



Training Needs in Russian Industrial Companies: Assessment by CEOs

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Abstract

The article reports on the results of a recent survey of 740 Russian CEOs on their attitudes towards business education. It was found that the implied demand of Russian CEOs for managerial retraining is consistent, as retraining is seen as a remedy for current rather than fundamental problems in managerial efficiency, and it is insolvent as Russian companies currently are not ready for serious investment in human resources. In addition, there are low chances for dissemination of knowledge and skills within the company as Russian CEOs do not value coaching and mentoring. Some policy recommendations are provided.

'Management development' has become the new mantra in Russia. After the first attempts to lay down the foundations of business education,¹ mainly for financial and other services, the Russian government launched a massive retraining initiative in 1997, designed primarily for mid-career managers in industry. Unlike earlier governmental programmes, this time the programme (called the 'Presidential Management Retraining Initiative') is better coordinated with efforts of international donor agencies.

However, in the pragmatic world of business, 'development for development's sake' does not exist. Management retraining is one of the possible responses to the challenges presented by a hostile environment, rapid technological change and the often unpredictable fluctuations in market conditions. Moreover, we believe that all attempts to design and implement mass retraining programmes should be in tune with the aspirations and requests of companies' top management. Indeed, the successful mastering of new knowledge and skills by company managers manifests itself in ability to cope with perilous situations through implementation of recovery strategies.² Such strategies can only be implemented through the transformation of pre-existing organisational structures, the establishment of performance goals, and the redirection of resources—in other words, through major organisational changes. The top management should acknowledge the necessity of such changes and initiate or at least facilitate their implementation. Otherwise, management development may

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Table 1. The most important qualities of a middle manager stressed by CEOs (%)

Characteristics	All companies	Best companies
Conscientiousness	52.5	56.7
Professional knowledge	86.8	85.0
Quick assessment of situation	49.7	35.0
Ability to establish business contacts	38.5	26.7
Ability to show initiative	65.2	76.7
Ability to learn quickly	45.1	35.0
Team-building	27.2	23.3
Ability to take responsibility for his/her actions	41.1	50.0
Capacity for teamwork	58.7	70.0
Willingness to transfer their knowledge to colleagues	6.2	5.0
Willingness and ability to teach subordinates	11.5	15.0

be a destructive force for a company's adaptation to new hostile environments. The present article aims to contribute some additional insights into the actual learning processes as well as perceived training needs in Russian industrial companies.

We base our analysis on the results of a survey in Russian industrial enterprises. In October–December 1998 we conducted the survey, which covered 742 Russian companies. The respondents represented companies of all legal forms in the main Russian industries, situated in 78 Russian regions. A great part of the questionnaire was devoted to the assessment of the actual training needs and to the perceived results of management retraining programmes already implemented.³ We should also stress that we limited the present study to *formal training*, i.e. to participation in formal on-site and external learning activities.

Training Needs of Senior Staff Officers and Middle Managers

The first step in our analysis of training needs in Russian industrial companies was to assess the demand for retraining of senior staff officers and middle managers. We used here the following stages:

1. Identification of the general requirements of middle managers;
2. Identification of deficiencies in their professional abilities, as perceived by CEOs;
3. Clarification of the technical parameters of possible retraining programmes and initiatives.

Imposed Requirements for Corporate Managers

The first set of questions was devoted to CEOs' vision of 'an ideal middle manager' (see Table 1). The four most valued qualities of an 'ideal middle manager' are:

1. Professional knowledge (87% of CEOs);
2. Ability to show initiative (65%);
3. Capacity for teamwork (59%);
4. Conscientiousness (52%).

CEOs of the most successful companies put 'team-working' and 'ability to show

Table 2. Distribution of CEOs' answers to the question 'Which qualities do the middle managers of your company lack most?' (%)

Characteristics	All companies	Best companies
Conscientiousness	32.2	30.0
Professional knowledge	38.1	25.0
Quick assessment of situation	33.9	28.3
Ability to establish business contacts	27.7	18.3
Ability to show initiative	59.2	41.7
Ability to learn quickly	28.7	26.7
Team-building	12.5	11.7
Ability to take responsibility for his/her actions	40.3	41.7
Capacity for teamwork	24.2	15.0
Willingness to transfer their knowledge to colleagues	7.7	20.0
Willingness and ability to teach subordinates	9.3	6.7

initiative' even higher (70% of respondents), but all stress a high desired level of responsibility (50%). We presume that high professionalism encompasses other desired qualities of middle managers.

However, we should stress that middle managers and senior staff officers are viewed by CEOs mostly *as subordinates*, not *as managers*. This is especially true for the best companies, where such qualities as 'quick assessment of the situation' and 'ability to establish business contacts' are ranked quite low (32% and 27% respectively). Moreover, an even more dangerous sign is the complete neglect of such functions of middle managers as coaching and mentoring. CEOs stressed the necessity for middle managers 'to learn quickly'. At the same time, 11% of CEOs value coaching and mentoring by middle managers, and only 6% of CEOs think the transfer of knowledge from middle managers to their colleagues is important. These results testify about a dangerous symptom of Russian business culture. The complete neglect of coaching and mentoring as managerial functions signifies that the newly acquired knowledge and skills of Russian managers have low chances of being disseminated among their colleagues and subordinates. In the best case, the newly acquired skills serve to improve the personal performance of a manager. In the worst scenario, expensive retraining programmes may provoke further dissatisfaction of managers at the performance of their 'incapable' colleagues and subordinates. This dissatisfaction goes deeper as middle managers realise the lack of support from mentoring and coaching efforts.

From this point, the main complaints of Russian CEOs about their middle managers become clear (see Table 2). Two 'eternal' Russian managerial problems—inability 'to show initiative' and 'unwillingness to take responsibility' are the main problems of Russian managers in the view of CEOs. The third problem is insufficient professional knowledge, as well as middle managers' 'inability to assess the situation quickly'—the counterpart of low professionalism.

However, while CEOs of the most successful companies rank coaching by middle managers quite low, they are unable to ignore such a point in assessing the problems of their own companies. Almost 20% of CEOs see some problems in 'willingness of middle managers to transfer knowledge to their colleagues'. This means that the situation with transfer and replication of knowledge and skills among middle managers might be not so gloomy.

Table 3. CEOs' assessment of the qualifications of the key persons in various departments

Department (level)	All companies	Best companies
Middle level—shop managers	3.44	3.56
Foremen	3.21	3.43
Auxiliary services	3.40	3.27
R&D	3.51	3.41
Accounting and finance office	3.46	3.85
Supply	3.17	3.47
Marketing	3.01	3.34
Personnel and salary office	3.24	3.47

Scale used: 1—'unacceptably low', 5—'quite high'.

Perceived Qualifications of Functional Specialists

CEOs of Russian companies are seriously dissatisfied with the professional knowledge of middle managers and key specialists. More than a third of CEOs stressed 'low professionalism' as the main problem of their ultimate subordinates. Here we will present a more detailed picture of CEOs' assessment of particular departments of their companies (see Table 3). Marketing, supply and personnel management are the three functions which receive a low assessment from CEOs. This corresponds to the 'vacancy list' drawn up by CEOs (see Table 4).

The data presented in Table 4 depict a new configuration of the market for corporate specialists in Russia. First at all, there are only two really wanted specialties in all companies: marketers and business lawyers. Second, we may see the complete saturation of the market for accountants. Russian companies nowadays need not just accountants but specialists in financial planning and asset management. Third, the market for human resource management specialists is still underdeveloped. At first glance this contradicts the low grade for personnel departments given by CEOs (see Table 3). At the same time, we should remember that appointment of an 'outsider' as a personnel and/or salary officer usually violates the established schemes of informal performance appraisal still prevalent in Russian companies. The same is even more true for accountants. A great deal of business success in Russia is due to 'creative manipulation' of cash flow statements, complicated barter agreements and endless negotiations with tax authorities. Any newcomer may ruin such a system in just a couple of weeks.

Table 4. CEOs' 'list of ultimate vacancies' (%)

Area	All companies	Best companies
Financial management	39.2	31.0
Marketing	51.4	44.8
Human resource management	20.2	20.7
Business planning	39.8	32.8
Accounting	13.4	6.9
Law	43.0	46.6

Table 5. CEOs' assessment of training needs in various departments (%)

Departments (levels)	Not necessary	Only heads	Key specialists	Heads and key specialists	All staff
Production	24.7	23.3	24.4	20.1	7.5
Auxiliary services	31.7	18.4	29.7	14.0	6.2
R&D	26.4	17.9	31.0	15.9	8.7
Accounting	12.6	16.0	31.8	25.4	14.2
Supply	22.3	19.1	22.9	22.5	13.1
Marketing	9.8	19.1	22.6	26.2	22.4
Personnel and salary office	27.9	23.7	21.0	17.7	9.6

Articulated Retraining Needs

In general, our results may serve as rough estimates of the demand for corporate specialists in the Russian economy for the current and the next few years. At the same time, the attraction of new staff does not exclude the retraining of existing specialists. Table 5 presents opinions of CEOs about retraining of the existing staff in various departments.

The most extensive retraining is proposed for marketing departments (a quarter of CEOs wish to retrain all employees there) and for accounting departments (a third of CEOs wish to retrain all key specialists). This confirms our previous suggestion about the highly specific competences of Russian corporate accountants. These competences must be periodically upgraded and, more important, must keep up with the newest changes in tax legislation. Another function which deserves retraining is R&D. Almost a third of CEOs wish to upgrade the capabilities of their R&D specialists. It is not surprising that the most extensive retraining is planned in the metal industries and electronics companies surveyed.

Retraining Practices in Russian companies

We should proceed now from the demand to the supply side of management development processes in Russian companies. We repeat again that we limited our analysis to the formal learning processes. Nevertheless, formal learning in Russian companies is represented nowadays by a great variety of forms (see Table 6). First of all, the best companies are more modest in their efforts in management retraining. Almost 20% of the best companies have never dealt with trainers and educators in the past two years. However, the best companies are more active in establishing 'learning partnerships' with foreign companies. Around 30% of the best companies were able to organise study trips and on-site training for their specialists in foreign companies.

Another remarkable fact is that MBA programmes, both domestic and overseas, remain an 'exotic fruit' for Russian companies, especially for those situated outside Moscow. Russian CEOs value good formal education in business economics from state and new private institutions. More than 32% of CEOs prefer to staff 'economic' departments of their firms with recent graduates of economic faculties. However, CEOs are still unfamiliar with the idea of general management education.

Besides the description of the quantitative side of retraining programmes, we were interested in CEOs' assessment of programmes' efficiency. Here we compared

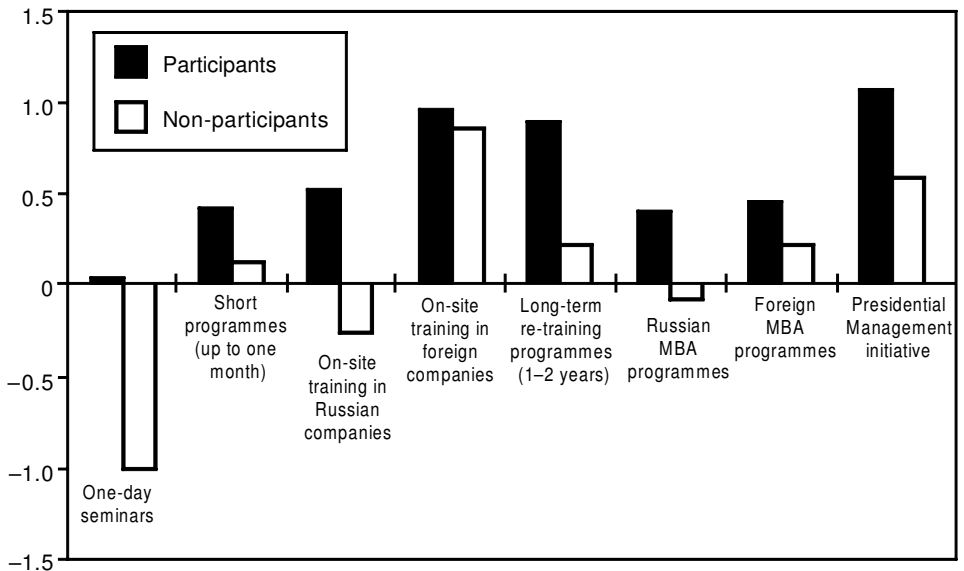
Table 6. Participation of company's managers and key specialists in various retraining activities in the past two years (%)

Type of programme	All companies	Best companies
One-day seminars	63.6	50.0
Short programmes (up to 1 month)	60.9	51.7
On-site training in Russian companies	11.9	15.0
On-site training in foreign companies	22.6	31.7
Long-term retraining programmes (1–2 years)	11.8	6.7
Russian MBA programmes	14.1	8.3
Foreign MBA programmes	9.9	8.3
Presidential Management Initiative	19.2	13.3
Other forms	1.7	1.7
Never participated in retraining programmes	10.3	18.3

the perception of CEOs whose subordinates have participated in such programmes with the 'innocent' opinion of CEOs who have never dealt with such programmes (Figure 1).

The indisputable favourite among all types of retraining programmes is on-site training in foreign companies. They are ranked highly by both participants and non-participants. The high grade given by CEOs to the Presidential Management Retraining Initiative is also mostly explained by the opportunities for overseas field work within that programme.

Another important result is the overall very low popularity of on-site training in Russian companies. At the same time, the few CEOs from companies where managers had in fact participated in such programmes assessed their efficiency quite highly (4th rank). We should recall that, in Soviet times, on-site training in other

**Figure 1.** Assessment of efficiency of retraining programmes.

Russian companies was among the main methods of retraining in many industries. The virtual termination of temporary personnel exchanges is caused by several factors. First at all, there was the complete destruction of the system of industrial ministries, which maintained the exchange of managers and specialists between similar factories. Second, we should mention the fierce competition between Russian producers. Lack of patent protection or, at least, the inability to use the patent legislation properly makes Russian companies vulnerable to elementary forms of industrial espionage. The third reason is the very low level of cooperation between Russian companies along the value chain. Indeed, as 50% of all business transactions in Russia are barter transactions, producers are largely separated from suppliers. However, the main reasons for the low popularity of on-site training and exchanges between Russian companies are the specific practices of the two-tier economy. In too many cases the most successful companies are heavily involved in black or 'grey' activities. In such cases, to allow anybody to penetrate 'behind the company's walls' is the best way to destroy the success of the business.

Among other interesting facts we should mention the difference in perceived efficiency of Russian MBA programmes between participants and non-participants. For participants, there is no fundamental difference in efficiency between a Russian and a foreign MBA.

The attitudes of CEOs towards various forms of retraining are translated into their willingness to subsidise such retraining for their employees. Here we compared again the attitudes of participants and non-participants (see Figure 2). The majority of participants in one-day and other short retraining programmes are willing to subsidise them again. Moreover, those who participated in on-site training in Russian companies are more likely to sponsor them than training in foreign companies. This again suggests the real effects of on-site training in such programmes, coupled with their relative flexibility and cheapness. At the same time, the chances of overseas MBAs being supported by Russian companies are very low.

Conclusions and Policy Recommendations

We have briefly presented the results of our survey of perceived retraining needs and current retraining practices in Russian companies. About a third of Russian CEOs express serious dissatisfaction with the professional level of key senior executives and middle managers. CEOs see a great necessity to retrain the personnel in marketing departments, key persons in R&D and in accounting departments. Besides dissatisfaction with professional abilities, Russian CEOs stressed their subordinates' low initiative and inability to take responsibility for their actions. These problems are rooted in inadequate performance appraisal and remuneration systems. In principle, retraining of personnel officers and/or 'new blood' in staffing departments may make the situation easier. However, Russian CEOs give the lowest priority to retraining of the existing personnel officers or invitation of recent MBA graduates to staffing departments.

Moreover, CEOs do not value and do not promote the dissemination of knowledge and skills among middle managers, nor mentoring by middle managers. The result is that, for example, a quarter of CEOs expect to retrain *everyone* in marketing departments.

The majority of Russian companies are covered somehow by various forms of retraining, mostly short and very short executive seminars on particular technical aspects of accounting, financial management, business legislation and marketing

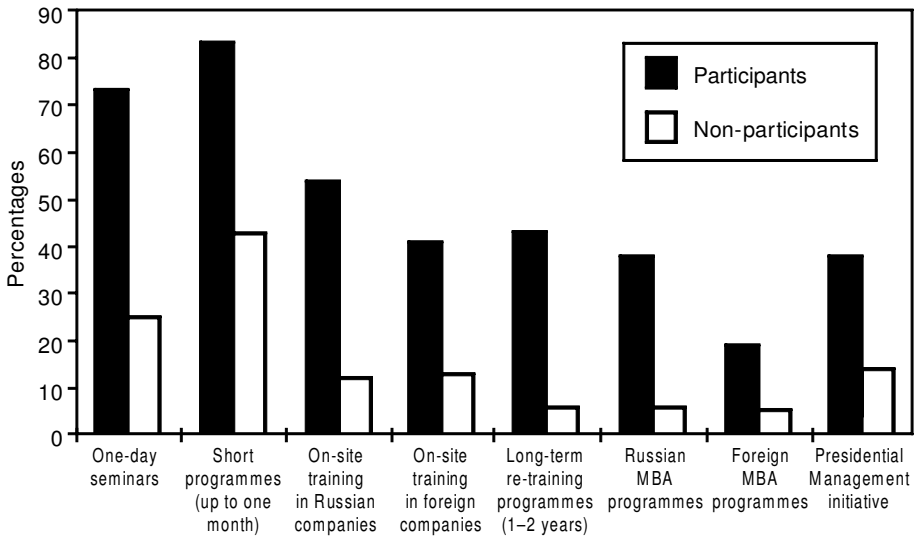


Figure 2. Willingness to sponsor various types of retraining programmes

research. The perceived efficiency of the existing retraining programmes is low. The only highly regarded form of retraining is on-site training of Russian managers in foreign companies. At the same time, on-site training of Russian managers in Russian companies has a great unexplored potential. Its efficiency is ranked highly by those who have participated in such programmes, and CEOs are likely to sponsor such training. This means that popularisation and initial support for such programmes may quickly make them widespread and self-financed.

In general, the implied demand of Russian CEOs for managerial retraining suffers in three respects. First at all, it is inconsistent, as retraining is seen as a remedy for current rather than fundamental problems in managerial efficiency. Second, it is extensive, as there are low chances for dissemination of knowledge and skills even within the company, and there are minimal chances for knowledge transfer between companies within industries, territories or along the value chain. Third, it is insolvent, as Russian companies are not ready for serious investment in human resources.

There is no uniform solution for the revealed problems of training needs in Russian companies. We shall just outline some areas that require immediate action from the Russian government, associations of Russian producers and foreign donor organisations:

1. Promotion and state support of short-term retraining programmes in marketing management and personnel management. This support, especially in the area of retraining for personnel and salary officers, should compensate for the lack of solvent demand by Russian companies. The state support may take various forms, including
 - tax preferences for expenditure incurred on training programmes delivered by certified institutions;
 - grants for translation and publishing of the best training materials in the area of marketing management;
 - grants for writing and publishing of the best training materials in the areas of financial and human resource management.

2. Support and popularisation of on-site training of Russian managers in the most successful Russian companies. Such popularisation may be combined with the current efforts to enforce transparency of Russian companies to shareholders and other investors.
3. As retraining of production managers and R&D staff will require longer courses, additional efforts are needed to promote and support distance learning.

Notes

1. For a general overview of development initiatives in Russia in 1993–96 see Igor Gurkov, *Management Development in Russia* (Geneva, International Labour Office, 1997).
2. For a more detailed description of the relationship between management development and organisational transformation see Simon Clarke, 'The Enterprise in the Era of Transition', in S. Clarke (ed.), *The Russian Enterprise in Transition: Case Studies* (Cheltenham, Edward Elgar, 1996); Igor Gurkov, 'Adaptation of Russian Industrial Enterprises: Dialectics of Organizational and Strategic Change', paper presented at the William Davidson Institute Seminar on Organizational Change in Transitional Economies, Ann Arbor, MI, 26–28 September 1997; Igor Gurkov & Yaroslav Kuz'minov, 'Organizational Learning in Russian Privatized Companies: The Beginning of Strategic Change', *International Studies of Management and Organization*, 25, 4, 1995, pp. 91–117.
3. For a formal description of instruments used in the study see Igor Gurkov, *Russian Managers under Storm: Explicit Reality and Implicit Leadership Theories (A Pilot Exploration)*, The William Davidson Institute Working Paper No. 86, November 1998, Ann Arbor, MI.