time and one hour is their own time. Company pays all the expenses. (Is it a permanent program of training?) Yeah, it is.” (Interviewee C)

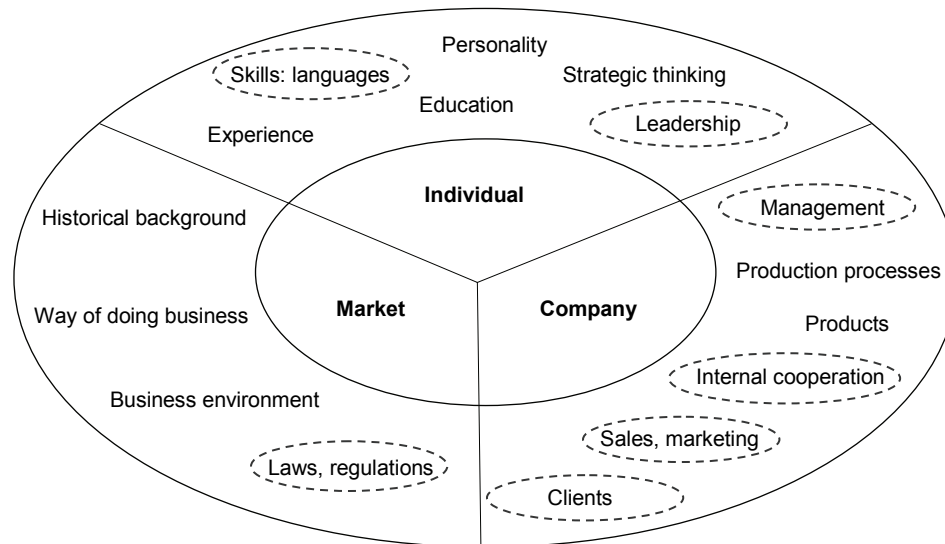
None of the interviewees mention Russian language as a training object. This refers to the fact that in most of the companies involved almost all the employees are local. Thereby, there is no need to train the expatriates in Russian language, while those few Finns who are there – mostly top managers – are often fluent in Russian already.

Besides all the topics that have been already described, also some separate training needs have been identified in the discussions, including training in intercultural differences and showing initiative.

Figure 7 describes business competence, as defined by the interviewees, and training needs that have been identified. Needs for training exist in the following areas (circulated): market

research, sales and clients; management and leadership; legislation and accounting; internal cooperation, and languages.

Figure 7. Training Needs (Circulated) in Business Competence.



Various kinds of training needs have been identified among previous studies on management training in Russia. When comparing these training needs to those named by the interviewees of this research project, it can be well seen that there are a lot of similarities. Especially the different aspects of leadership and management (Czinkota, 1997; Gurkov, 1997; Iitti & Stenberg, 1999; May, Puffer & McCarthy, 2005; Fintormenta, 2003; Fintra, 2004) have been mentioned various times in both previous research and the empirical data of this report. In addition, training needs in legislation (Czinkota, 1997; Gurkov, 1997), knowledge of sales, market and clients (Czinkota, 1997; Engelhard & Nägele, 2003; Fintormenta, 2003; Fintra, 2004), ability to show initiative (Engelhard & Nägele, 2003; Gurkov, 1999), team-work skills (Engelhard & Nägele, 2003) and internal cooperation between the departments and ability to see the common goal (Engelhard & Nägele, 2003; Fintormenta, 2003) have been mentioned in previous research and by the interviewees of this research project.

However, an interesting point related to training needs is that general management has been emphasized very strongly by the interviewees, but it has not been such a visible topic among earlier studies. Though various aspects of leadership and management have been definitely mentioned in previous research, as it was indicated in the paragraph above, they have only concerned some sub-areas of management, such as strategic planning or team building. Thereby, in previous research general management did not appear as such a dominant training

need than in the interview data of this project. What is the reason, then? It may be a methodological issue: possibly the authors of earlier studies have offered specified answering alternatives for respondents instead of discussing management in general. Or have the managers already had training in specialized subjects, and realized that they need competence in general management instead? This seems like a reasonable explanation, taking into consideration that training courses in the Leningrad Region are very focused by content, as it was mentioned in chapter 2.1.2.

Besides the issue with general management, there appeared to be only a few differences in training needs identified in previous research and this report. However, as opposed to previous research, none of the interviewees has mentioned competence gaps in logistics (Iitti & Stenberg, 1999), psychology (Kets de Vries, 2000), problem solving (Czinkota, 1997), decision-making (Czinkota, 1997), ability to set priorities (Engelhard & Nägele, 2003) or making quick assessment of situation (Gurkov, 1999). And vice versa, language training that has been emphasized by the interviewees to a great extent, has not been mentioned in any previous research paper or books that the author has explored.

After all, the training needs that have been identified in the companies are quite basic: management, sales, languages, accounting etc. That is also what Quinn, Anderson & Finkelstein (1996) claim: most enterprises focus much of their attention on training and developing basic, rather than advanced skills.

In the statements of the interviewees training most often refers to improving individual competence. Also Georgoff & Murdick (1980) have defined four reasons for training, of which as many as three were related to individual employees. The training needs mentioned by the interviewees mostly aim at improving the individual's performance in his/her present position, or in some cases the individual's independence in the job. However, none of the interviewees has emphasized that some person would need to be trained in order to improve his/her ability to perform better in an upgraded position.

Almost all the training needs that the interviewees identified are related to the individual level – all but one. Internal cooperation within the company has been mentioned by several interviewees, and it is not a training need that could be fixed by only training one person, but rather teams, departments or even the whole company would need to be involved. Internal cooperation belongs to the fourth training need level of Georgoff & Murdick (1980) – improvement of the general performance of the organization.

2.3.2 Reasons for Training Needs

Besides asking what kind of training needs exist in the companies involved, it has been also inquired what the interviewees consider as the background factors behind these training needs. The factors are divided into two groups: external and internal. Internal factors refer to those matters that exist only in that particular company, while external factors are related to matters coming from the outside – from the surrounding business environment – and thereby affect all companies in the similar way. The interviewees have identified two major external factors: changes in the market or in legislation, and the Russian educational system itself. Internal reasons that have been mentioned several times include growth of the company, renewals in the company and the motivating impact of training.

The most frequently mentioned external factor is related to the changes in the market or in legislation. This has been rather expected, as the market in Russia is developing rapidly. It is also a well-known fact that changes in legislation are not very rare.

“Of course when something changes in labor legislation, we inform our managers and supervisors in this part what is changing – how it was important for us, in general. Some kind of instruction or some memos or any documents for them. And I can say that very important to include it, these new things to any training, for our personnel. And we do it in general.” (Interviewee N)

“OK, external factors. That should be just... Legislation changes for instance. What else, as external. Some market changes.” (Interviewee K)

“I think only business environment. Business environment changes is the major thing. Because as soon as we should be every time... offer to the market what they want, we need to have the staff trained, persons.” (Interviewee E)

A more surprising issue is that the interviewees consider the Russian educational system itself as a problem that creates training needs. What makes this even more interesting is that the interviewees have quite different views on *which* flaws there actually are in the educational system. One of them states that Russian university graduates have a very narrow competence profile and they only hold theoretical knowledge. Another interviewee claims that the educational system is the reason for poor teamwork skills among Russian people in general.

“And also I have the feeling that when people come to a company they are less educated than in Finland. -- In Russia the education is more theoretical than in Finland, so people come with certain knowledge, but it's very narrow profile. They know perhaps something very specific -- but then we have to increase the knowledge level and widen it, let's say, horizontally, because quite often they lack business knowledge: how to work with clients, how to have negotiations... -- They lack, let's say, practical knowledge. Theory is strong, but there's no practice.” (Interviewee L)

“For some reason, there’s something in the education, that doesn’t encourage you for team work. -- And I see it easily, when people try to do, even if it is supposed to be done as a group work, still they try to do it individually. And I find it’s linked with education system.” (Interviewee H)

One of the interviewees is concerned about the age structure of the professors in Russian universities, saying that too high a number of relatively old professors might in fact result in decreasing the quality of instruction.

“From the other side, in Russia there is a problem that teachers in school, in college -- in universities, become older. -- And this is the problem that government start looking for more closely, to attract young people, young teachers in colleges, universities. To have, to revitalize this population of teachers and keep the level of, standard of education on the appropriate level. Because of course as soon as the teachers become older and older you may just (experience) a loss on the education level. And that mean that people who come to company, may not be well-educated enough.” (Interviewee M)

In addition, while the educational system in Russia has traditionally been strongly based on engineering sciences, it has led in a situation in which a huge number of people need training in economics and business administration. Thereby, as a typical indication of operating in Russia, also some of the interviewees themselves have received additional business training besides their own technical background.

The major internal factor behind the training needs in organizations is the growth of the company. In some cases training is even seen as a requirement for growth, while the new recruits often need to be somehow trained already in the beginning of their employment in the company.

“We have a possibility to grow, and to grow fast. And the need for the training is to support that. Because it means that we have to work better, more effectively each and every day. So that is the main need for training.” (Interviewee A)

However, it does not become clear, what the interviewees actually mean by growth. There are many possibilities, like turnover, productivity and market share, for example. Or does it mean increasing the number of staff, or maybe increasing the quality? At least the two following interviewees clearly speak about increasing the number of new recruits.

“Let’s say, first of all, in Finland market is more or less stabile. -- But here, we’re all the time employing new people, we are trying to grow and increase the number of personnel. And also because of this we have more requirements for training and more needs for that.” (Interviewee L)

“I can see also the situation that we first send a person to train and then we only take him to work. We pay him for that and then we take him to work. That is also possible, but not yet. We are not in the, in the stage yet where we can do it. But we are developing now quite fast and we are opening new branches, and that would mean that some of the personnel on those branches have to be sent first for training and then we take them to work.” (Interviewee F)

However, is the growth the original reason for training needs after all? It is highly possible that in most of the cases the growth is only an indirect factor, while the rapid development of the market is the real background factor. Ultimately, such a great opportunity to grow fast would not exist if the market was not growing fast in the first place. An actual training need caused directly by the growth of the company might be, for example, reorganizing internal processes. Two of the interviewees are in the middle of this kind of a situation. As Interviewee A puts it, the business is getting “more serious” than before. Interviewee M describes the on-going change as a transformation of a family-sized Finnish company into a European level enterprise.

Another major internal factor – and this time clearly an internal one – is related to different kinds of reforms or renewals in the company. Investing in new equipment or launching a new product requires familiarizing the employees with their new features. In this context also establishing a new organization structure is considered as a reason for training.

“I think, first of all, internal factors... New products, new product lines. So people have to get product training. And now -- we have this SAP system implementation, so people on all levels are having some kind of computer and SAP training.” (Interviewee L)

“And for example, when we bought new companies, for us, for our managers, for our supervisors was important to understand how they manage the other part of these activities (how the whole company is managed), and we build our management structure. Sometimes for our managers, for our supervisors was very difficult to understand why and how they have to solve the problem for their production – how it works. And we had to train them.” (Interviewee N)

Quite many interviewees have discussed the role of training in the interviews. For many, it seems to be motivating and energizing the personnel, and to keep the employees loyal for the company. This can be considered – at least partially – also as an internal background factor for training employees.

“In my earlier positions where I have been, the positive things has been usually, the first positive thing that is, the training has motivated the personnel. Usually it has been a very positive thing. Of course there are always somebody who is saying that was bad, and that was bad, and so forth. But that always happens. But as an overall picture, the result has been always positive, and energizing. And that is also very important matter. -- So in my hands it's (training) a way of making the business grow and also to motivate the personnel.” (Interviewee A)

“And that’s why I think the ability to develop people, is very important because it keeps people motivated, engaged into business and the activity of the company.” (Interviewee M)

One separate and even controversial point is made related to the age of the staff members. One of the interviewees has noticed competence gaps regarding some senior employees. He has also found it challenging to inspire these employees to develop themselves. However, this particular interviewee is left quite alone with his opinion. No other interviewee mentions the age of the employees as a problem or a background factor creating training needs. In fact on the contrary, another interviewee mentions that there is no problem at all in having several staff members in their 60’s. Thereby, it is possible that the competence gaps regarding senior employees actually have nothing to do with age, but motivation only.

“And now that, the younger the employee is, the better the adaptation of new knowledge is. And it’s not a conscious choice, but it is, it has just happened, and we have... Until last fall the employees, the so called eldest employees had been here for eight years, and they just didn’t have competence. -- (Well, would you say then that these younger ones are complete as employees, like ready-made packages?) More complete. Well, they lack contacts, they lack experience, they lack knowledge to approach issues, but they have the requirements. Better requirements. -- Because the older ones don’t adapt anymore, I’m not saying nothing, but poorly anyway.” (Interviewee H)

One of the most surprising views is presented by Interviewee M, who emphasizes strongly what should *not* be a background factor for training employees: the employer should not try to change the employee completely by training, while it will not be possible.

“You can’t change dramatically the person, the personality, the person things. You may just improve some part of the areas, maybe slightly influence on the behavior or develop some skills. I think that it’s good to understand that there is no ideal training that change the person completely. -- ...I think this is good to understand that training is not a pill for any problem. No, it’s just a way how we can make a tuning, some tailoring for employee to help them to do the job better.” (Interviewee M)

What the author finds rather surprising is that the interviewees have not mentioned the turnover of managers as a significant background factor behind training needs in their companies. Nevertheless, it is a well-known fact that nowadays demand exceeds supply in the labor market in St. Petersburg. Thereby, experienced and well-educated employees may practically choose their employers by themselves. However, it seems that the managers interviewed for this project do not consider turnover as a factor causing training needs.

To sum up, the most frequently mentioned background factors for training include changes in the market and legislation, Russian educational system and company growth. Previous

research, for example Nurminen, Pommelin & Talonen (1999), also has some suggestions, which are in fact quite consistent with those mentioned by the interviewees: political, economical, cultural and social development in Russia; market factors; the law and the actions by authorities; the stage of internationalization in Russian trade (for most of the companies it was growth). Brown (2002), though, names two factors that the interviewees have totally ignored: Reduction in Force placements, and reassignments or promotions. Probably the business in Russia is still so fresh, that there have not been needs for reducing the number of personnel yet.

2.3.3 Training in the Companies – Attitudes and Resources

Training practices have been discussed widely during the interviews: what kind of training, how often, on which grounds and what kind of outcomes. Various kinds of preferences, attitudes and values have been presented. Before going to further details about current training programs in the companies, some general features related to training are examined.

Opinions related to the importance of training among the interviewees vary significantly. This becomes especially clear when the desire for professional growth of employees is discussed. Some managers find it as an issue worth supporting and encouraging, especially when they consider the training as useful for the company as well.

“We don’t have a special policy or program but we every time support persons, people, our employees who are going to improve themselves. As soon as we see it’s... When it contains languages, professional skills or everything connected to the activities here.” (Interviewee E)

In some cases motivation is even seen as an unquestionable requirement for training. Interviewee M goes even further and underlines the role of the employee in attending training: developing oneself is not only a possibility of the employee, but a duty as well.

“But our current thing that, the situation that we have now is that if a person is willing to go... (Have one’s initiative?) Yeah, it means that somewhere here a person... to have a motivation to do it. Because the main disadvantage of all of this is that forced trainings and programs, that nobody is motivated to do it. So you can see, you can go, you can write, you can read, but if you’re not interested, it is just losing of time.” (Interviewee E)

“Yes, this discussion between employee and the manager, this is shared responsibility to think about the development. It’s not only job of manager to find way how to develop the employee. It’s also the expectation of the employee, share of this career aspiration.” (Interviewee M)

However, also other kinds of views have been discovered. While discussing the possibility of the employees on managerial level to show their own initiative and suggest that they would

like to attend some training, it became clear that in one of the companies involved the managers are basically allowed to suggest training for themselves but these requests are handled in a very critical way. Managers should not take for granted that it would be possible to take part in English classes, for example, on company's expense. Instead, managers should have acquired sufficient language skills before joining the working life.

Another issue that gives some indication of the perceived importance of training among the interviewees is the question of whether or not there is time for training in the companies. Mostly the interviewees assure that there is and there must be time for training. In fact, some of the interviewees say that training is almost like a condition of staying alive – a necessity if the company wants to be successful in the market.

"In my opinion training is a good thing... If there is no training, then the company is not, in a way... It has a future, but it's moving backwards. It needs to have time for it, the company needs to have time for training the staff. But here we are again: is it a small or a large organization. And then, in a small company, I easily connect it to work, so that it directly benefits the work. I try to see, which the weaknesses are, where some kind of new competence is needed. And then it can be done during the working hours. Then besides that, if the training is something more general, in our case the company has paid also these kinds of trainings, but then it shouldn't be during the working hours." (Interviewee H)

Still, in some other companies the situation is different. Other things, such as moving to new premises, have taken a lot of energy, time and financial resources. Thereby there has not been time for training and not that much money either.

It is quite surprising that while some interviewees claim that training is a requirement for success in the rapidly developing market, some other interviewees have a completely opposite view: while the market is changing with an enormous pace, there is no time for training.

"People – they are doing their job. They're very, very busy. They have a lot of things to be done, because small stuff, a lots of new... Business is growing in Russia today, so we have to follow this growth, so we have to run quicker! That's why there's no time. You see, in 2002 we had this training course; it was possible to collect all the people in one time for two days. For the last two years and this year it was not possible. Even we had it in plans, but it was not possible to collect the people for two days – all of them." (Interviewee J)

"The beginning of this year we have a transfer of our office from one side to another. And we expect that within next one year... -- It (moving) was very difficult, we have a lot of things connected with the... That doesn't touch the... So we not developing our production. We just trying to save our position. And if we will stay here for a one, two years extra, we will try to increase our turnover and so on. -- From this point of view, I don't think we have too much money for training. Because there is lot of other things to do." (Interviewee D)

The question related to the training budget in the companies has been answered very shortly. No one has been willing to share any figures or exact information regarding the budget. While six interviewees have not really given any comments, nine interviewees have at least given some indication of the financial side related to training in their companies. Six out of nine admit that they have a training budget, and the remaining three interviewees say that there is no training budget in their company. It has been expected that bigger companies would have training budgets, and smaller ones would not. Thereby, it is an interesting point that a couple of interviewees state that there is a formal training budget in the company in Russian side, even if the Russian subsidiary is relatively small.

Below are some examples of the comments made related to the training budget. Some interviewees have been more open in describing their budgetary issues than some others.

“Of course we’re budgeting all the time money for this training. -- It’s enough money to organize two times for couple of days training during the year. (Is it fixed or could it be...?) It could be, if necessary, I think we will just find a way how to add some money for it. If necessary.” (Interviewee J)

“And of course we plan money for training activities, it’s done on the department level, because there is some very specific training that manager plans for the employees. And in HR department we also plan some activities, some training for other, maybe soft skills area.” (Interviewee M)

Both Interviewees A and E mention that the amount of money that is spent for training varies depending on the person and the position. However, while Interviewee A still finds it both possible and even important to create a training budget, Interviewee E considers a training budget as useless.

“In the budget, in the cost budget I have already budgeted also expenses for the trainings. I can’t remember the figures right now but I have already budgeted. So there are figures for that, for those needs. And of course they vary, depending on the position. And the need for training, it will be defined in the individual basis.” (Interviewee A)

“I don’t know, if it’s necessary in this situation, because we have the main factor that for people education on their own motivation. It’s impossible to predict which person will want to go. -- It’s better not to have this training budget at all because if it comes a training budget, it comes a training policy. -- It depends on the person, for example, who would like to go and study... -- But if a person is willing to go and study something like English, why not. It will be for the advantage of the company anyway, and it will be for the advantage of the person oneself.” (Interviewee E)

Frequency of training has been inquired from every interviewee by asking how many days one person spends for training in a year. However, only a few interviewees have been able to

give such a detailed estimation. Many interviewees only say that they are training their personnel “when necessary”.

“Now we arrange the training and the development of the our employees not on the regular basis, just try to cover only current... current necessary issues. -- This activity is not at the level when we can plan our training and development of the employees much beforehand.” (Interviewee B)

“We have more or less a rolling education. Let’s say, each month we have someone having some sort of a seminar or training days in Finland.” (Interviewee L)

Still, some estimations are given by a couple of interviewees. Many of them are related to the training of the accounting personnel, or chief accountant in specific, while several interviewees find that for this particular position training is really important. In some of the companies involved the chief accountant receives as much as 12 or 30 days training per year, of which the latter one can be considered as substantial.

“If we talk about different professions, different jobs. Training is the best and the most necessary for the chief accountant. (Why is that?) Legislation is changing, regulations are changing constantly. -- (So how many days does the chief accountant spend in trainings in a year?) At least 12. They are definitely once a month in training – at least.” (Interviewee H)

“Because for example the book-keeping and financial control, they have plenty of trainings, for example right now, since we are now implementing the new IT system. So they have spent during the last year in trainings and... Some educational program, 30 days probably. So much. -- On the sales managers’ level I would say that it’s too little. -- But let’s say that not more than five days per year.” (Interviewee A)

When it comes to other managerial or middle-managerial level positions than chief accountant, the interviewees describe that the number of training days per year varies from two to five.

But now we’re thinking and planning our training activities according our needs, first of all: company’s needs, managers’ needs... And our HR policies, first of all in training field. So, I can say that for example about five days per year they spend, we spend for training, in general.” (Interviewee N)

2.3.4 Preferences and Experiences related to Training

The interviewees hold very different kinds of opinions concerning the best training methods available. In fact, it seems that basically any kind of training is supported at least by one or two interviewees.

When discussing external training as opposed to internal during the interviews, both open seminars and tailored trainings are supported. One of the interviewees preferring open seminars emphasizes the affordability of them. At the same time, another interviewee, a fan of tailored training, states that even if it is more expensive to arrange training that is organized only for their company's needs, it is also more efficient.

Some interviewees also mention the importance of developing oneself by oneself, for example by reading professional literature or magazines. Of course this is also a very cost-effective training method. Some others find it important to have interactive training instead of traditional lecturing. Interactive method is seen as a better way to make the employees actually learn and adopt something new from the training.

The only training method that is mentioned by the clear majority of the interviewees is in-house training. Nine out of fifteen companies involved arrange in-house training in cooperation with the mother company. These programs include training in various topics, such as human resource management, general management, product knowledge and product management.

“Regarding (corporate) level training program, normally, the length of program something like a year and it consists from, for instance from, four, three modules. First module just a couple of days or induction, and then three, four days other module. And then participation for some kind of project work or some kind of home task and then they return it. And then finally that closing session. This is the main structure for many corporate program...” (Interviewee K)

Several interviewees state that their in-house training programs often include a visit in the factory in Finland, or some other unit of the corporation. It is considered important that during these training periods the employees would learn the best practices from the other units – or the whole industry, as some interviewees claim.

“Then, if needed, we can also use the knowledge we have in Finland, because there we have the main production and the main product managers, who are the best, actually, in this business.” (Interviewee L)

“Also we try to actively use our relations, internally within (our corporation). -- And this is very good opportunity for our employees to have a look at this factory, and to see big volume production, to participate in some kind of project and to get more knowledge, more expertise.” (Interviewee M)

In addition to learning new things about the actual work, Interviewee N finds it important that training periods in the headquarters or other subsidiaries help the employees to “sense” the corporate culture.

“...we have got a special program for change of our employees between (subsidiaries). -- And we had the first group in January this year and we’re going to have another group in January of the next year. And it’s this program very interesting for our employees, because first of all we send to Finland at real factory, at real working places our good people, who is interested in development. -- And during five days they live in foreign life, for example yes, they go to work and they work at...-- And they understand what is the good thing at... for example... their corporate culture and what is the best in our corporate culture. And what should be changed in our company and how to do it.” (Interviewee N)

In general, several interviewees find it very important to have practical training with practical results. The interviewees claim that training and everyday work need to be strongly linked with each other. However, Interviewee I has extremely practical expectations concerning the training results, as he wants to see an increase in the company’s turnover shortly after the training.

“So, what I would be looking for in education and training, it’s practical things. -- So it has to be somehow integrated to our own, what we are doing.” (Interviewee A)

“We use in our corporate training case study trainings, it’s more effective. More practical and more effective. -- Sometimes they can make some conclusions, and connect it to their everyday practice and activities.” (Interviewee N)

And finally, whatever the training method was, Interviewee A makes an important point regarding finishing the training project: some kind of feedback session needs to be arranged in the end of any training program so that the results of the training may be evaluated.

“But if you do the training properly, there has to be get-together after some times, when it’s analyzed. You got some knowledge during the training, then you worked, you implemented or not implemented. -- And after some period, there has to be some kind of feedback. So the people should get together and discuss: ‘Really, what did we get from this training? Or did we really get anything?’ So maybe it was so theoretical that it’s, it really didn’t correlate of our everyday life at all. Then I would understand -- that this was useful, and I can see what were the results – the real results from the training. And it would give me the perspective that I would like to have to the trainings.” (Interviewee A)

This quotation is one of those rare statements that have been made in the interviews concerning training results. However, it does not really become clear, whether Interviewee A would like to arrange a reunion between all the training participants, or a meeting with one training participant and his/her colleagues. Still, most likely it would be useful either way.

When asking about the selection criteria for choosing a training provider, the opinions are fractured to a great extent. The main criterion appears to be the professionalism of the training organization, but besides that all the other factors mentioned are very diverse.

Taking into consideration that professionalism proves to be the most important piece of selection criteria, it is interesting to wonder about *how* these companies actually can assure that the training organization really is professional. Is it somehow linked with the reputation after all, even if none of the interviewees uses the actual word for that? One of the interviewees suggests that he might make some check-up questions during the negotiations to find out the level of professionalism in the training organization at hand.

“Professionalism. References. I think it’s just these two, I’ve got two. Professionalism and references. Because whether it has certain name or image, it’s not important. Professionalism. (How can you check the professionalism?) Well, of course only by discussing their previous work and experiences, and what kinds of results they have achieved. There’s no other way. Possibly some questions just to check, to ask them something related to that particular topic.” (Interviewee H)

“And they really had a... let’s say, professional approach. They did not want to come and give the training before we had had this workshop (together), so that they definitely will know what we want to have.” (Interviewee C)

Another factor that has been discussed quite often is the origin of the training organization and the importance of that. The comments here are very diverse, while some companies clearly prefer to cooperate with Western training providers, and the others only use the services of local training organizations. One of the reasons for cooperating with Western training organizations is the willingness to operate according to the guidelines set by the Finnish mother company. Local training is considered attractive especially when it comes to training in legislation.

“Let’s say that they have to have very solid background in Western country, whatever it is. -- Because what we want to do, is we want to give Western training but if we give 100% Western training here in Russia, it’s a waste of time. Because we always have to take the local aspects. -- The training has to be balanced. Taking into consideration that we are here.” (Interviewee C)

“...or if we have a training, marketing training then I don’t know what exactly will I choose. Because the West kind of, West technology production or selling has different, much different with Russian. Structure and methodology and so on.” (Interviewee D)

“They are basically local institutes. Because local institutes they have best knowledge of how to do it here. The legislation is the main thing why we choose local institutes, because we know that on this page law is written in that way and then we turn the page and there is completely different. So in local institutes we learn to read the law in the right way.” (Interviewee F)

The most outstanding comment is given by Interviewee A whose answer is very pragmatic. According to him, the choice between training companies is made between those training representatives that happen to call him at the right time and offer the right training topic.

“At this moment: who sells best. Who is proposing? I’m not looking for training, I’m getting the proposals. I really don’t have time to look. So actually it comes that way that the organizations who are organizing some, Mercuri or somebody else, they are calling and saying that ‘are you planning to have something? We have this and this and that.’ ” (Interviewee A)

Some other separate factors that have been mentioned few times in the interviews are price, topic, suitable training schedule and references. The author finds it rather surprising that price has not been among the most important selection criteria. Previous market research (Fintormenta, 2003; Fintra, 2004) would have indicated a more dominant role for price.

In the discussions the interviewees have been given a possibility to share some of their unforgettable experiences related to training the personnel in their own words. These experiences have been unfortunately very often negative. Some training events have been considered as useless, there have been problems with the training organization, and some company specific issues have been found as challenging to be trained. The number of positive experiences mentioned by the interviewees does not exceed two.

Surprisingly many interviewees have had negative experiences of sending their employees to some open seminars. These kinds of statements really stand out. According to several interviewees these trainings are total waste of time. It is often seen that open seminars are absolutely not linked with the everyday work of the trainees, so there is no use in attending them. Some of the interviewees even mention that after experiencing disappointments in the training field they have become very careful in selecting training partners. One disappointment can ruin the reputation of all the training organizations in the eyes of the client.

“Normally this concerns some -- seminars, which are just widely advertised. Normally this is just some small fee, but it’s money anyway. Normally it’s waste of money. Just wasting time.” (Interviewee E)

“I have to say that everyday I get by email few offers concerning these trainings. But, and I have sent two or three times our managers to these trainings. It takes sometimes one, sometimes 2-3 days. But unfortunately these trainings doesn’t give practice knowledge, and doesn’t help in our current work. So this experience wasn’t successful and at present time we have stopped. -- Because it’s... the offers we get from other companies, they are quite expensive and almost zero result.” (Interviewee I)

Some interviewees describe the problems they have had with the training organization itself. In one case the training has been too general even if the company has specifically asked for training that would be strongly linked with their industry. Also there have been problems as the training organization has changed the trainer, although it has been already agreed who the trainer would be. Basically these problems refer to trust between the client company and service provider, which has been ruined because of these kinds of incidents.

“About negative sides, we were asking for them to be prepared more using these specific features of (our) industry. Something like that. I asked them to come here first with the managers: listen them, what are they doing, how they’re working. -- And then try to give in this training some sort of answers or explanations or criticize the activity. But this should be of course on the base of our industry. Knowledge and experience. But this was not done, because again, it was very general. Because I’m afraid that there is not such training companies here that can combine knowledge of this type of the industry with their training possibilities and skills and so on.” (Interviewee J)

Some interviewees raise the question of certain company specific issues, which have created or might create a challenge for external trainers. In some cases, according to the interviewees, it becomes impossible to use an external training provider while the necessary information can only be found inside the company.

“But sometimes, for external trainers not very easy to understand some special, some specific things in company. And sometimes they don’t know our special techniques, how they work in our company.” (Interviewee N)

“Training companies are so different and they offer different programs for different purposes. -- I can say that product training cannot come from outside. It would be nice to buy it from outside, some few day’s program from outside company but it’s not possible. I would need that.” (Interviewee L)

Fortunately also some good training experiences have been heard in the interviews. One of them is simply related to a well-organized open seminar with an opportunity to share one’s thoughts. Another interviewee emphasizes the importance of having feelings and moments of success during the training program.

“We have tried also Mercuri. -- They have this international system, so efficient selling and I don’t remember... They have three or four different kind of open seminars. Actually they are very good. -- They are quite expensive but people were always quite satisfied. They said it was really good, they have that kind of forum where they can think about this and talk about this, and... -- It was more like a forum where people start to think something, and different kind of thinking.” (Interviewee G)

2.4 Recruitment

This chapter focuses on recruitment issues that were covered during the interviews. Usually these issues were related to the *problems* that the interviewees had noticed in recruitment. None of the interviewees was of the opinion that recruitment had been an easy task in their company. The most common factor behind the perceived difficulties was no doubt the hard competition in the labor market, but also other problems had been recognized. In order to survive in the difficult labor market situation, the interviewees mentioned a couple of tools, of which establishing cooperation programs with educational organizations at different levels seemed to be the most popular one.

2.4.1 Labor Market Situation

Many interviewees mention that the difficult and very competitive situation in the labor market has formed an actual problem for the company. One of the interviewees even states that the competition is more fierce on the labor market, than the actual market of that particular industry.

“At the moment the competition we have on labor market, we compete on labor resource. On this area we have competition because we have to employ a lot of people for our new plant, for our new project. -- I think at the moment the competition more on the labor market than on the industry.” (Interviewee M)

“It’s the biggest challenge to find qualified people, and how to then educate them. -- We are in a big city where there is lots of same kind of business, what we are doing. And there is also a huge demand for personnel, like we have. So the biggest challenge for the coming years is to find personnel, because there is huge deficit.” (Interviewee L)

These statements present two of the main challenges related to recruitment: first, there are less workforce available than what would be needed to fulfill the open vacancies, and second, most of the candidates are not qualified. And third, while there are only few professionals available in the labor market, these people ask for substantial salaries. High-class professionals know the value of their own expertise and competence and thereby tend to overprice themselves as employees, as Interviewee A describes.

“(What’s the usual problem when recruiting? Is there too little of professionals or...?) Too little. Other thing is that they are too expensive. So let’s say so that the demand is so big compared to the amount of professionals available that professionals are in good position.” (Interviewee A)

It also appears that recruitment is in fact very time consuming, as one of the HR Managers interviewed for this project mentions that the majority of the working time, 80%, is spent for finding new employees and organizing recruitment processes. This share may be considered as substantial. Another interviewee describes the unstable situation by saying that HR Department is just like a big recruitment agency.

However, not only do the interviewees see the situation in the labor market as a mere *problem* for their companies, but for some of them it has actually become a critical factor from the point of view of the company growth and survival. When the lack of qualified employees available creates a barrier for planned investments, the situation gets serious.

“Future needs... I would say that’s personnel. -- We can have any plans or new ideas, or even new factories, or whatever. But if we don’t have the people who do the actual work...It’s like someone very much wiser than you and me together said that ‘you know this principle of three P’s? Personnel, personnel, and personnel.’ I think that person is right.” (Interviewee L)

“And now we are in the business on such stage that we are looking for professionals. Otherwise the growth that we are planning, we won’t be able to do it.” (Interviewee A)

But what is the actual background factor for the whole problem? Basically all the interviewees agree that there are not enough potential employees in the labor market. It is said that there are too little *professionals* available. Are there not enough educational organizations, then? Or do they simply organize wrong kinds of training programs? Only one of the interviewees makes an effort to somehow explain the reasons for the current situation. Interviewee M considers the current demographic situation as the cause for the labor force deficit, which is also reviewed in chapter 2.1.3, Current Issues Affecting the Training Market. In many Western countries, such as Finland, the demographic situation is very much alike – population is aging and the labor force deficit is a well-known problem that will hit the labor market with its full power within the next decade or so.

“And just yesterday -- we discussed in our business community, that demographic situation, the trend, is not really positive. We have quite big demographic gap, expected nearly ten years in Russia -- which means that next years less and less young people will graduate school and college. So we have less and less people coming on the labor market, from the one side.” (Interviewee M)

Even if all the interviewees are well familiar with the problem, lack of qualified personnel in St. Petersburg and the surrounding area, some of them have had more difficulties than the others. According to some HR Managers the situation in big cities is still somewhat bearable, but outside them – in the regions – it has become impossible. It seems that the worsening situation in the countryside is facilitated by the migration trend from the regions to big cities.

In spite of that, there is still not enough candidates to fulfill the vacancies in the cities, and at the same time there is less and less available work force in the countryside.

“I can say that it’s rather difficult for us at this stage also, even in this stage to recruit people. Because there is a shortage of qualified and motivated personnel, especially in this area, in this region. And right now we have 50% of people from St. Petersburg and 50% from this region. This is not an easy issue, for every company in St. Petersburg.” (Interviewee O)

“So and the second problem is to get the recruitment problem. -- There is a huge problem to get white-collar employees, or to get some, someone for managerial position. For instance, I remember just, just in spring time we had such a big trouble with getting chief engineer or chief manager. OK, we recruited him -- sort of from Gatchina, from Leningrad Region, and we located him to another region. And the same problem was with our security manager, security specialty, so safety. And with accountant, so a serious problem.” (Interviewee K)

Besides not having enough qualified employees in the regions, another thing that causes headache for HR Managers is the lack of reliable salary statistics outside big cities. Sometimes the problem is solved by asking for assistance from recruitment agencies.

“...there are obviously two problems which are clear, this lack of reliable salary information or salary statistics for regions. This is quite important, because you know, sometimes it’s impossible to get some reliable information on salary level in regions. The situation is more or less... OK, we can manage it, with recruitment agency for instance. --- So we should create our own way, how to calculate difference between St. Petersburg level of salary and salary level in the regions.” (Interviewee K)

The hard competition in the labor market has led in the situation where retention of the newly recruited employees is extremely hard. The interviewees tend to describe the majority of the available workforce as very opportunistic and mobile – salary is the only matter that has any meaning at all. Employees are seldom committed to the company.

“The first negative thing that comes to mind is when a new person is not committed to the company. So they come and they leave too soon. So they never get ready. So we are wasting our energy and resources for training a new person who leaves too early then, let’s say in half a year or in year’s time. That’s a problem in these big cities like St. Petersburg and Moscow, because people see that there is a huge demand for managers who can speak different languages and so on so on. They are not committed to one company, they are not loyal.” (Interviewee L)

To solve the problem, many companies have participated into the competition with high salaries. Monitoring the salary level in the market and offering competitive compensation packages is seen as the number one solution among the interviewees. However, the best employees will probably still have other job offers with higher salaries, and thereby companies are constantly living in uncertainty. Especially Interviewee O is concerned about the turnover, describing the personnel as intellectual capital of the company.

“We have to monitor very carefully the market, the salary level. We have to provide more or less competitive conditions to attract the people. In St. Petersburg there is a lot of place where people can find more or less new places and new projects, and it’s going to be more and more, where people, well-educated good employees can find work.” (Interviewee M)

“So the vacancies, the amount of vacancies on the labor market, they exceeds the supply of the labor. And in this case you see that the companies, the employers, they are competing all the time in competition packages, in salaries. And of course in this case, it’s for us, it’s very important to think all the time about the retention. -- Of course it’s (turnover) not very good for any company. It’s some kind of know-how. And we can say, intellectual capital of the company.” (Interviewee O)

Besides competing with salaries and compensation packages, a couple of interviewees have also thought of some other ways to maintain their employees and to attract new ones. These include creating an attractive, fair and employee-friendly image for the company, and – as a part of that – “playing by the book” when it comes to salary payments.

“So we are new in the labor market. And of course a year ago it was rather difficult for us to attract the potential candidates because nobody knows about the company. --- Of course for us it’s very important to have, to improve and to strengthen our image as a good employer. And of course we’d like that, of course not all people, in St. Petersburg and this region, want to work here. But it should be some kind of... You should be proud... And you should be proud for you’re working here. That’s why it’s very important, and this is our main task in HR – to make that place a good working place. And we’d like to spread this information everywhere.” (Interviewee O)

“That is one threat (newly-recruited employees leaving the company very soon), but we have not... We’re so young company still here. But one positive thing is that one guy who left, before we took over the company, has been recruited back. So that our image has been risen a little bit. Because we are paying everything. We are playing by the book. So we pay the salaries to the bank, and pay the whatever fund needed..” (Interviewee C)

Another problem related to recruitment that has not been mentioned that often during the interviews, is the increased number of fake degree certificates, which some interviewees have come across with. This kind of problem no doubt exists in many countries, but it is said that in Russia it is still more obscene – besides surfing in the Internet one can buy oneself a diploma even in the street next to flower booths and souvenir shops. Unfortunately, this leads in the situation where also honest degree holders are often viewed as potential cheats.

“Diploma is a paper. Diploma you can buy. It doesn’t really prove anything. That is why we have this testing period also, of several months. The people have to have the possibility to approve themselves. But diploma is only one part. There are quite capable people without any diploma. But diploma, in future, when the system of getting diplomas is transparent and actually you don’t trade with diplomas anymore, then it will have some meaning. But today the skilled people that are studying at the moment, they are suffering from that. Because their diplomas are put, they will be put on the same line as the bought diplomas.” (Interviewee F)

2.4.2 Solving the Problems – Tools in Recruitment

Not too many interviewees have come up with an all-inclusive solution to the recruitment problems. However, a couple of interviewees mention having tried or even established a cooperation program with universities and institutes in order to ensure the availability of competent work force in future. A method that is often described as particularly Russian – using references – has only been mentioned few times. Consulting with head hunting agencies has proved to be a suitable method for some companies.

Establishing a cooperation program with universities and institutes sounds like a return to Soviet times. However, the idea is almost perfect for both companies and students: besides ensuring the availability of competent work force in future, companies are also able to do their part in closing the gap between theoretical education and practical world in business life.

“We have certain plans for instance. To work in the same way as actually companies and factories have worked in the Soviet times. To take direct contacts to some institutes or even universities. -- We participate in the training programs of let’s say, the institute that takes four years. On the third and fourth courses, we participate in the training program, and somehow train the persons for us. Actually our company has the same thing in Finland, so we are participating these vocational school programs. It’s a challenge for the future and the only way perhaps to get young and educated and enthusiastic people.” (Interviewee L)

“We start to cooperate with colleges, with local colleges, a few one, to take the students to internship program. (Directly?) Yes, directly, and to set up more close cooperation with the teachers to help them understand what is the business requirements. What they have to change in the educational process. (Theory to practice.) Yes, yes. To provide education that really... needs for the industry. Because sometimes they use quite old equipment and they not provide enough modern training and practical skills that needed for modern business. -- And that we started cooperating with different level education institutes, so on the entry-level, on the medium-level and university. -- Because we have for each, each level we have the need.” (Interviewee M)

Only one of the interviewees makes a statement, that using references would be the best way to recruit people in Russia. Such a small number of this kind of answers is rather surprising, while it is often said that using networks is extremely important in Russia and other post-Soviet countries when it comes to recruitment or any other business activities as well. Another interviewee points out something that might explain that matter: as the business reaches a certain point, using one’s networks and references will not be enough anymore – outside assistance is absolutely needed. Thereby, consulting with head hunting agencies is seen as essential after passing a certain line.

“But the Russian way of employing people is more or less still that you take people according to recommendation. You ask your business partners if they know anyone, if they can

guarantee that this person is...-- And at the moment that seems to be the best way of recruiting people. Still you make mistakes in that respect.” (Interviewee F)

“We use recruitment companies because our own... You know, when company starts a business, it’s possible to start from the people you know and somebody says that OK this person might be suitable and so forth. And you can get it going. But when you come to the certain level, already... Let’s call it serious business or you’re taking it seriously, the volumes are already there and you have to have the business really structurized and so forth. You need to know the professionals, and know the business, that are in the business, that have the knowledge.” (Interviewee A)

What is quite surprising is the fact that none of the interviewees has presented a non-wage benefit program (health care, children’s day care etc) as a tool to decrease the high turnover figures among employees, as for example Juurikkala & Lazareva (2006) suggest. After all, non-wage benefits were very often used during the Soviet times. It is possible that this matter would have come up if the company sample had included local, Russian companies. International companies probably tend not to look for solutions from the historical practices.

3 Conclusion

In the end, it is time to get back to the beginning and to think about the research problem. The focus of this research report has been **identifying training needs related to business competence** in Finnish companies operating in the Leningrad Region, Russia. In addition, following sub-problems have been set:

- What is viewed as **business competence** in the companies?
- For **which reasons** do training needs occur?
- What is the current situation in the **training market** in St. Petersburg like?
- What are **training practices** in the companies like?
- What challenges do the companies face with **recruitment**?

According to research findings, several interviewees consider **business competence** as competence related to operating in the market or business environment in question. In addition, competence in leadership and management, as well as technology and products are important elements of business competence.

The companies involved have business competence related **training needs** in the following fields: knowledge of sales, market and clients; managerial skills; legislation and accounting; internal cooperation within the company, and languages. According to the interviewees, some of the **major reasons behind the training needs** are the rapid development of the market and the growth of the company. Surprisingly, also the Russian educational system itself is seen as a background factor for training needs.

The **training market** in St. Petersburg is saturated, when it comes to short trainings that are open for everyone. There is a serious shortage of qualified trainers, which – on the other hand – gives freelancers a good position.

When it comes to **training practices** within the companies, there are huge differences between the companies: the size or even the existence of a training budget, frequency of training employees and selection criteria for choosing a training organization seem to be greatly company-specific issues. However, what seems to be in common for many companies is the most popular form of training: in-house training programs.

Recruiting new employees has become difficult, while companies are struggling in order to survive in the very competitive labor market. Skilled specialists are aware of the value of their competence, ask for sky-high salaries and companies have no other choice but pay. In order to increase the number of qualified workforce in the market, some companies have established cooperation programs with universities and other educational organizations.

In conclusion, some additional remarks are made and the data and findings are examined from different perspectives. **First**, it is interesting to examine the **link between business competence and training needs** – how they match to each other when the focus is on the empirical data. For most parts they do match, but some exceptions exist. Referring to figure 7 (Training Needs in Business Competence), competence on technology, production and products was strongly emphasized by some interviewees as a part of business competence. However, when discussing training needs this topic was basically neglected. What is the reason for that? Does everyone already have perfect knowledge of technology and products, and training is not needed anymore? Or is it considered as a factor that cannot really be trained, but needs to be learnt in some other way (through experience, for example)?

Besides technology and products, also business competence concerning operating on the market in general was highly stressed by a huge number of interviewees. Still, no one really spoke about it as a training need, at least in the same way. It seems to remain as a mystery, how one should acquire competence on operating in the Russian market. The interviewees did not seem to consider training as the primary way of doing that, and even extensive experience had not been enough for some of them. Supposedly the next step is that one should be born with certain competence.

Second, in order to evaluate the training needs in terms of the geographic location chosen for this research project, **training needs related to legislation or accounting** are the only factors among the training needs mentioned by the interviewees that could be considered as especially **typical for companies operating in Russia**. Legislation and accounting regulations are experiencing changes considerably often there, so it is natural to have training needs related to these topics. Otherwise the training needs identified are more or less universal: managers in any parts of the world may have training needs in management and leadership skills, for example. However, from this perspective it seems a bit controversial that the most important business competence according to the majority of interviewees was competence related to operating in the market.

Third, if the data is examined from the perspective of the **nationality of the interviewees**, only a few differences may be identified. The most outstanding difference concerns the views on the importance of **market related competence as a part of business competence**. However, even if this kind of a view was shared by several interviewees, almost all of them were Finns, who often made comparisons between operating in the Finnish market and the Russian market. It is worth considering, whether all the people who are working in a foreign country do comparisons at every turn, or only the ones located in Russia. Most likely all of them do, but probably depending on the level of difference that they have experienced between the market in their home and host countries. While Finns who are working in Russia stress so strongly the importance of the competence in operating in the market, it can be assumed that they find the local business environment relatively different from Finland.

But on the other hand, why did not the Russian interviewees speak about business competence related to operating in the market? Do not they find it important? Most likely they do, but as Russians they are probably in a way “blind” for the fact that they are operating in some specific market, and thereby might use some other expressions for describing their views. For Finns it is more obvious while they do operate in a foreign market, and are aware of that – probably all the time. For example, some Finnish interviewees stated that it is important to know the business environment and the history of the country in order to realize what the background of the employees is like, and how they should be led. However, a Russian manager would most likely simply emphasize the importance of leadership skills in general.

Another **training need** that was **mentioned only by Finns** was distant leadership – how to develop a way to manage one’s subordinates, whose location is not the same as one’s own. For example one of the Finnish interviewees was having problems with managing people located in St. Petersburg from the Finnish side. In this case it is of course more than natural that only Finns mentioned this particular issue. However, what is worth noticing here is that these interviewees stated that it was *their* problem to find a way to manage the operations and lead the people from another location, instead of suggesting that their subordinates would need to be somehow trained for this purpose.

Fourth, after focusing on what the interviewees really said, it is worth checking what they did *not* say. The four stages of training employees are 1) assessing the training needs, 2) planning the training, 3) carrying out the training and 4) evaluating the training (Foot & Hook, 1999). In the companies involved it seems that mostly the three first stages have been taken care of – at least to some extent. The interviewees have identified some training needs (stage 1), and

they have planned and carried out training programs (stages 2 and 3). However, an interesting note is that in the interviews **training results were totally ignored by the interviewees**. Mostly they sidestepped the question, or alternatively chose to answer by speaking about some completely different matter. Why did that happen, then? Did the interviewees know about the results of training, but chose not to share them in the interview? This seems unlikely. It can be assumed that if any manager had noticed, for example, 20% increase in sales after finishing a training program with the sales team, the manager would have no doubt shared that with the interviewer – probably feeling proud for that result. Or is it so that the interviewees just have not thought about the whole matter at all? Maybe they are just happy after arranging an exclusive training program for the personnel. While being (too) satisfied with the training program itself, they forget to think about the next step. Or is it truly so that the interviewees simply do not know the results of training? It is possible that they actually do not know how to explore the impact that training has had on the employees. It might be seen as too difficult, and thereby no resources are spent on that. However, even in this case it would be possible to create a subjective overview on the matter, as few interviewees did.

Fifth, when planning and arranging training programs for Finnish companies operating in Russia, what should be taken into account? Findings from the interviews suggest that offering tailored training would be a good choice. First, the training needs and preferred training methods seem to vary a lot depending on the company in question. Second, considerably many interviewees have had negative experiences of sending employees to open seminars. Third, according to the experts that have told about their views on the training market in St. Petersburg; when it comes to open seminars, the market is full. For these reasons it is logical to assume that offering tailored training for Finnish companies in the Leningrad Region is more than reasonable.

According to the management studies that the author has explored, attempts to apply Western concepts without any adjusting for the business environment in Russia, will most likely fail. This is a major factor that training organizations, that are thinking about entering the Russian market, need to keep in mind. Before offering business training in Russia one needs to understand the basics of Russian history and political development, to analyze the Russian audience and to adapt the presentation based on the specifics of the Russian market (Varner & Varner, 1994). In addition, the trainers need to show respect for the managers' past experiences and circumstances (May et al, 2005). Some interviewees involved in this research project have referred to this particular issue directly as well. However, also the fact that competence related to operating in the market was emphasized strongly by the interviewees

supports the statement, that training should always be adjusted according to the specifics of each business environment.

A more general, but still highly important suggestion for training organizations is to decrease the gap between theoretical instruction and practice (Iitti & Stenberg, 1999). The information received from trainings has been often considered as too superficial and generalized (Lindström, 1996). The importance of practical training is high also because the Russian educational system itself lies greatly on theoretical instruction.

And finally, in order to suggest some **future research topics**, the author would find it interesting to study the business competence and related training needs in Russian companies. Now the selected companies were all, at least partially, Finnish. Second, the overall role of HR as a function in companies in Russia would be another possible way to expand the scope. The author's final, a bit different suggestion compared to previous ones, is to focus on business competence itself, and conduct a discourse analysis of it. After all, the concept desperately needs to be clarified, while everyone is using it but no one knows how to define it.

To put in a nutshell, managers of Finnish companies operating in the Leningrad Region seem to be quite well aware of the competencies and competence gaps regarding the employees. Almost all of these managers have already started to act accordingly, and training programs have been established. Some managers are also thinking about the future, and strategic plans have been made regarding the competencies that will be needed in the future. The companies are growing: new offices are being established to Russia and new investments are on their way. The Russian market is absolutely booming at the moment.

Despite all the question marks over the future, such as the big one concerning the poor availability of qualified work force, the actors in the market remain extremely positive and confident. The views of the interviewees may well be summarized to the following statement, made by Interviewee C:

"...Russia in our business is hopefully the future Eldorado."

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- *Igor Plyakin is the head of the St. Petersburg office Suomen Teollisuustyökalut Oy. Plyakin has graduated from a MBA program organized by Helsinki School of Economics.*

Representatives of the following companies:

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- ZAO Elcoteq
- OOO Ensto Elektro
- ZAO Espe
- OAO Hlebny Dom
- ZAO Kiilto-Kley
- ZAO Lenta Sp
- OOO Mantsinen
- ZAO Mark Invest Spb.
- ZAO Metso Paper
- OOO Nokian Tyres
- OOO Rocla Rus
- OOO Ruukki
- Stora Enso Timber Oy Ltd.
- ZAO YIT Peter

Appendix 1. Framework of Interview Questions for Company Representatives.

QUESTIONS FOR THE MANAGERS OF FINNISH COMPANIES IN RUSSIA

Please answer the following questions from the perspective of the St. Petersburg unit. The organizational level handled in the questions is managerial and middle-managerial.

”Warm-up” – Company and the interviewee

1. What is your position in the company? Please describe briefly your career history in this company.
2. A description of the business – Please describe by one sentence, what does the company do?
3. When has the company been founded? When has it entered the Russian market?
4. Size of the company, form of enterprise in Russia, share of Finnish ownership, industry.

Theme 1: Business competence and competence gaps

1. What does the term ”business competence” mean in your opinion?
 - a. Which factors does it include? (Please mention 3-5 factors.)
 - b. Which factors are the most important from the point of view of your company’s success in Russia? (Please mention 3-5 factors.)
 - c. Which are the most important factors for you in your managerial position? (Please mention 3-5 factors.)
2. What kinds of business competencies do the managers and middle-managers in your company lack the most?

In case the interviewee does not seem to have any ideas about the competence gaps, try to ask in a more specified way: Are there competence gaps related to, for example, strategic management, leadership, sales, or negotiation and communication skills?

3. In your opinion, which competencies are on a good level in your company, when thinking about managerial and middle-managerial staff?
4. How are the perceived competence gaps mostly handled? (Training, consulting, recruiting new Finnish / Russian employees, internal personnel arrangements...)

Theme 2: The origin of the training needs

1. Where do the training needs result from?
 - a. Do the **external factors** affect the training needs?
 - Changes in competitive environment?
 - Changes in legislation?
 - Problems in recruitment?
 - b. Do the **company-specific factors** affect the training needs?
 - Industry?
 - Company size?
 - Company growth?

Development stage of the company?
 Age distribution of employees?
 A high turnover of managers?

Theme 3: Training practices

1. Training practices
 - a. How much are the members of management and middle-management trained (days / year)?
 - b. What is the training budget per trained manager or middle-manager per year like?
 - c. What kind of form of training is preferred in your company? Open seminars or tailor-made corporate trainings?
 - d. On which grounds is the training organization chosen?
2. Training results and experiences
 - a. What results have been gained with training in your company?
 - b. What kinds of challenges have been discovered in your company related to training?
 - c. Please mention some experiences of training your company's managers (both positive and negative).
 - d. Which training has had the greatest importance for doing your job?

"Cooling down" – Business environment

1. How do you see the competitive environment in your industry now and in the future?
2. Training needs in the future
 - a. How do you estimate the training needs to change in the next couple of years?
 - b. Which factors would you estimate to affect the training needs in the future?
3. Which factors affect the most your company's success in Russia (both positive and negative)?

Appendix 2. Framework of Themes Discussed in Preliminary Interviews.

Training market in St. Petersburg

1. The current situation in the training market in St. Petersburg (different players, competition, dynamics etc.).
2. The development of the training market.
3. Opportunities and threats facing the training organizations.

Training practices in the companies in St. Petersburg

1. Training function and its characteristics in companies in St. Petersburg.
2. Investments in training (how much money is used, do the companies pay training entirely or do the employees need to cover a certain part of the expenses etc.).
3. Factors creating training needs for companies in St. Petersburg.
4. Selection criteria for choosing a training program.