



BOYDEN WORLDVIEW RUSSIA

Russia is a country that fascinates both the developed world and other emerging economies.

Overview

Russia was once the largest republic in the Soviet Union. Following the Union's dissolution in 1991, the rate of change in Russia and the Central Independent States (CIS) was witnessed with great admiration, particularly for the resilience of its people. Russia's geographic location – rich in natural resources, but lacking workable soils and climates – shows the country's extremes reflected in its people and its economy.

Russia's Talent Pool

Russia boasts a highly educated population – essential for President Putin's aspirations to foster an 'innovation economy.' Enrollment in higher education puts Russia on a level with Germany and South Korea, and far ahead of other Brazil Russia India China (BRIC) economies. The literacy rate of 98 percent shows a general wealth of ability, topped by the kind of successful executives for whom the Soviet education system was so well known. Yet the economy is facing a significant disparity in executive supply and demand.

It is not that talented executives do not exist. As Julia Nikitina, managing director of Boyden in Russia, explains, "Westerners are often surprised to find a number of impressive executives in Russia, with numerous star players in international terms, particularly in financial services and professional services. It is the rate of change over the last ten years that is outstripping supply." And talented Russians are not necessarily staying at home. Figures from expatriate clubs show that they are a highly mobile group with, for example, approximately 10,000 Russian bankers working in London.

Client Demand for Specialists

In the transition to a free market economy, client needs moved from generalist to specialist. Explains Nikitina, "Around fifteen years ago it was quite common to find highly educated, mathematically talented executives with a good degree. Those who spoke English and were open-minded could pursue highly satisfying careers. These people are now CEOs with European responsibilities, and typically offer experience working in Russia, elsewhere in Eastern Europe and also in mature markets such as the United Kingdom." The challenge is finding enough of them.

Now Russian companies need executives with experience from well-developed markets and multinational companies who can work with the cultural and economic challenges in Russia. "Most companies prefer their executives to have had experience specifically in Russia, in addition to international exposure," comments Nikitina. "Those companies keen to get to IPO stage, particularly, are driving demand in investment banking, where

DID YOU KNOW?

BY 2004, 40 PERCENT OF
RUSSIA'S US\$546 BILLION
ECONOMY WAS CONTROLLED
BY 22 BUSINESS GROUPS

IN 2006, FORD BECAME
THE NUMBER ONE SELLING
FOREIGN BRAND IN RUSSIA

ALFA BANK ESTIMATES THERE
WILL BE US\$30-\$35 BILLION
WORTH OF NEW SHARE
OFFERS FROM RUSSIAN
COMPANIES IN 2007

HALF OF AMERICAN COM-
PANIES SURVEYED REPORT
SALES INCREASES OF 200%
IN RUSSIA FROM 2001-2005

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experience in the Russian market is essential."

Attracting and Retaining the Best

"What talented Russians are looking for is a high level of responsibility and, above all, independence – being empowered to make decisions and execute strategy," says Nikitina. "Russian firms offering these incentives are able to hire talented executives from multinational companies, offering the chance to work closely with a firm's owner and build some equity for themselves."

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Remuneration, although not the main driver, is still important and, with positive growth projections for the economy, Russian firms can offer a high base salary as well as a bonus and options scheme. Companies faced with the loss of a key executive are making counter-offers with high salary increases of 25 to 50 percent.

A Priority Growth Market

Multinationals who invested in the post-Soviet free market have seen impressive results. Half of American companies surveyed by the American Chamber of Commerce report sales increases of 200 percent in Russia from 2001 to 2005. In 2006 IBM's business in

Russia grew by 20 percent and in just the last quarter growth exceeded 38 percent – a faster rate than in China, India or Brazil. For cosmetics company Mary Kay, Russia is the largest subsidiary in Europe, with 53 percent of 2006 net sales for the region. With Russia's bilateral agreement with the United States paving the way for entry into the World Trade Organization in 2007, opportunities continue to abound. In fact, Alfa Bank estimates there will be US\$30-\$35 billion worth of new share offers from Russian companies in 2007, compared with US\$17.6 billion in 2006 and less than US\$5 billion in 2005.

The Value of a Search Consultant

In a market offering so much opportunity, simply finding executives with the right experience is not enough. Clients need a successful, long-term hire, closely matched with their corporate culture. Nikitina says, "A client that offers the right candidate an exciting role, with responsibility and the independence to achieve impressive results, will have fewer retention difficulties. This is crucial so as not to lose valuable time and momentum in this buoyant market."

Achieving a cultural fit also tests senior individuals' ability to work with younger, more dynamic and demanding executives. In their late-20s to mid-30s, this group is well educated, highly motivated and savvy. Concentrated in investment banking and high technology, younger players are maturing fast. "Look at it this way," says Nikitina. "The evolution of Western markets over the last twenty years is being played

out in, say, only five in Russia. This is the rate of change and opportunity that we are working with." With specialist degrees in finance, technology and business administration,



fluent English and an international background, today's young, motivated and often female executives are well placed to help Russia reach its potential as a globally dominant market.

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