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**PROJECT MANAGEMENT AND TEAM BUILDING COMPARISON
BETWEEN FINLAND AND RUSSIA**

Case: Greenfield Factory design and construction, Russia

Master's Thesis in
Industrial management

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SYMBOLS AND TERMS

AEB	Association of European Businesses
BF	Bank of Finland
CIS	Commenwealth of Independant States
EKA	Etelä-Karjalan ammattikorkeakoulu
GOST	State standard (Russia)
HR	Human resources
OECD	Organisation for Economic Co- operation and Development
PMBOK	Project management body of knowledge
PM	Project Manager
PMI	Project Management Institute
PM plan	Project Management Plan
PMP	Project Management Professional
SRO	Self Regulating Organization
SVKK	Suomalais-Venäläinen Kauppakamari
WEF	World Economic Forum
WB	World Bank

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TIIVISTELMÄ

Projektien johtaminen ja tiimien johtaminen globaalissa tuotantoympäristössä on yhä etenevässä määrin korkeasti koulutettujen henkilöiden toimenkuva yrityksissä. Itäinen naapurimme Venäjä tarjoaa suomalaisille ja muille yrityksille yhä kasvavat markkinat, joten on odotettavaa, että projektien määrä Venäjälle tulee vain kasvamaan. Tässä tutkimuksessa tutkitaan projektijohtamisen ja tiimin johtamisen eroja Venäjän käytäntöön. Venäjä on suunnattoman suuri valtio, jossa vallitsee tuhansia eri käytäntöjä tehdä liiketoimintaa ja hoitaa asioita. Tässä työssä on pyritty löytämään projektin johtamisen pääalueittain Venäjän erikoisuuksia ja ongelmia, joita projektipäälliköt tulevat kohtaamaan ja ratkaisemaan johtaessaan projekteja Venäjällä. Kyseisiin ongelmiin ja erikoisuuksiin pyritään antamaan myös käytännön ratkaisuja.

Pääpaino työssä on tulososiossa, jossa kukin projektin johdon pääalue on analysoitu Venäjän liiketoiminta ammattilaisten, case-projektin ja kirjallisuuden perusteella. Myös case-projektin muuntava johtajuus -analyysi, joka tehtiin case-projektin ydintiimille, on analysoitu tässä luvussa. Johtopäätöksiä on esitelty viimeisessä luvussa, jossa todetaan, että projektin johtamisen ammattilaisille on Venäjällä suuri kysyntä ja että lähes jokaisessa projektin pääalueessa on erikoisuuksia, jotka projektin johdon tulee tietää ja pystyä johtamaan. Työssä myös esitellään suomalaisen ja venäläisen tiimikäyttötymisen eroja ja esitetään caseyritykselle ehdotuksia tiimin kokoamiseen ja johtamiseen.

AVAINSANAT: *Projektin johtaminen, tiimin johtaminen, Venäjä*

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ABSTRACT

Project management and team leading in global production environment is more and more common profession for academically educated people in companies. Our eastern neighbour Russia offers for both Finnish and other companies still increasing markets, and it is likely that the amount of projects in Russia will still rise. This thesis is based on the study of project management and team building differences to Russian practice. Russia is a huge country where exists thousands of procedures to make business and handle issues. In this book, it is focused to find Russian specialities and problems per each project management knowledge area that project managers are likely to meet and solve when executing projects in Russia.

Main focus in this study is in results part of the book, where each knowledge is analysed based on experts' judgment, case project observations and literature. Also the case project team's transformational leadership survey is analysed in results part of the book. Conclusions are explained in the last chapter where it is concluded that there is a huge demand for project management professionals in Russia and that almost all knowledge areas contain specialities that project managers need to know and be able to manage. It also shows the differences between Russian and Finnish team behaviour and expectations. A few hints and suggestions are also given to the case company about team building and leadership as well as to all project management knowledge areas.

KEYWORDS: *Project management, knowledge areas, team building, Russia*

HEADNOTE

After graduating from Tampere University of Technology in 2007, I have had this goal to do a double Master's degree. I learned in working life that knowing business concepts, industrial management and financing better will help me in my future career so I decided to enrol to university again in 2008. I have kept a good pace with the studies, even though working full time and travelling a lot. The whole time I knew that any stop in this process might delay or even cancel my goal of happening. Well, now in the end I can say that the dream came true. Next goals are already waiting on the corner to get fulfilled..

I would first like to thank my employer, Wärtsilä Corporation, for the support given through the years I have worked here. Even though I have not been able to spend many hours away from the office to study, the support to employees to learn more has always been seen and felt from my superiors I've been lucky to work with. Special thanks in this respect to Antti Saari and Fredrik Nordström, who supported me to continue studies, while sometimes the work itself was hard enough.

I also want to thank Vaasa University Industrial Management Faculty for great support during the process and interest towards my studies. Professor Josu Takala gave good advices during my graduate work and responded quickly to my concerns. Special thanks also to my Russian friend Ivan Golovko who conducted and gathered the data of the team results for the transformational leadership surveys. This helped me a lot.

Thanks to my always supportive wife Marjo for understanding my desire to finalise this second degree. I also want to thank my parents for teaching me how to follow my dreams. Big thanks also to my grandparents and especially for my late grandfather, who was always interested in my studies and played a big role why I even started the studies in the first place.

In Moscow 10th of August in 2011



Henri Kinnunen

INTRODUCTION

This graduate work will find ways how to manage projects and build project teams more efficiently in Russia. This study work tries to find ways to be more successful in project management when operating in Russia and explain its special characteristics. The matter is more relevant than ever before as Russia is developing in a rapid speed and is proven to be one of the fastest growing economies in the world within the coming years. More and more Finnish and Western companies are currently trying to penetrate into the Russian markets. For Finnish companies, the fact that Russia is geographically close opens even faster doors to markets compared to many other nations. Russia is close to Finland but as a business environment, it differs extremely from Finland. Finland and other Western nations have adapted the global project management practices into their everyday business environment successfully. This study also tries to find out if the same methods can be used in Russia successfully or do project managers have to adapt different methods. Project management is an extremely interesting and broad subject and as a profession it requires many skills for the project managers. This study does not focus to explain the project management theories in detail as there are great set of books available on the market. This book is tried to construct so that the results and ideas can be transferred to everyday project management for project managers working in Russia, and why not in other countries as well, and learning from given examples and advices. This book is a collection of special characteristics and emerged problems that project managers need to consider when doing project management in Russia.

Case project for a large Finnish corporation penetrating to Russia was used as a reference when making this study. End result of the case project is to build a manufacturing plant to Russia with a large Russian counter partner. Excellent insight knowledge and lessons learned was gained from the case project as it was dealing with all aspects of project management and market penetration into Russia. Project was in the planning and execution phase during the survey. Project core team was also given questionnaires about transformational leadership and asked questions about project management and team building in Russia. These results are being analyzed in

this study, and special attention is given to find differences between Russian and Finnish team members.

The comparison between Russian and Western practice is done according to so called project management best practices according to PMI (Project Management Institute), which are the most widely spread standards among project management specialists globally. Main theories and methodologies discussed and explained in this study are based directly to project management professional certificate materials and PMI global standards for project management professionals (PMPs).

The work is divided into three parts which are the theoretical part, results and conclusions. The theoretical part of the study is divided into two parts. In the first part, the project management best practices and nine knowledge areas are introduced as Project Management Institute sees it and explained the most modern project management theories among licensed project managers. The transformational leadership theory is introduced in those parts as it is analyzed or used in this study. The core of the graduate work is to compare the best project management practices to Russian business environment and try to find main differences in the knowledge areas. Second part of the study is to analyze the results, both in project management and team building, from the questionnaires to specialists and transformational leadership survey done to the case project core team members.

Group of experienced project management specialists were interviewed and asked to give answers how the project management knowledge areas differ from Western projects. Many of the special characteristics in project management knowledge areas were gathered from the specialists. These answers were then observed and analyzed in the results part of the study to give practical answers what should be considered by the project managers when planning and executing projects. The results and observations about project management are mainly based on results from the group of specialists and case project team but the matter is analyzed also by taking references from several book resources and project management seminars in Russia. Some results are also given directly from the case project in order to give as much practical information as possible. The conclusions part will then sum up the findings and raise questions for further analysis and studies in the broad field of project management.

1. THEORETICAL PART

In this first part of the theory it is demonstrated the so called best practices of modern project management according to the Project management Institute (PMI), which are the most recognized and used principles in industrial corporations globally. Best practices are those actions or activities undertaken by the company or individuals that lead to a sustained competitive advantage in project management. The definition that a best practice is an activity that leads to a sustained competitive advantage, it is no wonder that some companies have been reluctant to make their best practices known to the general public. Company should share the project best practices knowledge internally only including confidential information as the created templates forms and so on. (Kerzner, p. 50, 2010)

1.1 Project management process groups and triple constraints

The book, A GUIDE TO THE PROJECT MANAGEMENT BODY OF KNOWLEDGE, explains the project with five process groups that are initiating, planning, executing, monitoring and controlling and closing process group. The process groups are similar in every project and may be overlapping in some cases. Understanding the process groups, it is easier for the project manager to manage projects due to the systematic approach to every project and that project manager understands in which phase the project is going. Please see below a picture of the mentioned process groups and how groups overlap. What is important to understand from the theory is that process groups are not phases. The figure below represents in an excellent manner the complexity of projects and how different process groups interact with each other. (PMBOK, p. 15-23, 39-42, 2008)

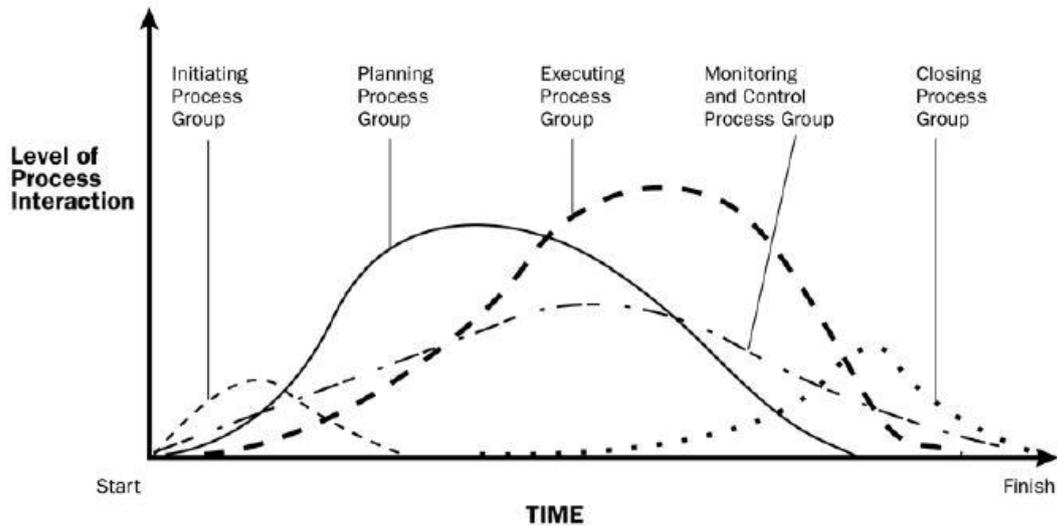


Figure 1, PMI process groups

According to Kerzner, there is no official agreement among industries or companies within the same industry about the life-cycle phases. This is understandable due to complex nature and diversity of projects. The theoretical definitions of the life-cycle of a system can be applied to a project. According to Kerzner, these phases include conceptual, planning, testing, implementation and closing phases. (Kerzner, p. 68, 2009)

In the book about construction project management, Bennett identifies six phases in the construction project life cycle, each with its own purposes and characteristics. First, the owner must make pre-project decisions about the project. Then the planning and design of the project is done. Next, the contractor/suppliers are selected who carry out the field operations. Final stage is the termination of the project and ending all activities. Turner et al. explain in their book that at the completion of each stage of the project an assessment is made to ensure it is ready to proceed to the next stage. The business case is checked - the ratio of cost to benefit. Also it is checked that the project still meets customer requirements and the needs of functions further down the project process. (Turner et al, p.40, 2008, Bennett, p.8, 2003)

One of the key points from the PMI standards is the triple constraints, which are described as cost, time, and scope of work, quality and customer satisfaction. These are so intertwined that a change in one will most often cause a change in at least one

of the others. PMBOK defines every process that it has input and output and certain tools and techniques to create the outputs. The picture below shows the triple constraints. (PMI internet page, 2011)

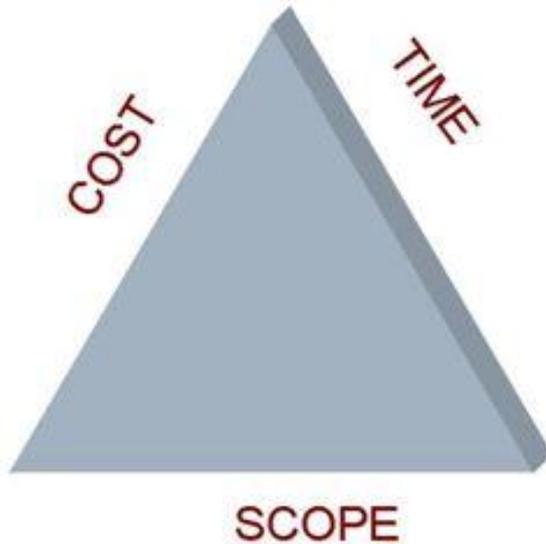


Figure 2, PMI triple constraints

Below it is explained the key terms and definitions that are used later in this study. Expert Judgment is a term that refers specifically to a technique in which judgment is made based upon a specific set of criteria and/or expertise that has been acquired in a specific knowledge area by a member of the project team, or multiple members of the project team, or by a team leader or team leaders. Typically expert judgment requires an expertise that is not present within the project team, and it is common for an external group or person with a specific relevant skill set or knowledge base to be brought in for a consultation. Some examples of resources of expert knowledge can be stakeholders, customers, professional and technical organizations or other industrial groups. The term contingency reserve refers primarily to the amount of quantity of funds or other financial resources that is required to be allocated at and above the previously designated estimate amount to reduce the risk of overruns. Contingency reserve need not refer exclusively to monetary terms. It can also refer to a specific quantity of time. Typically the contingency reserves, in terms of both finance and time, are determined at the outset of a project by key stakeholders. (Project management knowledge internet page, 2011, PMBOK, p. 23, 77, 2008, Kerzner, p.12, 2009)

A stakeholder is often incorrectly believed to be a person who is providing financial or other influence for a specific function or project to be completed. In actual fact, a stakeholder is a more widely ranging term. Stakeholders can be individual persons such as customers or sponsors to whole groups such as performing organizations and the public. Anyone who is actively involved with the project may be regarded as a stakeholder, as well as anyone who may be positively or negatively affected by the project's outcome! Project management personnel may be regarded as stakeholders as well, seeing as they are directly involved with the project and are likely to be affected by the project's conclusion. The project manager is a person responsible for coordinating and integrating activities across multiple functional lines, integrating the activities necessary to develop project management, execute the plan and make the changes to the plan and baselines. Turner et al explain in a funny way in the figure below how the stakeholder's emotion goes along the project life-cycles and baselines. The term baseline, in most common usage applies to the current baseline, can be used to refer to the original baseline. Main examples of this are the "cost baseline", "scope baseline" and "performance measurement baseline". (Project management knowledge internet page, 2011, PMBOK, p. 23, 77, 2008, Kerzner, p.12, 2009)

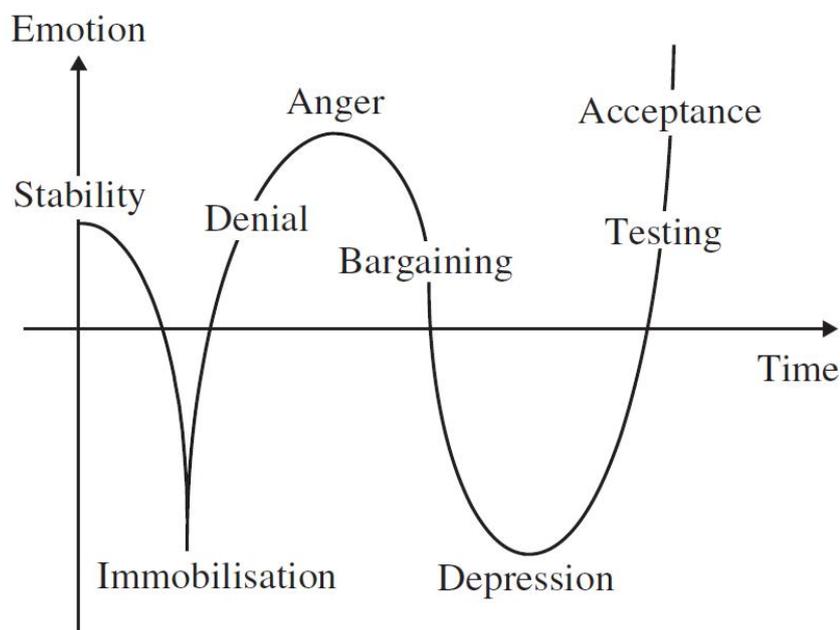


Figure 3, Change management in cycles according to Turner et al. 2008

1.1.1 Initiating process group

Initiating process group is the first process group executed at the beginning of a project or project phase. The initiation process lays the groundwork for the planning process group that follows this process group. A high percentage of projects fail due to poor planning or no planning, and since initiation is the foundation of planning, the importance of initiation is self-evident. Properly planning the project upfront dramatically increases the project's chance for success. In this process group the project objectives are developed including the documentation of the scope of the project, description of the project deliverables, duration and the forecast of the needed resources. The project manager gets the authorization to use the organizations resources to the project in the initiation process group. The project is formally accepted and published after this process group. In a normal business project the project charter is created as an output from the process group, which formally assigns the project manager to a project. This document is normally signed by the project sponsor. (PMBOK, p. 44-46, 2008, Heldman, p. 54, 2002)

1.1.2 Planning process group

The Planning process is the process group of formalizing and confirming the project goals and objectives. It also creates the project management plan to achieve project objectives. Planning process group might be the most important and often underappreciated in some companies. Process group helps gathering data from many sources and planning processes to develop the project management plan. Processes in this process group identify, define and mature the project scope, cost and schedule. Planning process will be iterated throughout the project life cycle. Main outputs from this process group are project management plan, scope management plan, work breakdown structure and schedule, quality and risk response plan. All plans will be documented to the project management plan which will be also updated throughout the project. Project plan is fundamental to the success of any project. For large and often complex projects, customer may require a project plan that documents all activities within the program. The project plan serves as a guideline for a lifetime of the project. This process group should gather the needed stakeholders and experts

together to prepare a solid project management plan. Changes to the project in the beginning of the project are still manageable but as the time goes the cost of changes increases significantly. (PMBOK, p. 46-54, 2008, Kerzner, p.459, 2009)

According to Kerzner, there are nine major components of the planning phase that are defining the objectives or goals, program, schedule, budget and forecasts. In this phase it is also needed to decide the organization and resources, policies how decision making is done during project and procedures how to follow these policies. Project team and general planning function responsible need to also set the acceptable standards for the project. According to Bennett, in construction projects particularly two key things should be accomplished early in the planning and feasibility study stage. First, there must be a clear understanding of the project's objectives, purposes, scope and nature by both the client/owner/investor and organisation responsible for carrying out the work. Second, a relationship between the client/owner/investor and the project delivery organization must be established, with clearly defined roles and responsibilities. (Bennett, p.61, 2003, Kerzner, p. 415, 2009)

1.1.3 Executing process group

Executing process group includes the processes used to complete the work defined in the project management plan and project team decides which processes are required to meet the defined specifications. This process group involves coordinating people and resources as well as integrating and performing activities of the project in accordance with the project management plan. In normal business project, in this process group most of the project budget and resources are used. (PMBOK, p. 55-59, 2008)

According to Turner et al, the project managers have to lead the project team and other parties in several directions. First of all, his/her responsibility is upwards to maintain the support of the sponsor and owner and outwards to win the support of resource providers, professional colleagues, and the range of stakeholders. Main portion of his/her time goes downwards to lead the project team, winning the

commitment to the project of people he or she may not have direct line responsibility over (Turner et al, p. 110, 2008)

1.1.4 Monitoring and controlling process group

This process group includes processes performed to observe project execution so that potential problems can be identified in a timely manner and corrective actions can be taken. Monitoring, tracking, reviewing and regulating the progress are done in this process group. Change management is also very big part of the project success and it is also performed in this process group. (PMBOK, p. 59-65, 2008)

According to Bennett, during project operations it is essential that actual performance is compared with planned performance in all of the areas and actions need to be taken to remedy any indicated deficiencies. This responsibility is termed monitoring and control, where monitoring refers to methods for comparing actual with planned performance and control denotes the actions taken to attempt to bring deficient aspects of the project into conformance. (Bennett, p.222, 2008)

1.1.5 Closing process group

Often underestimated and seldom well performed closing process group includes certain procedures typical to every project. Often the last 5 % of the project execution takes 80% of the project time due to many people are already in other projects doing new tasks etc. That's why efficient project closure is important and resources such as project team members can be allotted officially to other jobs in the organization. Project documents need to be stored and lessons learned to be written and distributed in the company so that same mistakes are not done again in the future. This process group has according to PMI only two processes which are close project and close procurements. (PMBOK, p. 64, 2008)

In closing out the project, the contractor/owner/investor pursue several activities concurrently. Bennett describes the sequence of efforts related to project financing,

followed by a number of other matters involving documentation required before the project is finally/formally completed. There are a few characteristics common to all projects during the closing process. One is that the probability of completing the project is highest during this process and risk is lowest. Many projects, when not properly closed, can stay in the final stage of the project for a long time as valuable resources could be used elsewhere. (Heldman, p. 403, 2002, Bennett, p.310, 2003)

1.2 Project management knowledge areas

PMI defines project management with 9 knowledge areas that should be equally or partially covered to have project success. Each knowledge area contains several processes and is used throughout the project in different project process groups.

1.2.1 Project integration management

Project integration management includes the processes and activities needed to identify, combine, unify and coordinate the various process and project management activities. Integration management helps to identify, combine, unify and coordinate various processes and project management activities within the process groups. It is essential part of every phase of the project. Project integration management includes making the project charter, which authorizes project manager to lead the project. The document is signed by the project sponsor or someone with high interest over the project. Only approved project charter justifies the project. Another vital document called project management plan (PM plan) is also prepared in the beginning of the project. This document includes all actions necessary to define, combine, prepare, integrate and coordinate all other knowledge area plans making it the most important document throughout the project life cycle and gives the baseline for monitoring the project progress. (PMBOK, p. 71-82, 2008)

Directing and managing, as well as monitoring and controlling, the project work is a very big part of project manager's work. These activities need to be performed according to the project management plan to achieve the project objectives.

Corrective, and preventive, actions as well defect repairs are performed during the project life-cycle. Decisions are made comparing the actual project performance against PM plan. Changes are evident to each project and therefore integrated change control is an essential process for the project success. Integrated change control includes communication with the key stakeholders and managing all the change requests that occur. Changes may be requested by any stakeholder involved with the project and need to be recorded in a written form. Each change request needs to be either approved or rejected and find a plan how to manage the changes. (PMBOK, p. 83-95, 2008)

1.2.2 Project scope management

Project scope management is the processed required ensuring that the project includes all the work and only the work required to complete the project successfully. Scope management is about collecting project requirements, defining and verifying the scope, creating the work breakdown structure (WBS) and controlling the scope. Project managers need to remember that the product scope and project scope are two different things as the project scope specifies the work that needs to be accomplished to deliver a product, service or result with the specified features and functions. Collecting requirements means defining and documenting stakeholders needs to meet the project objectives as the success of the project is directly influenced by the care taken in capturing those requirements. Defining the scope is a process of developing detailed description of the project and defining the assumptions, constrains and deliverables. (PMBOK, p. 103-116, 2008)

One of the most important parts of project planning is to create the WBS = work breakdown structure, which is described as the process of subdividing the project deliverables and project work into smaller more manageable components. The time and resource planning should be based on WBS if done correctly. Project deliverables need to be decomposed into more manageable levels called work package level, which is the lowest level in the WBS. The scope needs to be then verified formally and monitored during the project execution. Controlling the scope means monitoring

the status of the project and product scope and managing the changes to the scope baseline. (PMBOK, p. 116-120, 2008)

1.2.3 Project time management

3rd knowledge area is the time management which consists of several processes relating to the time and schedule management of the project. Most of the processes are required in the planning phase of the project such as activity definition, activity sequencing, activity resource and duration estimating from which the actual project schedule can be built. The final output from this knowledge area is the project schedule, which needs to be tightly monitored and controlled and corrective actions to be done when schedule baseline is not one with the actual performance. Many of the processes in the time management knowledge area are overlapping and interact directly with other knowledge areas. (PMBOK, p. 129-164, 2008)

According to Turner et al, the purpose of recording dates and times to a form of schedule are to ensure the benefits obtained at a timescale which justifies the expenditures, to coordinate the effort of resources, to enable the resources to be made available when and if required, to predict the levels of money and resources required at different times to meet a rigid end date and fulfill customer satisfaction. (Turner et al, p.183, 2008)

Many practitioners see this knowledge area as one and call it only as schedule, as in many smaller projects the project planning does not require a distinguishing between the many processes. To meet the requirements set by PMI, the scheduling needs to get started by defining the activities to identify all specific actions to be performed to produce project deliverables. This process is followed by sequencing, estimating needed resources and duration for each activity. There are several tools that can be used to prepare the best schedule estimates such as using expert judgment, analogous, parametric or three-point estimates. Project manager needs to decide depending of the project what tools to be used. Final outcome of these processes is the project schedule which is then monitored and controlled along the project execution. There are several tools and techniques to create and monitor the project schedule such network analysis, critical path and critical chain method among the most used. Precedence diagramming

is the method currently being used in nearly all of the project management scheduling softwares available. Precedence diagrams can be easily recognized. The network diagram will always be shown with the activity information on the nodes instead of on the arrows of the diagram. The nodes of an activity on precedence diagram will always be shown as rectangles. See figure below which represents the dependencies of the nodes used by project managers. (Newell, p. 49, 2002, PMBOK, p. 129-164, 2008)

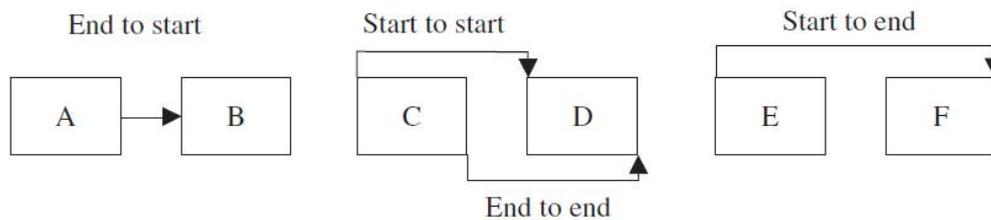


Figure 4, Most commonly used dependencies in time management

1.2.4 Project cost management

Cost management knowledge area consist of three processes: cost estimating, cost budgeting and cost control. Project cost management is primarily concerned with the cost of the resources needed to complete project activities. The cost management planning should be done early in the project planning and set a framework for each of the cost management processes. Estimate costs are the process of developing an approximation of the monetary resources needed to complete all project activities. The units of estimates are normally expressed in currencies or units of measure. Cost estimates need to be refined during the project as more data is available. There are several estimating methods that can be used such as analogous, parametric, bottom-up, three-point estimates among the most used. Reserve analysis is used to calculate the contingency reserves for the project and this amount is constantly monitored and can be used, reduced or eliminated. Main output from the estimating cost process is the activity cost estimates that is an input to other processes. (PMBOK, p. 167-174, 2008)

Determining the budget is the process of aggregating the estimating costs of individual activities of work packages to establish an authorized cost baseline. This

cost baseline is an authorized time-phased budget at completion (BAC) of the project and is used to monitor and control overall cost performance on the project. Cost baseline excludes management reserves but includes all other authorized budgets. The project budget which is the final result of the cost planning must be reasonable, attainable and based on contractually negotiated costs and the statement of works. The main basis for the budget is historical cost, best estimates or industrial engineering standards. Cost control is the process of monitoring the status of the project and managing the changes to the cost baseline. There are several tools and techniques how to monitor and control the cost baseline. Earned value management is probably the most common tool used for performance management. Earned value integrates project scope, time and cost measures to help project managers in measuring the project performance. Short explanation of the earned value by Heldman is that it looks at schedule, cost, and scope project measurements together. To perform the earned value calculations, it is needed to first determine three measurements: the planned value (PV), actual cost (AC), and earned value (EV). Figure 3 shows an example how earned value measure can be shown in project documentation. (PMBOK, p. 174-185, 2008, Kerzner, p.644, 2009, Heldman, p. 344, 2002)

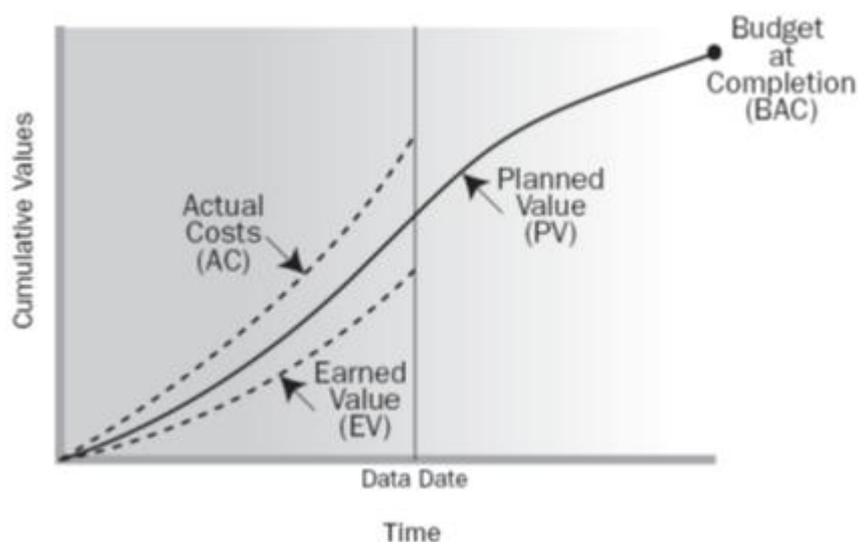


Figure 5, Cost baseline and earned value (PMI)

Krajewski explains the cost management as the cost-time trade-offs and minimizing the cost to achieve the schedule. In general, the cost estimating needs to be done first taking consideration org. process assets, external factors, market place conditions etc. This process is mainly done in rough order of magnitude and detailed during the

budgeting process. In the cost budgeting process the cost baseline is created and monitored in the cost control process. Cost baseline is a time-phased budget which is used as a basis against which to measure the overall cost performance during the project. Project manager may reduce the timeline of the project by placing more resources to certain activities which each capital and causing trade-off situations. Krajewski defines one useful equation to calculate cost to crash per period, see below. The crash time is the shortest possible time to complete an activity and with the formula below it is possible to assess the benefits of crashing certain activities.

$$\text{Cost to crash per unit of time} = \frac{\text{Crash cost} - \text{Normal cost}}{\text{Normal time} - \text{Crash time}} = \frac{\text{CC} - \text{NC}}{\text{NT} - \text{CT}}$$

Krajewski also defines a useful process to minimum-cost schedule of the project where the normal time schedule and crash activities along the critical path are optimized so that the budget is met and with the lowest possible cost. (Krajewski, 2007, p. 84-87)

Bennett suggests considering the use of estimating software and showing an example based on a product currently available to contractors to be used in construction projects particular. This increases the chance of success in cost calculation. In addition, the project manager shall revisit the topic of value engineering, this time from the standpoint of the contractor involved with proposal preparation. The term estimate is curious and implies that the numbers are approximations, representing idea of what the final project costs will be. (Bennett, p. 101, 2003)

1.2.5 Project quality management

Project quality management includes the processes and activities of the performing organization that determine quality policies, objectives and responsibilities so that the project will satisfy the needs for which it was undertaken. In this knowledge area the quality management practices are playing a major role. Quality planning consists of taking care that the project deliverables will meet the project objectives. Quality control need to be done during the project execution phase and deviations reported to

the project team for further analysis. There are several tools to plan, monitor and control the quality of the project such control charts, benchmarking, design of experiments, flowcharting, brainstorming, histograms, pareto charts etc. It is up to the project management team to select the best tools and techniques to be used in the project. (PMBOK, p. 189-200, 2008)

Preventive and corrective actions need to be taken when quality errors are found. This knowledge area is probably the most difficult to handle during the project execution and has most interfaces to other knowledge areas. Modern quality management refers to disciplines of customer satisfaction, prevention over inspection, continuous improvement and management responsibility. Quality needs to be planned, designed and built in, not inspected in. Organizations globally are planning their processes more precisely and the importance of management support to meet the quality targets has been recognized. (PMBOK, p. 189-200, 2008)

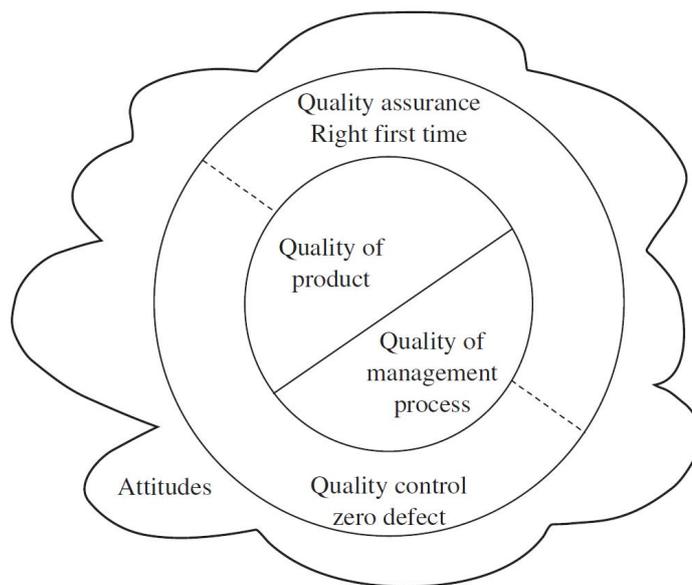


Figure 6, Quality aspects of the project quality management

Quality management has developed in recent years not only in product but also in leadership quality and project management quality. This demand is mainly coming from customers who demand higher performance with faster product development and higher technology levels. Customers demand high level materials and processes, lower contractor profits and fewer defects. Market expectations are also higher than

ever as salability and produce ability has been increased also the same time. See an example of the quality aspects of the project in figure 6. (Kerzner, p. 874, 2009)

Bennett defines quality in his book as ‘the fulfilment of project responsibilities in the delivery of products and services in a manner that meets or exceeds the stated requirements and expectations of the owner, design professional and constructor’. This approach, if viewed in this way, is thus parallel to the management of the project’s programme and budget. (Bennett, p. 235, 2003)

1.2.6 Project human resource management

Project human resource management includes all the processes that organize, manage and lead the project team. The project team is comprised of the people with assigned roles and responsibilities for completing the project according the project management plan. Human resource management is one of project manager’s key responsibilities and the way it’s performed often reflects to the project outcome as well. In the HR knowledge area the responsibilities of the team members are clearly defined and tasks assigned to them. Main processes in the knowledge area according PMI are developing the human resource plan, acquiring, developing , and managing the project team. Human resource plan should contain project roles and responsibilities, required skills, reporting channels and staffing management plans. The responsibility assignment matrix (RAM) is excellent tool for stating clearly the responsibilities in the project team. Each work package can be assigned to correct persons to make sure all tasks are handled and each work package has someone responsible. Common HRM practices are used for project team building and management. Depending on the project organization, whether it is a line, strong or weak matrix, projectized, functional etc. project organization, the authority of the project manager need to be defined clearly. (PMBOK, p. 215-230, 2008)

Acquiring the project team is a process to confirm the human resource availability and obtaining the team necessary to complete project assignments. Project manager needs to negotiate with stakeholders how to get the correct resources to project team for a needed time frame and with correct skills. Failure to get best possible resources to the

team will affect to project schedules and success of the project. Teamwork is a critical factor for project success and developing effective project team is one of the primary responsibilities of the project manager. Team building activities can vary but most important features for project managers are building trust, openness and good team leadership. (PMBOK, p. 215-230, 2008)

Team building is a process and there are certain stages in the development. One recognized theory divides this process into five stages which are forming, storming, norming, performing and adjourning. It is important for the project manager to recognize these stages and act accordingly as the team building is a never-ending process. Main challenges according Kerzner for the team building are different outlooks and priorities, role conflicts, views on objects, dynamic project environments, competition over team leadership, lack of commitment and team personnel selection. Change is inevitable and best way to adapt is to have effective team. Project manager needs to recognize and rewards from desirable behavior either formally or informally. (PMBOK, p. 233, 2008, Kerzner, p. 210-212, 2009)

1.2.7 Project communications management

Project communication management processes defines the stakeholder communication handling, the methods of distributing project information, distribution channels and roles of the project team members when communicating. The project stakeholders are the main target group of the project communications and their needs for information need to be fulfilled accordingly. Stakeholder analysis is one of the key tasks in the project and need to be done during the planning phase and identify ALL the stakeholders to find out their expectations and influence to the project. If key stakeholders are not identified, the project funding, resource management and scheduling can be seriously damaged.

Typical definitions of effective communication include an exchange, an act or instance of transmitting information, verbal or written message and techniques for expressing ideas effectively. The communication environment can be regarded as network of channels. The number of two-way channels can be calculated from the

formula $N = X (X-1) / 2$ where X represents the number of people communicating with each other. Effective project communications ensure that we get the right information to right people to right people at the right time and in a cost-effective manner. (Kerzner, p. 233, 2009)

Power and interest matrix, see example below, is a way to identify and categorize the various stakeholders and create a stakeholder management strategy based on that. Communications management plan document is part of project management plan telling when, how, by whom and which way the information is distributed and where the project documents are stored and for how long. Managing the stakeholder expectation is a key process for the project managers to be successful with the project. Communication and working with stakeholders to meet their needs and addressing issues as they occur is vital part of this process. (PMBOK, p. 243-260, 2008)

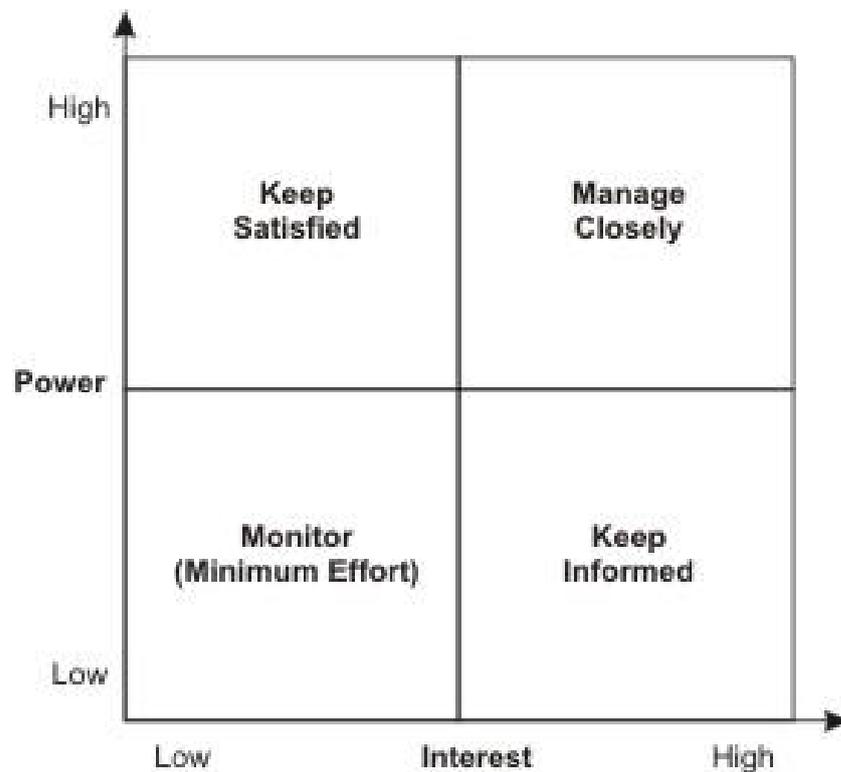


Figure 7, Stakeholder analysis: Power / Interest matrix

1.2.8 Project risk management

Project risk is always an uncertain event or condition that is always in the future and can affect the project objectives. A risk can be one or more causes and affect scope, cost, schedule and quality of the project. A cause may be a requirement, assumption, constraint or condition that creates the possibility of negative or positive outcomes. Risk management is not a separate project office activity signed to a risk management department but rather one very vital aspect of project management and integrated to all knowledge areas. Risk planning is a key process where project team ensures that the degree, type and visibility of risk management are commensurate with organization objectives. Main document in risk management is the risk register which is updated throughout the project life-cycle. Risk identification and analysis is good to be done together with the project team and experts to be absolutely sure that all the risks have been identified and proper response plans have been taken. (PMBOK, p. 275-290, 2008, Kerzner, p. 746, 2009)

Qualitative and quantitative risk analysis prioritizes the risks and their probabilities and then numerically analyzes the effect of identified risks. Once the risks have been analyzed and gathered, by using different tools and techniques such modeling and simulation, a risk response plan is created. In this plan every risk is assigned to a risk response owner who then becomes responsible for agreed-to and funded risk response. Different response strategies are avoiding, transferring, mitigating or accepting the risk for negative risks and for positive risks exploiting, sharing, enhancing or accepting the risk. The gathered and analyzed risks are then monitored and controlled to check if the project assumptions are still valid, if the risks have been changed, if the risk policies have been changed or if the contingency reserves should be modified. (PMBOK, p. 290-308, 2008)

1.2.9 Project procurement management

Last of the knowledge areas is the project procurement management which involves the suppliers and external purchases to the project planning. Supplier selection, bids,

quotations and agreements are major part of the procurement management. Procurement management includes the processes necessary to purchase or acquire goods, services or results needed from outside the project team. Procurement can be defined as the acquisition of goods or services and always involve two parties with different objectives. Good procurement activities can increase the company profitability by taking advantage of quantity discounts, minimizing cash flow problems etc and therefore is often centralized function. Usually procurements are done by the project controllers or by strategic purchasers but in also many cases the project team and project manager together with the project sponsor are selecting the suppliers. Procurement management includes the contract management and change control processes required to develop and administer contracts or purchase needed orders. It also includes administering any contract issued by an outside organization that is acquiring the project from the performing organization. (PMBOK, p. 313-343, 2008)

Plan procurements is a process of documenting project purchasing decisions, specifying the different approaches to purchasing and identifying the potential sellers of product and services. In the beginning process, conduct procurements, the seller responses are obtained, sellers selected and contracts awarded. In the monitoring and controlling part of procurement the seller's performances are checked that they meet the requirements and that the buyer performs under the defined terms of the legal contract. Each procurement need to be formally closed and such administrative activities as finalizing open claims, updating supplier records are among them. (PMBOK, p. 313-343, 2008)

1.3 Transformational leadership theory and prospector, analyzer, defender and reactor type of organisations

Miles and Snow (1978) defined four different types of company groups called analyzer, prospector, defender and reactor. Defender type of organization is organization that has a relative small product-market focus and usually those organizations are operating in small and stable niche markets. Organizations main engineering challenge is to achieve competitive technological efficiency and function

at their best in stable market environment. The risk of technological obsolescence is time to time present when the organization focuses to keep the market share and stay ahead technologically its market rivals. (Miles and Snow, 1978)

Prospector types of organizations are organizations that continually search for new market opportunities and develop new products/services to attract new customers and markets. Unlike the defender type of organization, the organization faces a risk of extending its operations in too many markets and faces the problem of not being dependent on any one technology. (Miles and Snow, 1978)

Analyzer type of organization shares the characteristics with prospector and defender. The aim of these organizations is to minimize risks and maximize profit opportunities. They constantly exploits for new niche markets to conquer and face the risk of maintaining the efficiency in the remaining markets due organization is constantly seeking for new market opportunities. (Miles and Snow, 1978)

Reactor types of organizations do not have a clear strategy how to react to the changes and mainly act on ad hoc basis. In the case studies of Takala et al (2007) the reactor type of organizations are left apart due reactor type of organization does not lead to a consistent and stable organization. (Takala et al., 2007)

Researcher Bass (1997) is the creator of the theory behind the transformational leadership. Bass defined transformational leadership as how the leader affects to the followers. Bass has noted that transformational leadership is based on moral aspect and categorized it into four components which are idealized influence, inspirational motivation, intellectual stimulation and individualized consideration and three moral aspects which are the moral character of the leader, ethical values of the leader and morality of the processes of social ethical choice and action that leaders and followers engage. (Bass, 1997)

Leaders transform followers by increasing their awareness of the task value and importance, get them focus to organizational and team goals and activating their high-order needs. The followers feel trusted, admired and respected and they are derived to do more than first expect by themselves. (Bass, 1997)

Takala et al presents a sand cone model based on the theory of Bass and deep leadership which is presented in the figure 1. It represents cumulative layers of manufacturing performance dimensions and implies an idea that companies need to develop their company performance in certain stages to be competitive. The direction of the performance development should be started from quality, followed by delivery, and then flexibility and finally cost effectiveness, due cost and finance benefits are not achievable if the non-financial aspects are in shape. (Bass, 1997, Takala et al., 2007)

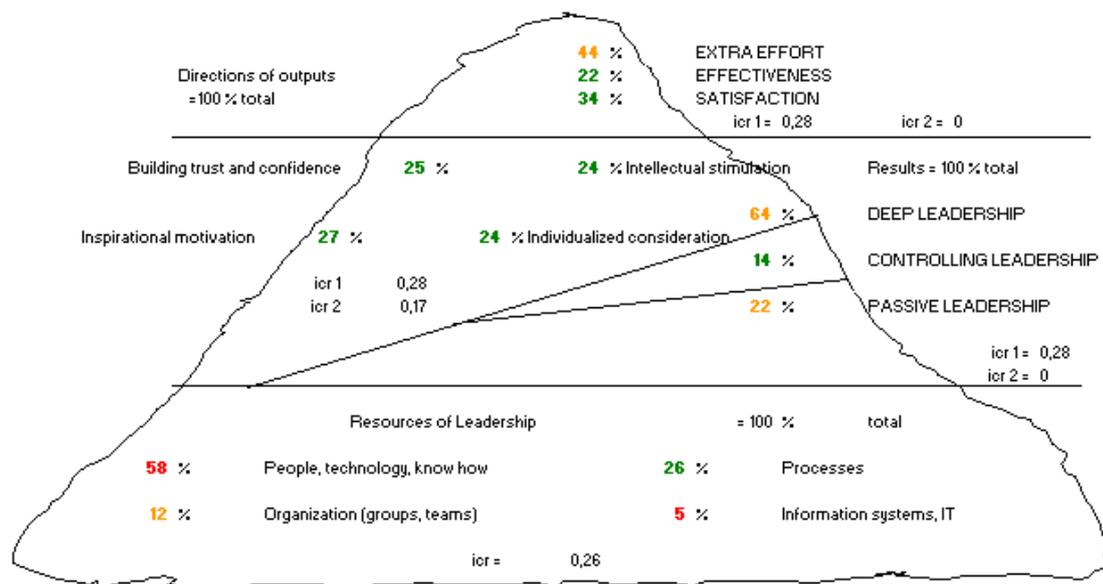


Figure 8, Sand cone model

Even further developed model of the sand cone model is the “running vehicle” model. It is based on deep leadership where overall affecting factors of the company environment are integrated. Leaders of the “vehicle” play the vital role as drivers of the organization as the strategy of the company is the engine and resources play as the wheels of the company. (Takala et al., 2007)

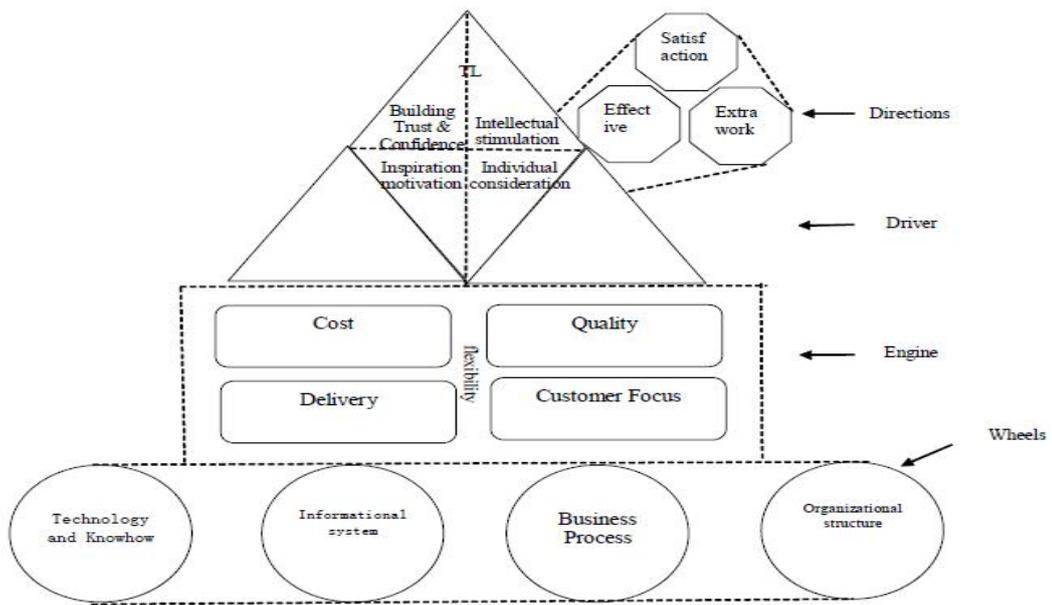


Figure 9, "Running vehicle", holistic model to integrate manufacturing strategy and transformational leadership (Takala et al, 2007)

2. METHOD

Project management is a very broad aspect and profession and has many characteristics that are similar with normal management and leadership theories. Project management is a set of skills from several knowledge areas combined and project managers need to have a very broad set of skills to successfully manage the projects. This is especially true in Russia where the business environment is probably one of the toughest and most challenging for Western project managers. This study tries to find key differences and answer questions how to overcome certain project management challenges when operating projects in Russia. Answers to questions that how the PMI global standards differ from Russian project environment is given the most attention. This work will not fully cover all specialties or challenges of Russian projects, but will touch most of the main knowledge areas in such detail as it is possible in this graduate work framework and time schedule.

Way to find answers to graduate work project management related objectives, matter is studied from three different aspects. First aspect is to find answers from academic publications and project management books about the subject to give more academically proven facts about the study subject. Set of publications written by both Russian and Western scientists and project management practitioners is analyzed and explained in this study. To limit the research into manageable range, the PMI global standards were kept as the framework for the analysis.

Second method to get practical current knowledge about project management challenges in Russia, a group of experienced expatriates working in Russia was interviewed. Based on the answers from the group analysis and conclusions were done. The group interviewed is relatively small (10 persons) so the answers represented in this study can't necessarily kept as a standard. Nevertheless the study is based on finding the main differences how Western project management differs from Russian projects, so this group of specialists working everyday with these issues, is the best possible group to give such answers. Most of the experts come from construction and design environment as does the case study project so the results in this study are fully comparable with each other.

Last study method for project management in Russia is the case project “Greenfield factory construction in Russia” where the project manager’s own observations are recorded and compared with theory and experts answers. The project management team of the case project is also interviewed and their answers are analyzed in this study as well. The group of Finns and Russians are interviewed both about project management as about transformational leadership and their input is one source for results as well.

Transformational leadership survey, based on the method created in University of Vaasa, was done to the whole project management team. These results are analyzed in the last chapter of this study book. As the main objective of the graduate work is on project management these analysis are relatively short and give certain direction for future studies about the subject. Based on the results from case project team, answers to effective team building and differences in leadership and manufacturing strategy thinking between Russians and Finns are given and analyzed. The study was done to a relatively small group of people so the answers in this study book can’t be introduced as facts. More studies about the subject are needed before making final conclusions. Nevertheless this study gives a reasonable accurate aspect how the two nationalities differ with their answers.

Both the project management and transformational leadership results are introduced in the second part of the study and then in the last part of the graduate work wrapped up as conclusions and recommendations for future studies.

3. RESULTS: PROJECT MANAGEMENT IN RUSSIA, OBSERVATIONS AND FINDINGS FROM FIELD STUDIES, CASE PROJECT AND INTERVIEWS

This section of the study shows the results of the questionnaires and interviews that were done. In this section the results are being analyzed in the same context and given direct answers if and how the project management differs from Western projects in Russia. This part of the study also gives some answers to project managers how to prepare themselves to handle these differences.

Russia is a challenging market and it has its own specialities and characteristics to be taken into consideration. To make proper conclusions, a group of expatriates with substantial experience, more than 60 years total, from Russian business and project management was interviewed. Experts were given a questionnaire to compare first the project management knowledge areas to a Russian practise and give comments which areas need special attention and what is different to Western projects. These expert judgments are then in the same context combined with field analysis from literature and observations from the case project to give best possible view of the subject. Below all nine project management knowledge areas are analysed based on expert judgment, case project and literature.

3.1 Project integration and scope management

Expert Judgment

According to the experts and managers interviewed, project management in the Russian projects should be still in the hands of Western expatriates as the project management profession or knowledge is not yet that widely spread in Russia. What was interesting they also mentioned that all project teams should contain local Russian experts as without them the communication with local authorities and other stakeholders is difficult or impossible. Local specialists are also needed also due to fact that Russia has that much special characteristic that can't be managed by foreigners. All the experts emphasized the importance of knowing the way of working

and business culture in Russia and having reliable project team members in key positions. According to experts project change management exists in Russia and contracts are usually followed by Russian parties. The main difference in change management process according to experts is that in normal business case client expects that with the given fixed price “everything is included” and that many change orders are then handled un-formally as they occur. One technical director even suggested that special change manager should be hired for handling the needed papers and change management processes during project execution phase.

According to most of the project management specialists scope management is recommended to be managed by Western experienced project managers as the Russian way of managing the scope is not formal and refers to the idea that after contract is signed, no changes to the scope are allowed or even expected as change requests often required a lot of bureaucracy. The scope is sometimes impossible to change as there might be a need to start some authority approval processes again and therefore at least Russians prefer handling all scope changes un-formally. As this is seldom the case, special attention to the scope management and use of expertise is needed by project managers in Russian projects. Scope management reflects of course directly to time and cost management as the un-controlled scope will eventually lead to changes in these two. The experts also advised project managers to spend enough time to finalize the needed initial data for the project before signing the contracts and freezing the final scope. Almost all experts mentioned that if the initial data is not correctly collected and received before project execution, there will be inevitable delays.

Project planning in Russia is not very common yet or at least it’s not done according PMI standards but exceptions of course exist. Closest reference to a project management plan in Russia is document called *POS* (project organisation plan) which is normally an annex to a contract but is not updated along the project as the project management plan. This document is of course better than nothing but if the project changes will be followed efficiently, this document needs to be updated accordingly.

All experts agree that the management style in Russia is the one biggest difference between Western managers. As in Finland and other Western countries the

management style and decisions are done horizontally, as in Russia it is vertical and all big decisions will be done by the top managers only. This might speed up the big decisions but will create problems in the operative level such as in the project manager level decisions. For managing the project team project manager and project team need to fill many mandatory protocols and act of works to prove to Russian managers that work has been done. This is yet another factor that slows the project decision making and execution as the Russians are afraid of informing anything out of their scope of works and place huge efforts to show that some works has been done whereas Finns tend to focus more to results. One administrative challenge is also the fact that Russians never want to sign any protocols or use the stamp to formalize the meeting minutes or decisions. These signed documents are often the only way to get some decisions approved by the top managers. It has also become evidence that the presence of company top managers frequently is very much needed to push project decisions forward. Without top management meetings the Russian project team would not even consider meetings with the Finnish partner or consider working for common goals.

Case project

Observations from the case project do support the answers given by experts. Bureaucracy slows decision-making, Russian team members do not want to make decisions or sign protocols etc as they are afraid of their superiors. Finnish project management team needs to prepare all protocols and proposals for upper management as the fear of making mistakes is extremely high for Russians. Business plans and project management plans are not read yet understood by the Russian counter party as they do not understand why such documents need to be done in the first place neither they have not been formally asked to read or comment the documents by their superiors. This just shows that the project management profession is not yet spread in Russia and the projects are still run from upper management and no decision making power is giving to the acting “project managers”.

Change management is also different to Western projects as the change orders can't be accepted within the project management team neither with the key stakeholders within a reasonable short timeline. Almost all change orders need to be accepted by

the higher management and explained in such level of details that they are ready to make a decision without new explanations. Lack of such change management process of course slows the project and creates more administrative work for the project team. Project scope was formally signed when the decision of the project was done by the parties but eventually the parties understand the scope differently making the scope execution somewhat difficult.

Best lessons learned from the case project relating scope and integration management has been to know the importance of key stakeholders, learn their interests and fulfil those and then use their power to push people below them forward.

Literature

Project management theory and methodologies are not yet fully spread in Russia, according Dr Voropajev. He explains though that there are “thousands of young students with talent and interest” for project management in Russian universities. In order to spread the profession, the state needs to add project management as official field of studies to a state professional qualifying list of specialities. There is certainly a need as Aleshin explains that process from central planned to a market economy has initiated a high demand for project and program implementation in Russia. Russian government state that about 60 000 projects should be implemented during the next 15-20 years. According Voropajev the tendency is very positive to get state programs to certify qualified specialist to promote project management in Russia at the moment. This would still not happen fast but as more and more people get certified and learn about the profession, the possibilities to find skilled project professional to foreign projects increases significantly. (Voropajev, 2005, Aleshin, p. 207, 2001)

According to Finnish–Russian chamber of commerce experts, almost all Russian-based business difficulties come from bureaucracy, customs, permits, and language and time schedule areas. SVKK also confirm the fact that in Russian companies, the top manager has still the ultimate power and decision making responsibility. Average Russian General Director needs to sign hundreds of documents even though there had not been any financial activities inside the company. Another interesting fact from SVKK is that the company stamp itself is still very important for signing official

papers in Russia. The company stamp need to be round and in many projects the project team should get its own stamp with company logo to make official documents. Finnish companies need to understand that even though project manager and project team are suitable for handling the project and making the decisions, the company top managers need to be present from the beginning to the end of the project! Relations start from the top and play significant role later in execution phase of the project. If the top managers give permissions, formal or un-formal, to project manager and assign him/her to lead, the everyday management of the project comes easier. (SVKK, p.82, 99, 157, 173, 2009)

3.2 Time management

Expert judgment

In the AEB seminar in Moscow, the project managers highlighted the importance to manage the time schedule effectively and have several back-up plans in place. Russian projects are in this time respect very hard to manage and the contingency reserves for the time need to doubled or tripled, before company makes the final investment decision. Time schedule is influenced mostly by the bureaucracy and external influencing from Russian stakeholders. Biggest time consumers and risks are the permit approvals which are different in each area of Russia and businesses and need to be examined by specialists in each case. Interviewed experts also mentioned contingency reserve figures ranging from 30 % to 50 % which is actually a huge figure but well underlines the facts that time management and keeping schedules is often impossible in Russia. One director mentioned that Russian mentality is often slowing the projects significantly as Russians do not see time as a value. It has no meaning for them as it does for Western employees. Therefore experts suggest hiring Russian employees to projects that have experience from working in Western enterprises as they know what is expected from them to meet project schedules.

All experts share the view that proper planning according to best practices is vital to have any success in project management in Russia. Time schedule needs to be first of all realistic and consist time allocated carefully for preparation, design, approvals

implementation, testing, start ups and handing over. Also back-up plan for unexpected stops in the project is needed in every project plan as it is common that projects will be stopped for certain periods. From the questionnaires to the Russian specialists key point relating to the time management are the facts that the permit processes are in the hands of authorities and need to be managed each case personally by the project team or external specialist. A start-up time in a Russian project is usually very long and complicated, but the work execution on site or office can often be much shorter, due to longer working hours and cheaper labour. A fact when working in Russia is that not all permits or approvals can be got in time. It is common to start for example site works without official permits to save time. This is not recommended by the experts as it increases tremendous risks if some safety hazards etc will occur. Some figures from construction business state that some 50 % of projects are started without having all the needed permits for project execution.

Case project

Time management and keeping schedule is hard in Russian projects as the schedule can be affected by so many different factors. Often unexpected external factors delay the project where the project team cannot have any influence to make corrections. The case project has suffered from many of the same factors mentioned by the experts such bureaucracy, approval processes, slow decisions, project team lack of interest, low education, lack of professionalism etc.

Use of PMI tools and techniques helps project managers to have several back-up plan documents but unfortunately these tools can't be much shared with Russians. Russians do not have the same software or tools as the Finns have so sending 100 page of Microsoft Office Gant charts by fax is not a feasible solution. In the case project, the project manager prepares often 2-3 different schedules in different formats: one for Finnish team members, one for management and one for Russian team members. This of course also increases the work load for project manager but is vital for proper communication and decision making.

Literature

According to President of Russian PMI chapter, Mr Liberzon, main differences to PMI theory and practise in Russia are in scheduling and resource planning. He explained in his publication that project management tools were very sophisticated during Soviet times due to high-skilled mathematicians and programmers who developed algorithms for project scheduling and resource management but as there was no competition in the markets neither interest to gain better results, these tools were not used. Liberzon criticises PMI for not providing accurate tools for lower level managers for resource management where the matter is in his words the core issue. Liberzon writes that especially in the construction industry all planning is based on federal, local or other norms/standards which refer to productivity, costs and materials per unit of activity. He places a lot of effort to explain that the project planning can be achieved only by following these norms to calculate correct resources and time schedule. This is one good example how the old Russian way of working is still affecting the project management in Russian companies. Liberzon explains also about having negative experience with PMI proposed American project management software. He explains that all such tools should be modified according to Russian norms and standards. (Liberzon, 2010)

According to a publish by Etelä-Karjalan ammattikorkeakoulu (EKA), in construction business the investor needs in average 20-30 different approval, permits, stamps or signatures from authorities, not depending of the size of the project to manage the project officially. The amount of time and resources need to planned accordingly and EKA gives a rough estimate of 2-6 month for the approval process. All key permits such fire safety, land plot and energy permits are mainly handled by state authorities with permission and power to stop all works if their recommendations are not followed. There are many cases where the project itself is scheduled to last few months but is still delayed years due to bureaucratic procedures with the authorities. As an advice to the permit processes from the experts is to use local expertise to handle all the permits and place enough resources to handle these and still expect to have delays in the process. Nyberg writes in his article that companies need to have special so called GR specialists (government relations) to be responsible to have correct relations with the right people to secure investments going according to plans.

He explains that even though Russia is a market economy, significant investment projects are impossible to perform without political influence. Business leaders need to be serious when investing and spend enough time for planning the investments and know the right people from the beginning, especially in the local level. (EKA, p. 11, 26, 2011, Nyberg, p.3, 2010)

3.3 Cost management

Expert judgment

In a seminar organised by AEB, “How to build a manufacturing plant in Russia”, group of experienced and licensed project managers, discussed about the challenges in Russian projects. Main points from their presentations regarding cost management was that in Russian projects the contingency reserves need to be at least three times higher than in normal projects outside of Russia. This is due very un-predicted extra costs that can come from state/local authorities, land owners, energy companies and other stakeholders. It is important to allocate this money already in the feasibility phase of the project due during execution of the project the funding is many times more difficult. Such costs cannot be predicted precisely and there is no exact rule how to manage these except to prepare certain cost reserve. Russia has few special economical zones which have more structured way to support investments but in biggest part of Russia the extra costs are occurred from local factors and circumstances. The budget risks can be significantly reduced by investing to these special zones. The interviewed experts also shared the view that the contingency reserves should be much higher than in normal projects, even 10 % of the total investment sum was mentioned. Experts mentioned that reserve money is needed mainly for bribes, authorities, energy permits and contracts, partners, suppliers and change orders just to mention few. (AEB, 2011)

Same experts in the AEB seminar also explained that corruption is still one of the characteristics that can't be avoided in Russian projects or when doing business in Russia. The group gave stunning report that none of the projects they had managed in Russia (total of 100+) was succeeded without corruption. This same unpleasant issue

was also discussed in the global finance forum in St. Petersburg where the global investors were asked to mark biggest challenges in investing to Russia. 45 % of the investors marked corruption as the number one challenge in Russia. Corruption is not only a problem for businesses, its everyday problem for Russian citizens too. A study made by economic ministry of Russia revealed that half of the Russian population has been to a situation that a bribe was needed to solve a problem or situation. Half of the people answering the survey also knew when this behaviour is expected and how to react. Common bribery situations in everyday life are at hospitals, getting to a university or kindergarten etc. In business environment most popular answer for bribery was to authorities (tax, construction, permits, energy etc) and land registrations. In a book by Suorsalo et al. it is mentioned that in business the average bribe, in 2007, to be paid to authorities was 135 000 dollars as in the beginning of the decade it was “only” 10 000 \$. In the same context the writers say that in business life 47 % of Russian businessmen admit using bribes as a way to improve the business and project success and 50 % of the respondents see it acceptable. In a seminar by world economic forum it was discussed that the corruption still undermine the business and economic development in Russia and fighting corruption requires cooperation among business, government and civil society. Some positive signs are still there as the Russian government has tried to fight against the corruption under President Dmitry Medvedev and has been taking several steps to fight corruption such signing OECD anti-bribery convention in May 2011. The results remain still to be seen. (AEB, 2011, Finnish embassy newsletter, 9-23.6.2011, Suorsalo et al, p.125, 2007, WEF, 2011)

Expert interviews also reveal the importance of the cost management. Many of the experts suggest hiring one or two specialist to handle the cash flows and “extra expenses”. One financial director explained that budgeting in general is not common in Russia as Western companies see it. Five year plans or similar company initiative are not seen valuable as companies do not look that far in their business operations. This expert should know Russian law, Russian tax - and financing rules and handle all money transactions. One managing director explained that the one biggest reason for budget increases is the fact Russians want to save money in a short run and choose the cheapest suppliers etc. There are often own interests involved and money transfers can differ a lot from what is reported. This will evidently, in Western higher quality

projects, leads to bad quality and ultimately to higher costs. As 80 % of the budget is fixed already in planning phase, such changes during execution phase will be costly and time consuming. Russians live in a moment and still even the bigger Russian international companies do not want to invest for longer period and tend to prefer getting only short wins. One director explained that this fact alone will make sure that Russia can never compete in foreign investments with China, as investors are often looking the long term benefits when entering the new markets.

Russian rubble is often the only currency to be used in all money transactions inside Russia. Rubble fluctuation needs to be calculated carefully when making the business case calculation. Having rubbles in cash is also often a must which then requires the project team to be responsible of the safety of the money as well as getting proper invoices when the money is spent. The inflation is also a huge factor to be considered as the inflation in Russia has been in a level of 8-10 % annually. Experts say that many projects, due to delays, have been forced to stop as the inflation has eaten the original investment funds. One interesting fact from construction business was that often the projects are only partly invested and covered as the Russian's tend to receive more investment funds during the project execution by either finding customers or new investors. Such behaviour is risky for Western companies as investment decisions need to be based on existing funds. There are examples of projects where the project has been started and ended due lack of investment money from Russians.

Case project

Observations from the case project also reveals the facts that cost management is very vital and challenging part of Russian projects and needs special attention especially during planning phase of the project as then it is still possible to affect many budget decisions! The contingency reserve needs to be a lot higher than in normal projects and the management need to be aware of the possible occurring costs and risks involved. Best way to calculate correct budget and amount of contingency is to use experts from the business area and from the same Russian region where company is investing and use their knowledge already during the feasibility phase of the project. Investing to reliable consultants and spending few extra dollars in this phase will definitely bring the money back during project execution. By doing this, companies

might even prevent themselves for making the investment or at least get the facts correct where and how the budget is calculated. This same fact was explained also in an article about Finnish companies performing in Russia that they have had to hire special Russian experts to handle their taxation and invoices to meet local standards as those differ a lot from Finnish way of working and as cost management is so vital part of success. (Tietoviikko internet page, 2011)

The budget calculation should be done together with the Russian counter partners as the budget can be as detailed and accurately done, but will gain no trust, if the Russian side is not consulted. Russian companies tend to have very strict internal procedures for cash transfers and approving invoices. The finance division and top managers are the only instances, who can actually give any comments to budget or money related issues. Therefore in many fast needed decisions within the project team can't be done relating money, if the decisions need to be done from the top each time. In general Russian companies are very strict and professional with the money and do understand the cash flow, productivity and payback calculations as Finns do. The biggest difference is the fact that Russians value money more in a short run and do not want to invest for long payback time projects easily. In a large multimillion euro projects, such the case project, the budget need to be calculated also for the anticipated inflation rates as it eats currently 10 % of the invested funds per annum.

One fact about using of PMI tools and techniques in Russian projects is that no such tools should/can be used at least with Russian partners. Project manager can report with such tool to Finnish management and within Finnish team members, but not to external Russian stakeholders or team members. Cost baselines, budget at completion or earned value calculations do not give any value for Russians and often just brings extra confusion to the team. Russian companies stick to the idea having separate divisions for each discipline so often the project team members are not allowed to discuss about the money issues at all. This of course slows the decision making and forces Finnish project team to push extra effort to external stakeholders.

Literature

One interesting feature from SVKK was the fact that almost 30 % of all money cash flows in Russia are still cash based. Project team needs to find a way how to have certain amount of cash available for such suppliers and explain the facts to the Western management why such procedure is to be used. (SVKK, p.81, 2009)

In an article of Liberzon et al the writers claim that nearly all phases of project management differ from PMI theory especially in design and procurement. Writers refer to specific Russian reference books that define clearly expected amounts for cost components (manpower, material and equipment cost) and resource usage. Due to high inflation rate the cost estimates need to be updated quarterly which then leads budget recalculation and adjusting the cost baseline. This differs quite a lot from the PMI theory as the cost baseline should remain the same and the changes to be monitored against it. Writers claim also that all project budgets should be calculated using actual cost of material units, resource work hours and other expenses. He writes that Russian project managers often wonder how their Western colleagues can manage their projects without using physical values (tons, meters, quantities, etc.). According to Russian PMI chapter also the usage of project resources varies at the different project phases and the forecasting that accounts for these differences is considerably more accurate than the methods of earned value analysis which is often proposed by PMI to be the main tool to be used. The big difference to normal Western project environment is that in many projects such data is not available and need to be estimated by the project team case by case. Such way of working reflects to Russian construction business where it is still very common that some specialised company pre-calculate all costs for the project before bidding process so there will be no discussion about the price as it is pre-determined. This calculation is called SMETA and is still widely used in all businesses in Russia. Nyberg criticises in his article the Russian outdated norms and standards, especially the GOST standard, as it is in many projects causing problems as new technology can't be applied due the fact that GOST norms is old. (Liberzon et al, 2010, Nyberg, p. 2, 2010)

3.4 Human resource management

Expert judgment

Most of the experts share the thought that HR management is very different to Western HR best practices. Labour law in Russia is very favourable for the employees and differs significantly from Finnish practice. Experts are advising to spend enough time to check the employee backgrounds and use experts HR people to make the labour contracts. It is common that Russian employees refuse to do certain tasks in the project as those are not mentioned in their labour contracts. Also the weekly/daily hours are followed carefully. Rewarding of employees in the lower levels is not very common yet and often employees know exactly what the whole team earns. Job rotation on the other hand is very high making rewarding and salary increases for good employees more common nowadays. Russian employees prefer working with Western companies due regular payments, often better salaries, better bonus schemes and flexible working hours. Foreign project managers with Russian subordinates are expected to be “the boss” and give direct orders and create a clear hierarchy to the organisation as in normal business case all Russian’s want to report directly to the highest possible boss. Russian’s value team building activities and education possibilities a lot so foreign project managers can increase the job satisfaction with such actions. One technical director even emphasizes making fixed schedules for such occasions every 3–4 months and asks the team members for advice and trying to avoid alcohol drinking in these events.

Delegation of tasks in the operative manager level is often limited as managers do want to keep the knowledge within themselves and even often trying to do all the works of their subordinates. This relates to the fact that Russian managers often want to hire less competent subordinates than themselves to keep their positions. It is not un-common that in the job advertisement such for assistant certain measures, sex and other physical features are mentioned, which would not be possible in Finland for example.

Case project

Many everyday difficulties within the case project team come from the lack of proper HR management. The Finnish management team does not have direct Russian subordinates from the business partner's side making the delegation utmost impossible. To have Russian team members participate a meeting, to travel or execute a task, a letter to their managers is required who then delegates the tasks. This of course makes delegation slower than for Finnish team members. The matrix organization structure works quite well in Finnish companies, but not in Russia. The case reveals that the key team members working in a project should be in a direct command of the project manager and only one person should be in charge. The project manager should have the right to hire and fire the employees. Difficulties occur also when the given project team members are not committed to the project and might work only 5-10 % of their time in the project. As in Russian companies all main divisions such technical, finance, legal and construction have their division managers and their preferred projects, Russian team members below need to act according to their "favourite" projects. This means that the project manager, in order to get some tasks done, need to personally try to influence the higher managers to release their resources to spend more time for the project. Due cultural and language barriers this is many times purely impossible.

Use of PMI tools and techniques such responsibility assignment matrix or team building methods can be used with pretty good results in the case project. The more accurately the tasks are given and specified, the better the result. The problem that occurs from very accurate task specification, especially for Russian team members, is that no self-driven thinking or problem solving can be expected from employees and also this requires a lot of effort from the project manager. Also a sad fact is that the employee turnover has been critical in the case project for many key Russian people from counter partner's side. In twelve months time there has already been 3 different project managers, two new head lawyers, new technical and construction manager. It is understandable that with such turnover rate the project execution comes difficult as new people need to be trained and briefed every time.

Different rewarding methods such as bonuses, salary increases and business dinners are used to increase the job productivity with the Russian team members. Money seems to be the factor leading to immediate fast results, but tend to be only temporary solution. For Finnish expatriates the labour agreement issues were slightly different than in normal company procedures as separate agreements were needed in Russia to meet the local labour law and also the working permit process took quite significant amount of time, but was in the end managed well.

Literature

According to Neumann International human resources is the biggest critical business issue for multinationals operating in Russia, and it will only get even tougher. Human resources are the greatest positive factor for Western companies operating in Russia and the greatest operational challenge to business in Russia. Neumann gives some interesting thoughts that the best Russian employees are regarded as those who were about 20-25 years old in 1991. These people as a generation were well-educated under the Soviet educational system, but were not influenced by the Soviet ideology. As a result, these people are more open to new ideas and training than their older peers, and were willing to work extremely hard for moderate salaries. According to Neumann there was still a change since 2004 as Western companies have noted deterioration in the quality of employees they were employing in Russia. The broad consensus today is that the quality of staff has eroded. (Neumann, 2010)

When acquiring the team and hiring Russian personnel one needs to remember that Russian labour law is very bureaucratic and needs to be followed by the book. Labour contract are very detailed and consist many pages and each and every change in the job description need to be documented. Job description itself is to be explained in very detail as the employee can refuse of work if the job task is not mentioned in the labour contract. Gleiss et al. explains that an employment relationship arises between an employee and an employer either on the basis of an employment contract or, in the absence of any written employment contract, upon the actual commencement of work. An employer is obliged to conclude an employment contract within three days of the employee's actual commencement of work. During the period when an employee works without a contract the Labour Code will effectively constitute the terms and

conditions of the contract. Gleiss et al. define in their book that according to labour law a normal working week cannot exceed 40 hours. Any additional time worked is classified as overtime, which employers may request only in circumstances expressly specified by the Labour Code. In most cases an employer must receive an employee's prior written consent for such overtime work. The general rule is that overtime work must not exceed four hours for each employee in two consecutive days and must not exceed 120 hours per year. Currently according to the law the first two hours of overtime work must be paid at a rate of 150% of an employee's regular hourly rate and subsequent overtime must be paid at a rate of 200% of an employee's regular hourly rate. Overtime work may also be compensated by granting an employee time off in lieu, which cannot be less than the overtime worked. It is to be recognised that overtime work is prohibited for pregnant woman, disabled employees and certain other categories of employee. Pregnant women, as well as women who have children under three, cannot work after 10 pm or before 6 am. According to Neumann it is important to keep employees happy and maintain an ongoing dialogue with them to build loyalty, and to be aware that the Russian labour code applies to all nationalities meaning expatriates too. Probably most important of all, the difficulty of getting rid of in-competent employees, and the ease with which good people can leave, means that the initial recruiting process is crucial in the beginning. (SVKK, p. 260, 2009, Gleiss et al., p.64–65, 2010, Neumann, 2010)

In general, the whole management of the project team Russian members differ substantially from Western way of working. Team members expect that manager gives them instruction exactly what to do. No own thinking or decision making is needed. It is very necessary still today to have a much larger management team in Russia compared to the team for a similar project in Europe. Also the middle management has been replaced with Russian, local engineers rather than having Finnish specialists due to problems with working permits, lack of expatriates experienced enough for such work, visas and costs. (SVKK, p.100, 2009)

According to SVKK project manager needs to remember that Russian project team members or other managers judgment can't be done in front of others. Positive feedback of course is appreciated regularly. Russian team members do not want to take any responsibility as it is not common in Russian business environment. Russians

are very afraid of making mistakes as traditionally making errors have been punished. Note from SVKK is that the salary level of top managers in Russia has already exceeded the Finnish levels so when hiring competent skilled managers, this need to be examined with HR specialist as it has an affect also to the project budget. According SVKK the base salary plays for Russians the most important role and even the smallest increase in salary can affect to a decision to change company. Bonus schemes are common within top management but not in the middle or lower level management. On top of salary and bonuses companies can offers training, career promotions, company car etc to improve job satisfaction. New trend in Russian companies is to offer loans or pension funds to key personnel. Also Neumann report about human resources in Russia the salary, bonuses and career opportunities are the biggest motivation of Russian staff. Fey et al. also prove the fact in their study that performance-based compensation is the single strongest predictor of firm performance in Russia. For managers, non-technical training and competitive salary level of the firm is positively related with HR outcomes for managers also. They also proved the fact that those firms with superior training programs may also experience lower staff turnover than companies without. Job security was seen very important for managers in Russia so such investments to employee development will be seen as positive human resource activity. (SVKK, p. 99, 119, 259, 2009, Neumann, 2010, Fey et al., p.3, 4, 1999)

According to Gleiss et al., salaries must be paid to employees in rubbles, and also all labour contracts should be fixed with rubble amount, no less than twice a month. The date of the payment is fixed by the internal labour regulations of each employer or by the employment contract. Employers in Russia wishing to employ foreign nationals must obtain a permit for such employment from the migration authorities. Foreign employees must also have a Russian work permit obtained by their employer from the migration authorities before being allowed to work in Russia. Foreign employees need to undergo health examinations in foreign medical clinics. Engaging foreign personnel without an employment permit or employees working without a work permit may result in various sanctions, including fines of up to 800 000 rubbles for the company and its officials and the foreign employee. In extreme cases, the employee and foreign managers may be deported from Russia. (Gleiss et al, p. 64-65, 2010)

3.5 Quality management

Expert judgment

Experts answers deferred slightly in this project knowledge area which is understandable as quality is a topic that cannot be directly emphasized with figures. In general quality management and quality level in Russia was expressed to need improvement to compete with other emerging market economies such China. Russia still suffers from Soviet times and huge number of factories, procedures, norms, standards, way of working and attitudes still date to time before 1991. Younger professionals are showing to have sense of Western quality levels as in controversy the older generation does not want to adapt that fast to changing requirements. Documented quality norms and standards in general will be implemented often without flexibility meaning that fulfilling the documents is many times more important than having quality.

One project director wrote that understanding the fact that quality and cost go hand in hand is sometimes impossible to understand by Russians. Especially in industrial projects the quality supervision need to be doubled or tripled to check that the quality levels are met. One technical director explained that daily supervision especially in construction projects is essential as investor cannot trust the subcontractor's reports about the act of works or promised quality. He explains that in many occasions such daily check-ups have saved millions of rubbles during project execution as even hundreds of meters of pipes and cables were lacking from promised/agreed execution when checked. Russian investors often settle for lower quality than Western counter partners so setting the quality standards and metrics already in the beginning is essential. One managing director writes that it is useful, if possible, to always refer to some executed projects quality levels to get all stakeholders understand better what is required from investor and project execution team. Same director adds that such references should be always used also when selecting the partners for projects.

Experts suggest that the foreign expatriates will specify the quality requirements during the planning phase. Certain work/work package acceptance criteria need to be defined and approved by all stakeholders already before execution phase. This will

help project team and parties involved to prevent cases that the quality metrics are not met and customers are asking additional works. This relates directly to scope management and to avoid scope creep all such metrics need to be documented. Russians are excellent in documenting so this will not be an issue. Also a general positive note from experts is that if the quality levels have been documented and specified in a level that the Russians understand it, the documented metrics are at least tried to being met.

Below pictures, which are from real construction projects, explains that at least these project managers did not follow the quality metrics or the quality management was totally missing.



Figure 10, Quality management plan not met

Case project

Quality metrics and specific documents to define the quality needs are used widely in the case project. Using PMI tools is preferred and useful. Quality assurance and control have been defined in the project management plan done by the Finnish project manager. The project quality is tried to be ensured by following up the budget, the scope and the time schedule of the project. These issues are managed by the working

team and followed up on a regular basis to ensure that the goals and milestones agreed upon are fulfilled. The project team is reporting on a regular basis to the project owner about deviations and raising bigger issues to the company board of directors.

As a rule of thumb only certified suppliers in Russia are used, such design and construction companies with SRO license. Additional quality resources will be added during the project execution to the team to supervise the quality during execution phase. To fulfill the project in an excellent way the project team is scheduling regular meetings with all the main stakeholders taking part in the project. By scheduling these meetings on a regular basis team will make sure that everyone knows their tasks and have people keeping focus on the right matters in order to prevent people from making unnecessary work and raise the cost of quality. Project manager will also follow up different tasks on a regular basis by checking up that the tasks are being solved according to the schedule and scope. Project quality is one of the key critical success factors in the project so Finnish project team has taken a main responsibility to educate and assist the Russian partner about the quality needs. The fact that Finnish quality requirements are much higher, the project team has spent money and effort to train key Russian project team members in Finland and let them see the Finnish quality factories.

Literature

According to Khoo et al., Russia has a long way ahead to meet the global quality standards and requirements. Quality management was established in Russia during Soviet era, when the traditional quality methods were widely adapted in old-fashioned manufacturing departments. Khoo et al. mentions that one reason for low quality in Russia comes from the Russian management culture which is characterized by high Russian power distance, low tolerance to uncertainty, and high appreciation for collectivism. The high power distance culture among the Russian people, combined with high uncertainty avoidance, has resulted in a pyramid bureaucratic structure, which is both formal and centralized. Management do not provide feedback for the workers or support the quality management systems leading to a company culture where quality does not matter. In such companies the employee empowerment tends to stay very low leading to low innovativeness. In addition to that Russian employees

are displaying strong resistance to change as well and in many analysed companies the lack of workers interest was found to be part of quality related problems. It suggested for management for creating inspiration, enthusiasm and motivation for getting employees interested in quality related activities, otherwise the quality levels and customer satisfactions will stay low. (Khoo et al., p. 264-265, 2002)

Khoo et al. are proposing a total quality planning action for Russian companies to be performed where the workforce need to be prepared for changes, shift emphasis to total quality management, involve management fully to the implementation in all organization levels, focus to customer driven goals, introduce flexibility and innovation and create an open communication culture from top to the bottom. Some progress has been seen as the Russian own National Quality Award (RNQA) was established in 1996 by the government. This award system was copied / modified from European quality excellence model. In general it is recognized that the quality of Russian products / services, including project management practices, will have a critical impact on the success of its growing economy. Unless an appropriate quality culture can be developed to support and sustain total quality management practices, it would be ineffective to start implementing it in Russia. (Khoo et al., p. 265-267, 2002)

3.6 Risk management

Expert judgment

Main risks that are common in Russian projects that have both financial and scheduling impact are the commonly known bureaucracy, corruption, authority approvals, permits, visas, custom clearance, importation of goods, local mafia, stealing of goods by employees and subcontractors, personal interests of stakeholders just to name a few most common risks mentioned by the experts. One managing director wrote that if you know all the risks and time schedules before start of the project, you will never invest to Russia. This tells quite a lot about the risk levels when executing projects in Russia. Many experts explain that risk management in Russian companies is more every day chaos solving, rather than well planned risk

management. Risk management seems to be only responsibility of the management and not integrated into organisation cultures. Therefore the risk management for foreign companies doing projects in Russia need to use special companies to find out the risks involved already during project planning as it should be done. Some companies in Russia have developed some risk management reporting for top managers and also implemented those practises to project management but it seems that these companies are still quite rarely found.

One project director explained the fact that like in stock markets the risk and big revenues go hand in hand, therefore often leading lack of risk management in Russian projects. As companies rush to Russian markets to gain big wins with any cost and risk, risk planning not gets done properly. There are exceptions of course and seems that Finnish companies are very careful when investing to Russia and want to spend enough time to find the risks before making investment decision.

Russians are often aware of the involving risks but not willing to share the information as the companies and individuals want to transfer the risks to foreign counter partners or subcontractors. Many risks are related to bureaucracy and corruption which can't be avoided so these risks are often managed by adding more time to the schedules. Risk managers also explained that especially in construction business a special risk manager/security manager need to be hired to be responsible for site security, employee's background checks and managing the security issues in general. The security company selection is one of the most important tasks for project team to be done as the backgrounds need to be checked very carefully. On construction sites it's advised to add several cameras to and warehouses and spend money to have light at site during summer and winter. Stealing according to specialists is higher than anywhere else these experts have had experience working. Experts also share the facts that employee safety issues are to be taken seriously. Transportation to work place, accommodation with security guards and proper insurances were mentioned to improve expatriates safety in Russia. One director shared a true story from project site in Russia where a huge delivery of special tiles from Finland was stolen from site. A new delivery would take some 4–6 weeks minimum. So the risk response plan was to place an advertisement to local

newspapers to buy such tiles with such and such price. Tiles were delivered back the next day, and further losses in schedule secured.

Below pictures from Russia are good examples where the employee safety is not meeting the Western standards.



Figure 11, Employee safety not meeting standards

Case project

The use of PMI risk management tools have showed to be very beneficial. Risk register and other risk management tools help the project team finding and monitoring the risks better. In the case project the project team has took the risk management very seriously and have regular risk management meetings every two weeks. All risks were gathered during the planning phase, registered and a risk response plan was done for each risk. The risks are updated regularly and risk owner is assigned for each risk. Risks are categorized by the risk probability and impact. High risks are reported to the project steering group and less severe risks are monitored by the risk owners. Unfortunately the risk registers in the case project cannot be shared with the counter partner due confidentiality reasons but the main risks and risk response strategies are of course communicated to key stakeholders as they occur. General note from case project is that the risk management planning is not common in Russia and all problems and risks seem to be managed only when and if they occur.

Literature

Aleshin writes in his journal about risk management in Russia that Russian neither the foreign companies making projects in Russia do not know the risks involved. He explains that risks events that rise during the project execution, how the risks affect the projects, which risks are the most hazardous and dangerous, how risks can be effectively mitigated or creating preventive mechanisms for risk management there is not yet developed a clear concept. He explains that internal risks are better known but external risks such political, instability, changeability of currency etc are now having more and more attention and companies are finding ways to increase their project risk management knowledge. External project risks are harder to manage by the project team as the internal risks so it is quite logical that companies find expertise to prevent the external risks occurring. Interesting figures from Aleshins findings is that nearly 70 % of the risk causes are caused by organizational reasons and some 20 % are technical risk causes. He explains that many foreign companies want to invest to Russia and build a manufacturing plant etc but do not have the skills making construction in Russia as it is often not their key competence area. These companies are then influenced by very high risks as they are not in their comfort zone and do not know the facts properly. He mentions the same risks that have been discussed in this paper before that companies with no idea of construction in Russia will phase the risks such reception and leasing of land, getting the permits and others. He also discusses about the difficulties for foreign companies having joint venture projects in Russia that co-operation with Russian is difficult as cultural aspects, language, political systems, education of project team members, religion etc have tremendous impact the way of working inside the project. Aleshin gives a valuable advice that while considering the reasons for joint venture failures, it is necessary to account also for problems connected to cross-cultural differences besides traditional aspects such poor project planning, organisation controls etc. (Aleshin, p.207-220, 2001)

According to SVKK, most risks in Russia are related to project team safety such as travelling, accommodation and other daily operations. SVKK explains few cases where Finnish companies have been managed to invest to a project and after the project is “established” the other counter partner immediately disappears. There are cases where the company has not even existing and that even the company facilities

shown to business partner have been a set-up. Other more normal cases and business risks are that the Russian partner asks to make some special arrangements to permits or not going according to law to either save money or time. Later on the counter partner is being black mailed to follow the instructions of the Russian partner. (SVKK, p. 216-217, 2009)

According to Mr Liberzon, the main problem with the methods described by PMI and American risk simulating software's is their initial assumption that cost and duration deviations of different activities are independent of each other. Methods of risk analysis should, according him, include estimations and simulations of activity volumes, resource productivity, resource availability, etc. Activities performed by the same resources have correlated duration and not taking it into consideration leads to producing wrong risk simulation results. Assess risks and create optimistic, pessimistic and expected estimations of activity duration and volumes, resource productivity and quantity, activity and resource cost, calendars, etc. Estimates are usually based not only on expert judgments but also on state or corporate norms. Liberzon prefers using only the Russian-based software that are taking these local requirements into account. (Liberzon, 2010)

3.7 Communication management

Expert judgment

Communications management must be one of the toughest areas in Russian projects. Specialists' advice is to spend reasonable time to monitor and control all communications inside the team and key stakeholders. This means archiving all minutes of meetings, protocols and fax's to certain document bank and having person responsible for managing it. Daily and weekly meetings with Russian team members are a must to monitor the progress as Russian team members are often proactive. The higher ranking people are attending these meetings, the better the people below will follow the orders and decisions. It is advised to invite each time the higher superiors just due to the fact that they might get offended if this is not done, even though they had no intention to participate in the first place. Main lesson from communication

methods from experts was that email is not an official communication method in Russia. All protocols with importance should be stamped and sent officially as letter format to give an impression of urgency and importance. One project manager shared a stunning fact from his current project that all emails and protocols were to be printed, scanned and stamped before sending them by mail courier to the Russian management and as the post office can't be trusted, the documents were delivered physically by the project manager which took some 4 hours / week of his time.

Many experts share the fact that communications management should be build in international projects in Russia by the foreign project managers as Russian's are not very innovate and will not communicate without direct orders from their superiors. Communications management plan is to be build with care and with the Russian team members that they understand the importance of stakeholder management and communication in general. It is still common that communication to the top managers is somewhat limited and the truth modified. One managing director mentioned that in some projects Russian's hired a person to make false reports to the management and hiding the true facts that the project was in delay. This is still possible in Russia as the top management is in many companies so high above that they do not have the possibility or will to make site visits or give project teams the possibility for face-to-face meetings.

Relationships play a huge role in Russian business culture. Therefore foreign project teams should get some basic training how to socialise with Russians and how the business etiquette is managed. Giving speeches, drinking vodka and going to Russian sauna are still very big part of Russian business culture. SVKK also explain that the dinner etiquette is also very important to know when having business meetings. First toast during dinner/lunch will be given by the host and second by the guest. Remember that the third toast is always presented to the ladies. As in politics, many important decisions are done in personal meetings outside of the office and often sealed with a hand shake in a sauna for example. One very high ranking company country president explained that the cultural differences management is, according his knowledge, the most important virtue to make success in Russian projects. He explained that Finns and Russians see things very differently and by understanding how Russian see business relations, the success will come. He explained that Finns

and Russians have very different meaning for friendship. Finns can call their business partners as a friend after the first meeting but Russians call you as a friend only after the trust between the two is gained and this can take years. After this trust is gained, the formal matters such contracts are often only a formality according to this company country president.

Case project

Observations from the case project reveal that communication is one, if not the most, critical success factor to manage project properly. Stakeholder register needs to be updated regularly and with the whole project team as new stakeholders arise as the project continues. Proper and right information sharing to key persons will prevent misunderstandings. What is very different from today's business environment in Russia, at least outside of Moscow, is the fact that email or cell phones are seldom used by the top managers. All key decisions and minutes of meetings need to be documented on paper and signed/stamped by company logo. Email is not an official form for making any decisions in Russia. Project manager needs to plan in detail how to communicate with each stakeholder of the project. Official letters are often sent to get decisions from key stakeholders. Having regular weekly meetings with key managers, specialists and Russian team members is often impossible as many team members need to have an official permission for leaving the office or even participating project meetings. This differs tremendously from Finnish way of communications where the initiative usually comes inside the team. Sad fact from case project is also that the Russian team members do not always share correct information and tend to lie in order to benefit themselves somehow of the situation. This bares again more pressure to the project manager as he/she needs to spend time finding out the real meaning and truth in many case.

What comes using PMI tools and techniques the stakeholder register and making stakeholder management plan is extremely useful tool as the number of stakeholders are often higher and more unpredictable as in Finland. Russians do not see any use of using stakeholder register in larger scale or making communications management plan so project manager should keep these documents mainly internal and not distribute them widely. Pure fact is that not many people speak English in Russia.

This is a vital part of communication management plan how to get people understand themselves in a project meetings. Best way is to have only Russian speaking project team members, but this is seldom possible. Hiring an independent project translator that both parties accept is one solution to be sure that things discussed will be understood by both parties. The importance of translator is a fact as there have been meetings where the translator has not translated correctly and modified the information to wrong direction.

Literature

According to SVKK, Finns are often in business negotiations too modest and not aggressive enough. Russians are verbally talented humans and therefore this is expected also from their counter partners. Neither modesty nor silence is virtue in Russia therefore these qualities in communication are seen very negative in Russian business culture. All Finnish companies interviewed by SVKK say that Russian language knowledge is very important and gives basis to deeper communication and confidential relationships. Key learning from the studies done by SVKK is that personal relationships are the most important thing project managers need to focus when dealing with Russian stakeholders. (SVKK, p.86–94, 106, 2009)

3.8 Procurement management

Expert judgment

This knowledge area seems to be the most problematic to manage by foreign companies in Russia as many of the risks and issues discussed in this graduate work seem to cumulate to procurement management. Procurement means that cash is moving and unfortunately often in Russia this means that everyone wants a share of that money. One project director wrote quite negatively about the procurement in Russia. His opinion was that Russia is generally business-hostile environment, since no-one is interested in honest business and procurement can be a real nightmare. Finding decent suppliers is painstakingly difficult and you have to remember that no-one is respecting the contracts. Everyone is also interested in getting their own share

of unofficial money. This seems to be true in many business areas but differences exist widely as well. Experts advise companies being careful, when selecting the subcontractors and business associates and check their backgrounds in each case. Background checks are a must as many companies have vanished immediately after signing the contracts and first down payments. Other Finnish or Western companies should be consulted when finding new Russian subcontractors. Experts advise to use companies in Moscow and Saint Petersburg area as these are more Western and many suppliers are used to work with foreign companies.

About contracts experts advise to pay attention to penalty clauses and payment terms especially as Russian companies have tendency to leave projects un-finished if the final payments are small. Therefore 10-15 % of the total payments should be remained for the last payments and to be paid only after all goods/services have been received. Actions relating any work activities can't be expected from Russian partners before the contracts have been signed by all company managers and first payments received. It is not uncommon that companies expect even 100 % advance payments for their services. Good example from construction industry given by one project engineer who told that they had to change the concrete supplier at site and needed new concrete urgently. The new contract with new supplier had to be signed by the company board and approved by several other divisions such legal and finance department. After signing the contract the first payment needed to be approved by same people and of course paid. The new supplier did not deliver any concrete before 30 % of the total contractual sum was paid. This process during the heaviest construction execution at site took more than two weeks. Such example shows how the Russian bureaucracy can slow things significantly, if not managed properly.

Using the so called "middle-man" companies is also quite common when working with Russian suppliers and authorities. Such companies perform certain actions relating permit approvals, duty payments, customs, etc and handle the documentation and approvals for importation/transportation issues. Such companies are used widely also in construction and design business as foreign companies do not know the local way of working or know the correct people, especially right authorities. Goods importation from foreign countries need to have customs and duty authorities involved and experts predict that the usual time for such procedures are 1-3 months in

average. When working with Russian companies the trust is a very important for business relations. Good relations are usually kept and after few successful deliveries and contracts, the long-term business is likely to remain. On controversy, when trust is lost it is really hard to improve it. Good business relations are gained only by having constant meetings with the company General Director and other key managers and this is especially important during first meetings of the business relations.

Case project

Case project observations do not differ from experts opinions. Procurement means money and therefore it is not an easy topic to manage especially by foreign project team with Russian partner. Selection of supplier and business partners has been the hardest part of procurement as Finns tend to select the most qualitative and competent suppliers and Russian prefer only their own known companies. This had led to several conflicts between parties. Signing of contracts has also turned to be problematic as the contracts need to be approved by so many instances and managers that sometimes the whole issue for contract has vanished due delays. Contracts are needed to sign by all departments inside the partner company which also physically delay procurement and time schedules. The Finnish project team has created a strategy that it scans suppliers continually and checks their references carefully using the mother company specialists as a support and interviewing them before letting the counter partner company know about these suppliers. This way it is more likely to have quality suppliers introduced and selected. Supplier search in Russia and CIS countries has become during project execution one of the main tasks for project team to be responsible of as some 100+ suppliers services are needed during the project execution.

Everyone is also interested in getting their own share of unofficial money. This seems to be true in many business areas but differences exists as well. Project team has learned that patience and adaptation is the key to success. Bad compromises are not solution and only certified companies with solid background will be used. Project team is searching mainly local suppliers from the business area to create goodwill and also develop these suppliers if needed to meet Western quality/price levels.

Literature

According to Finnish–Russian chamber of commerce, the backgrounds of the companies need to be thoroughly examined before starting any activities in Russia. Special consultants can be used for this work as it might save money and time later. Unpleasant cases with Western customers have happened where the companies have vanished right after the first down payments have been received. Russia doesn't have a united state register for companies so this background search is sometimes difficult. According SVKK Russian counter parties are very demanding as customers and suppliers and can demand and express very clearly their targets and objectives for cooperation. Contracts are followed carefully by the Russian law so project team should hire legal expertise when making contracts. Project team needs to hire consultant to make or then learn themselves the customs procedures for goods coming abroad to Russia. According SVKK the customs procedure is in recent years stabilised in some areas, but still very unpleasant cases are heard. Russia has both custom tariffs law and custom codes for goods. Even though the law exists, the practise is very different from that. (SVKK, p.81, 100, 162, 2009)

As experts discussed also Russian companies have very centralised decision making and procurement practices. Survey done by Booz&Co in Russian companies confirm that 50 % of the companies have centralized procurement functions and very dedicated divisions for procurement. According to the same survey they are still behind international best practices on key drivers of procurement performance like maximum spend coverage, clearly defined savings targets and incentive systems as well as supplier relationships. Booz&Co say that improving on those dimensions to best practice level would allow Russian companies to realize additional 5–10 % procurement savings. Same study reveal that less than 50% of Russian companies set procurement savings targets differentiated by category or supplier. More than 50% companies surveyed do not have dedicated procurement system in place to motivate the company for better procurement performance. (Booz&Co, 2010)

Gleiss et al. write about the legal contracts that although the Russian legal framework has improved considerably in recent years, it remains, in some respects, unpredictable and unsophisticated. A Russian court would generally view the choice of English law

to govern finance transaction documents as valid if one of the parties to the agreement is non-Russian and if it is consistent with the mandatory choice of foreign law rules, public policy and imperative norms of Russian law. (Gleiss et al., p.39, 2010)

Gleiss et al. write about the procurement, in the construction projects, of the land, such for construction project, that the following restrictions apply to ownership of land in Russia by foreign nationals: foreign individuals and entities are not allowed to own land in areas adjoining the borders of the Russian Federation or foreign individuals and entities as well as Russian entities with over 50 % foreign participation may not own agricultural land. Such land can be leased but with the above restrictions, property can be purchased or leased by individuals and companies for their own use or as an investment. For leasing of the land there are no specific restrictions by foreign nationals. Leases can be granted for an indefinite period of time or for a specified fixed term. A fixed term lease can be long term or short term. Most industrial leases are commonly long term (five to ten years). In almost all parts of Russia the maximum lease term for land is 49 years. (Gleiss et al., p.39, 2010)

The World Bank sees some positive signs in development of procurement in Russia. According to WB positive events are developing and a lot of work is done especially in methodological and control issues of the public procurement. The best practices from Europe have been also widely adapted in Russia. Business has an important role to play in fighting against corruption and bad procurement behavior, which often takes the form of sales employees paying bribes to procurement officers of public or private customers to obtain orders. Businesses in Russia seeking to fight corruption adopt and require their employees to sign codes of ethics or conduct with zero tolerance. Corruption is an of course expense for businesses to be reduced to be productive. Bigger corporations in Russia have easier task than small business resisting requests for bribes as big businesses can help small businesses resist demands. A study made by Bank of Finland unfortunately reveals a fact that despite several initiatives have been done to fight the corruption as reforms were mainly concentrated to placement of the offers and ignoring the procedures at the later stages. But as this means that the control was focused on the formal observance of purchasing procedures, with the final results of procurements and fulfilment of state needs left in

most cases unmonitored and unevaluated, creating even bigger problems with corruption. (WB, publication, 2007, WEF, 2011, BF, p. 19, 2011)

3.9 Transformational leadership results and analysis of case team comparisons (Finnish vs. Russian)

A transformational leadership and manufacturing strategy study of the case project team was taken and results between Russian and Finnish team members is analysed in this chapter. Main goal of this chapter is to check and analyze the differences between Finnish team member answers and Russian team members. It is to be noted that from the project only the Finnish company employees were asked to fill the questionnaire as mixing two companies to the combined results would not bring correct answers. Transformational leadership has been studied widely by University of Vaasa so in this graduate work the emphasis is place mainly to team building and only few key findings from the survey.

Figure 12 below about manufacturing strategy shows the weights of each variable according to answers. We can notice that the efforts focus of combined team results, both Finns and Russian, is in cost side of the given variables, while flexibility has the lowest priority among the compared variables. Anyhow, the parameters Quality and Time (Delivery) have quite high importance. The case company is focusing its strategy to quality, delivery and cost therefore it is quite logical that those three were highlighted. It is positively noticed that the global implementation of the manufacturing strategy has been successful in the case company.

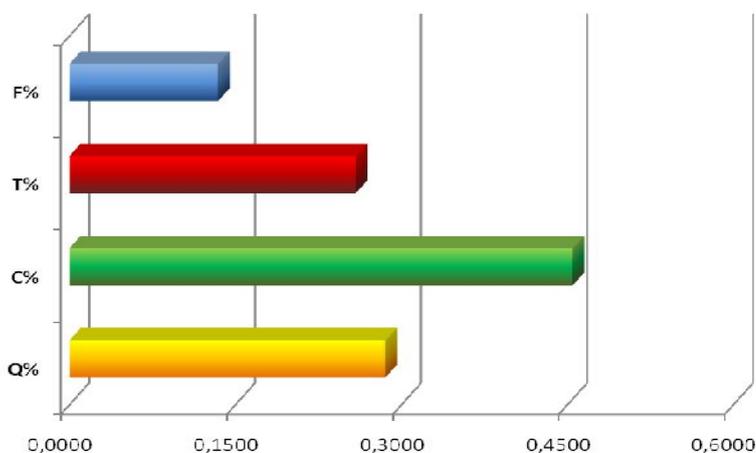


Figure 12, Variable weights combined about manufacturing strategy

The Russian team members of the case study highlighted the quality as the most important factor for manufacturing strategy. When compared to Finnish colleagues the approximate same amount was given by Finns to cost as the most important feature of company. The reason for such change might be that in the case company no factories exist in Russia yet, so the Finnish team members are aware of the fact that without cost competitiveness the company can't sell any of its products even though the quality would meet or even exceed the market requirements. Very fierce competition globally is ongoing when making the survey so it has certain impacts to the results.

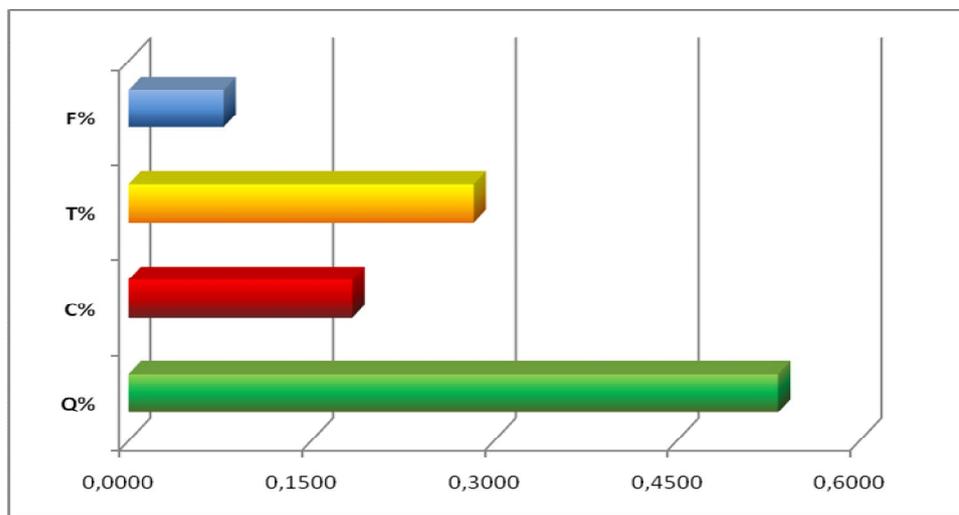


Figure 13, Russian team member results for the manufacturing strategy

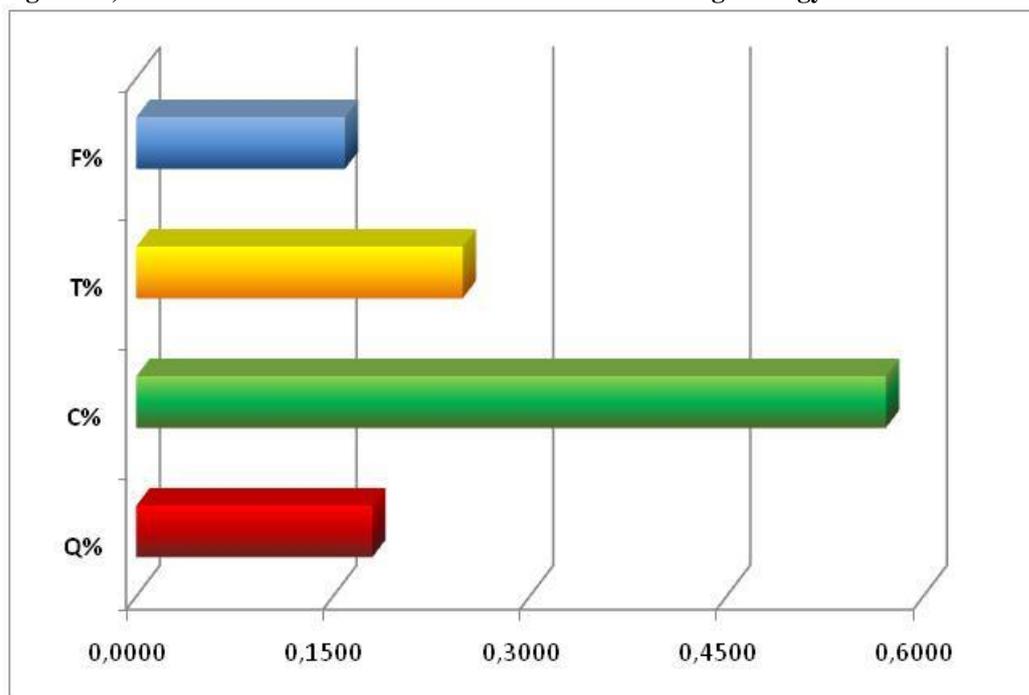


Figure 14, Finnish team member results for the manufacturing strategy

Hypothesis from the results can be seen that Finnish team members already know that the company is meeting the quality requirements and that the current market situation requires cost competition. The Russians haven't been involved with manufacturing activities yet, but the positive sign from the result is that the team members understand that the quality requirements need to be met first before customers buy the products. In this respect their answers are a positive sign in their learning and development path.

According to the combined presented models, the case company is positioned as a defender during a normal economic environment, what is detected like the most competitive in the current case. Both Finns and Russians came to same result about the company positioning. This is also another positive sign of company strategy implementation done successfully.

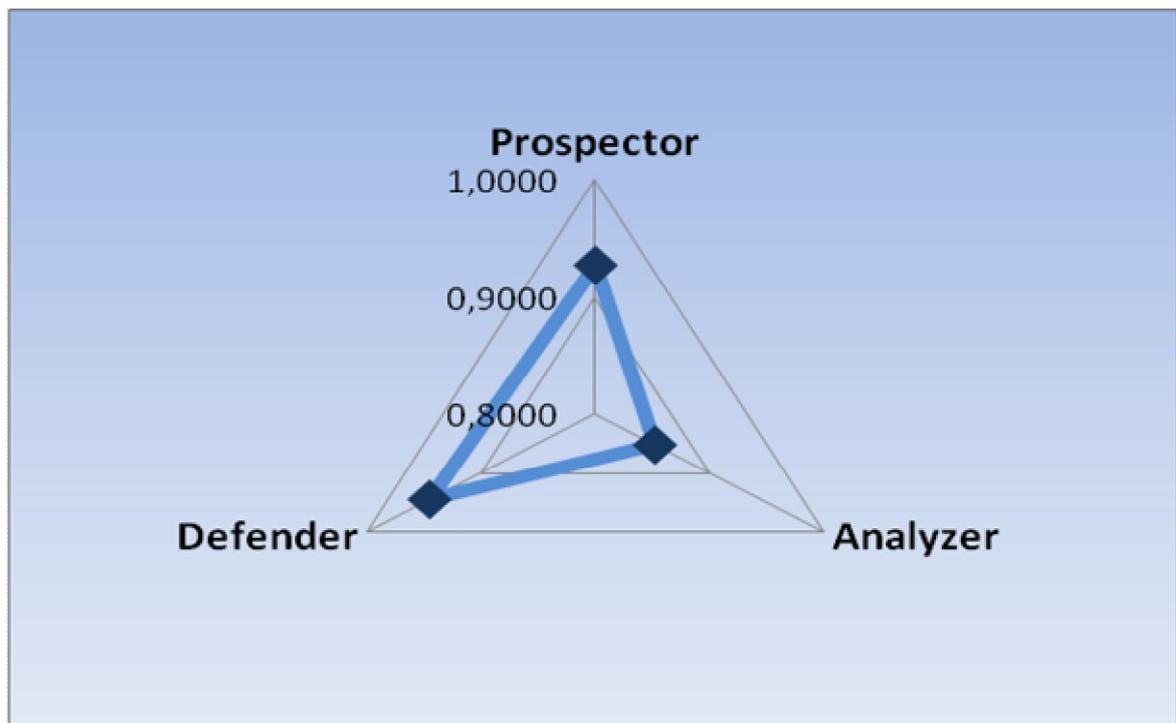


Figure 15, Manufacturing Strategy Indexes during a regular and crisis situations

In figure 16 below shows the combined leadership index that the employees in the case company value. Deep leadership has the highest value among the team. It means that team values high involvement into education and training of employees integrated to corporate culture and cooperation among employees. Employees are expecting high support and experience from their leaders. This result is also positive

sign for the case company as it has placed a lot of effort and resources to educate and train its employees to world class creating own integrated training programs were people and interact and share opinions globally. This places certain responsibilities to team leaders as they need to act as example and be communicative.



Figure 16, Leadership index combined

Figure below shows the contestants combined result for expected leadership behaviour. It can be concluded that intellectual stimulation and inspirational motivation is important for the team members and they expect that their leader will with his/her experience and character lead the team to good results. They expect that leaders motivates others by their own enthusiastic example, moreover they generate new ideas and guide others to creativity with employee empowerment.

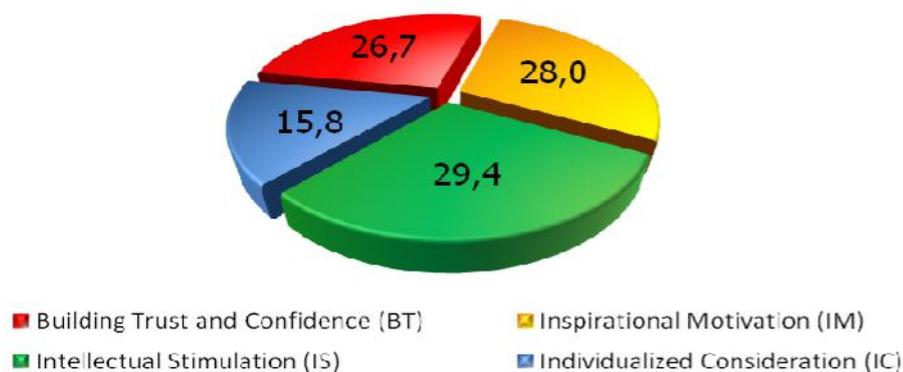


Figure 17, Expected leadership behaviour combined

As we look at the Finns expectation towards their leader the intellectual stimulation is even higher ranked between the team members. In practice this means that this group

should be led with high spirit, with high confidence on team members and leaders own enthusiasm to get results.

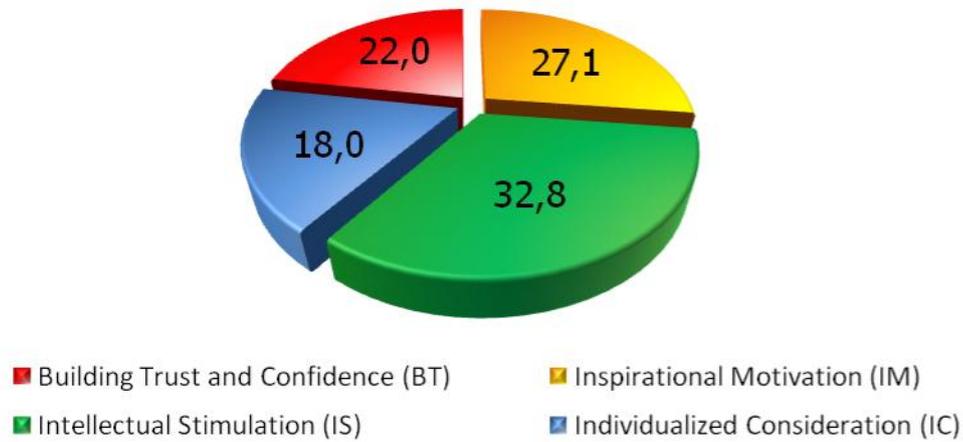


Figure 18, Expected leadership behaviour Finns

Very interesting fact from the Russian team members answers toward leadership behaviour is that building trust and confidence is so high compare to Finns (35 % vs 22 %). This 13 percent difference comes probably from the fact that Russian management style is so centralized and the communication between employees and management is only one-way without empowerment of the employees. What this means for the team leaders is that he/she must first win the trust of the people before expecting results from the Russian team members. We have to remember from the previous results from project management that employee turnover is very high in Russia and this might be one of the reasons for that. Russian employees expect to be trusted and valued and if that is gained, it is the leaders character and ability to motivate the employees for outstanding results.

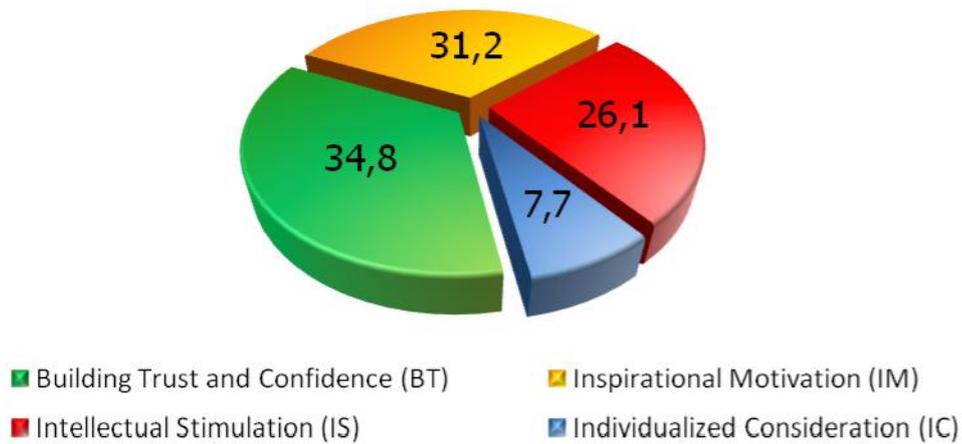


Figure 19, Expected leadership behaviour Russian

Figure 20 about the resource allocation for Finnish team members show that company leaders are mostly interested in people, technology and know-how and company relies in its actions to team work. This is very true when looking at the strategy of the case company so also in this respect the Finnish contestant's answers meet and align with the company strategy.

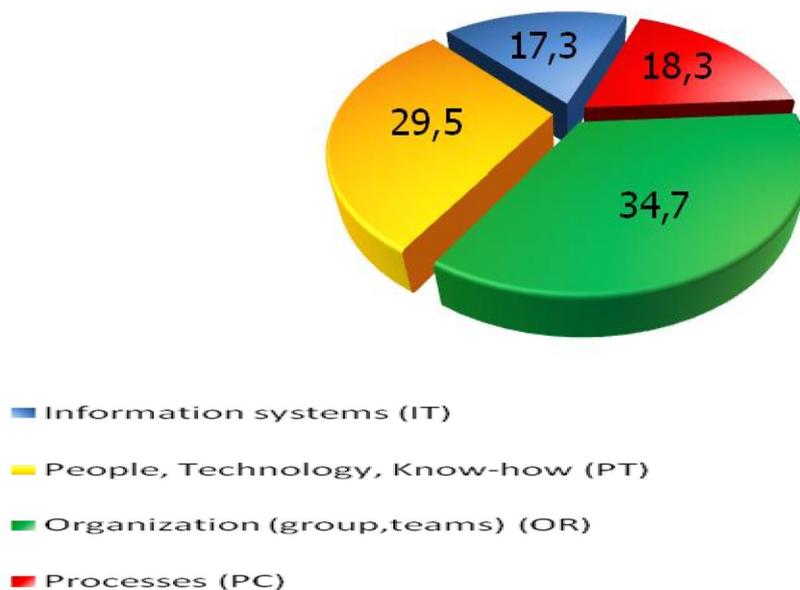


Figure 20, Resource allocation Finn

The Russian team member results are pretty well aligned with the Finnish team members but the focus to people, technology and know-how is quite much higher ranked. Russian's seems also value individual work more than Finns do. So in order

to meet company targets with team work focus the team leader in this team needs to raise the focus and importance of team work. Emporing the Russian team members might increase their innovativeness and ability to work in the team.

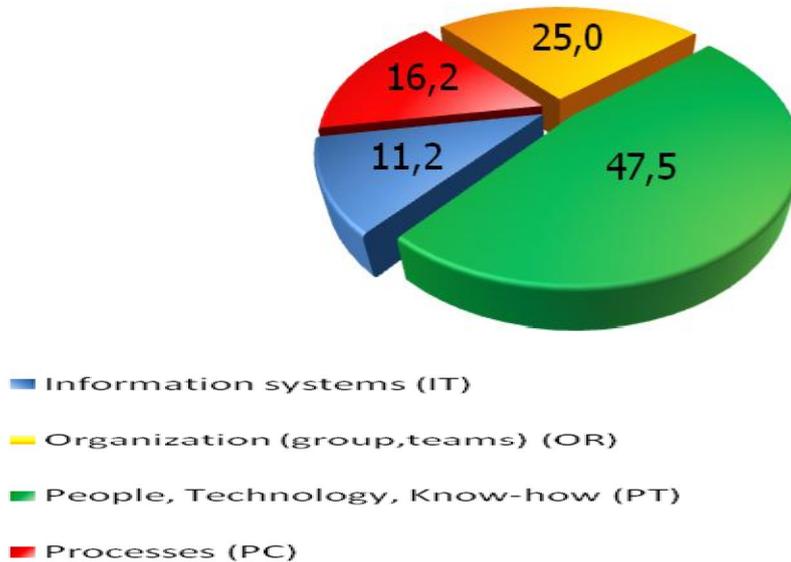


Figure 21, Resource allocation Russian

When combining the results from the whole team it is shown that the people, technology and know-how becomes the dominant feature of resource allocation.

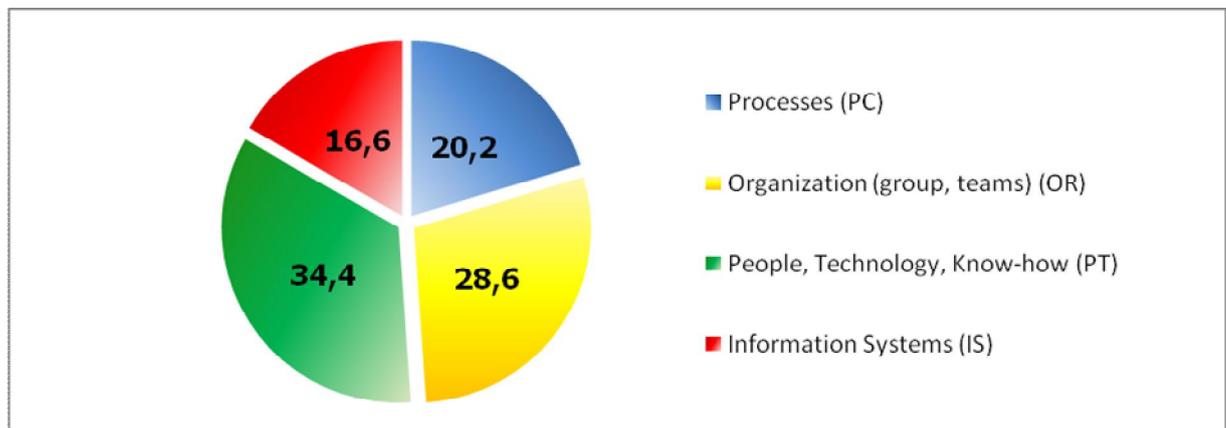


Figure 22, Resource allocation combined

When combined the results from the team members, resource and technology index, it is shown that the case company is most likely to depend on its technology during crisis to survive as it's the highest value for resource of leadership, see figure 23. It is likely to allow the company to overcome crisis by more intensive usage of technologies. This might be exactly the case for the case company which is offering high level technological services to its customers relying a lot to its technology.

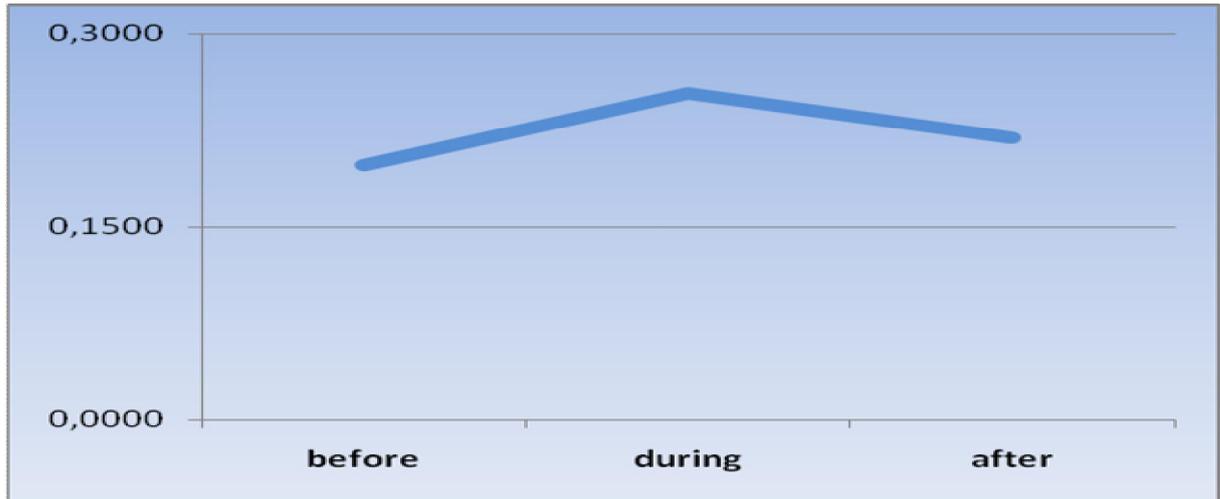


Figure 23, Resource index (RI) integrated with Technology index (TI)

When the results from team are combined for the total leadership index, in figure 24, it is shown that there are critical actions ongoing during the crisis and leadership index increasing. This in general means that the company leaders know and understand the actions needed to manage the crisis. The analysis shows also the overall improvement of technology index in the post-critical period comparing to the pre-critical, especially for defender analytical model, which the case company is most likely to be.

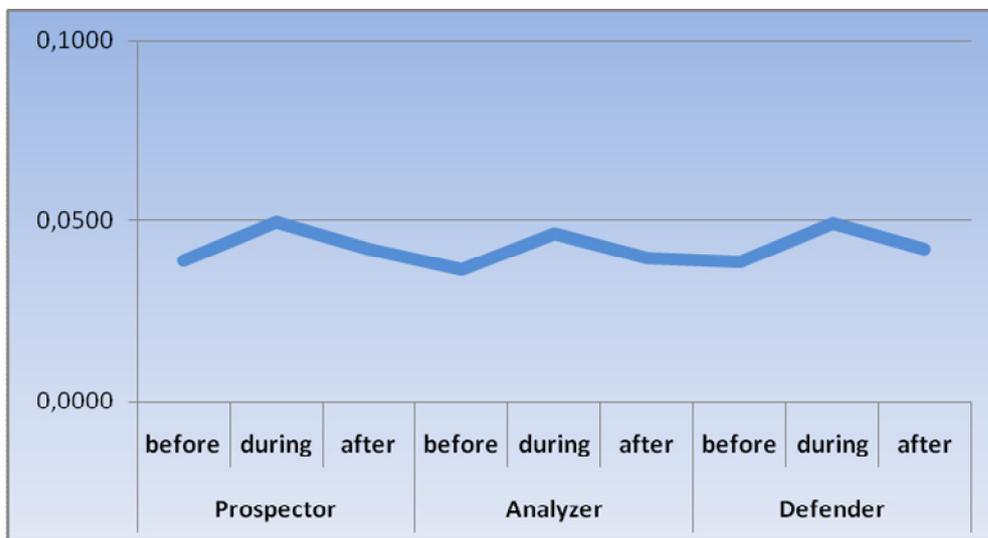


Figure 24, Total Leadership Index combined (TLI)

Below table shows the contestant's most likely behaviour typology according the Miles and Snow. The titles have been removed due to case company policy. In this group of ten there are only 3 Russian contestants, so not specific conclusions can be drawn from this. This typology classifies the business strategies in four groups,

Defenders, Prospectors, Analyzers and *Reactors*, managers will adopt one of these strategies at certain time, to be consistence facing the external environment and project challenges. According to the table 70 % of the project team belong to the defender strategy group, as does the case company also, which means that people in this group focus on efficiency and process improvement, organizations prefer not to take risks, strengthen efficiency and maintain their current customers.

	Prospector	Analyzer	Defender	Reactor
<i>Respondent 1 (FIN)</i>	0,9139	0,8553	0,9506	0,9323
<i>Respondent 2 (FIN)</i>	0,9356	0,9244	0,9594	0,9475
<i>Respondent 3 (FIN)</i>	0,9665	0,8682	0,9508	0,9586
<i>Respondent 4 (FIN)</i>	0,9107	0,8242	0,9592	0,9350
<i>Respondent 5 (RUS)</i>	0,9703	0,8012	0,9322	0,9512
<i>Respondent 6 (RUS)</i>	0,9702	0,7999	0,9255	0,9478
<i>Respondent 7 (FIN)</i>	0,9023	0,8411	0,9396	0,9209
<i>Respondent 8 (RUS)</i>	0,9161	0,8509	0,9453	0,9307
<i>Respondent 9 (FIN)</i>	0,8764	0,8890	0,9387	0,9076
<i>Respondent 10 (FIN)</i>	0,9092	0,8641	0,9474	0,9283
	30%	0%	70%	0%

Figure 25, Most likely behaviour combined

What is interesting in the results is that 70 % of the Russian team members belong to the prospector group which means that people in this group ought to be dynamic and look forward to new opportunities in markets, and products, acting in organizations taking risks, innovate in processes and moreover focus their efforts to lead their industry. This is quite an interesting fact in general Russian employees are not known for their innovativeness neither taking risks with their work. This topic might be worthwhile to study more by some post-graduate student in order to get facts correct.

What was also slightly surprising was the fact that no reactor types of personalities were found from the team. Reactor types of people are more likely to be more responding and to fix immediate problems or opportunities. These kinds of personalities are often found from project teams even though it is said that reactor strategy is no-strategy and absent for defined goals or objectives.

4. CONCLUSIONS

Project management is not an easy profession and Russia is not an easy environment to execute projects. This came quite clear during the graduate work studies. Project management is problem solving and there is no reason why successful projects cannot be performed in Russia. Success in project management is possible when project managers do their homework, make proper project planning and understand the main difficulties and specialities of Russian business environment. There are no easy projects anywhere and by following the project management best practices and tools, there are far better possibilities to have success in the project management not depending of the continent or country / business area.

Certain conclusions can be drawn from all the analysed knowledge areas. What comes to project integration and scope management the Russian management style affects probably the most to these knowledge areas but also to all other project management knowledge areas. Russian management style has direct impact to project integration management and how the projects can be executed and managed by project managers. It has big influence also in human resource and quality management as the centralized Russian management style prevents organisations to act efficiently or agile enough to meet global standards. The fact that project management profession is not very widely spread in Russia of course leads to a conclusion that best PMI tools are not widely used in Russian projects. Nevertheless the profession is growing with big numbers and it is expected that there will be an improvement in this area ahead.

Time, cost and scope management were mentioned as the most demanding knowledge areas by experts. This is understandable as these triple constraints affect to all other knowledge areas. Bureaucracy, high power distances, lack of education and interest of Russian employees and corruption came to be most widely mentioned subjects during the graduate works difficulties. These can be taken as facts as Russia is well known for such problems. Use of bigger contingency reserves in both time and cost planning and having more check-ups, resources and communication within the project teams came evident from all sources of data analysis. Budget planning and cost management was concluded to have special attention and to leave for specialists who understand

the Russian way of working and regulations. Also by centralizing the cash flows, companies prevent money going to wrong pockets. As what comes to corruption, there is no clear answer to be given as business needs to run regardless of the existing situations. An advice relating this is to use only certified and well proved business partners and suppliers.

Human resources management in Russia has very close ties to Russian law and employers need to pay attention to meet the labour law precisely. Employee turnover in projects, and in general, is very high so to attract good staff companies need to pay competitive salaries, give certain perks and educate the employees, as Russian employees seem to value the long term commitment from the company. Quality management was concluded to be behind the global standards and ways to prevent this are changing the management culture, using better suppliers, giving feedback to employees and teaching them about the importance of quality and also paying attention to customer driven organisation culture.

Procurement management can be as conclusion to be especially problematic knowledge area were all data analysed reflected to same facts that in this area project teams need to pay a lot of special attention. Procurement seems to cumulate many of the issues mentioned to one knowledge area as money and people are involved. Few conclusions from this knowledge area was to pay enough attention to checking the backgrounds of the suppliers, make contracts and payments terms beneficial for the customer and use of well known suppliers with good references.

Special attention was given for communications management which as conclusion can be considered one of the most difficult to manage as foreign project manager working with Russian companies. As a conclusion a very detailed communications management plan, build with the whole team consisting Russians and foreign expats, is needed and all key stakeholders are to be mapped and a special stakeholder management plant to be done. By doing this and hiring skilled workers, the project management team can expect to have communications and stakeholder management in control. Risk management is also a critical knowledge area as if it's not done correctly, the occurred risks affect to all other knowledge areas. Regular risk reviews and clear responsibilities among the project team will prevent some of the risks and

help solving occurred risks faster. Employee safety is also important factor in risk management and employer needs to plan in advance strategies how to secure the working places, prevent accidents and stealing.

The survey which was done to the project team of the case company was quite small in scale and its results can't be used as facts as the group of contestants should be higher. Anyway this study gave enough information to draw conclusions from that group of people and from the case company. The project manager can improve his/her behaviour according to the team results. Main conclusions from the survey were that the case company belongs to the defender type of companies and is very dependent of its high technology. Team members seemed to adapt the company strategies very well in all stages of development which was a positive sign. Especially the leadership and manufacturing results were close to company expected behaviours and strategies. All participants got their results analysed, which gained discussion and team spirit among team members. Knowledge and awareness of building cohesive and more dynamic team was gained also, which increases the know-how of the case company.

Results between Russian and Finnish team members were also interesting for the team project manager and case company management. Main differences found between the two nationalities were related to leadership and expectations from the leaders. Russian expects to be trusted and after the trust is gained, more results can be expected. Russian employees expect to have strong leaders who support them and take the responsibility of the results. Finnish team members seem to value more the Western way of focusing to team work and achieving results through the team rather than through individuals. As a conclusion very useful results and observation was gained from the transformational leadership survey regarding the case project team. Direct actions can be done based on the results and instructions from the graduate work for the case project leadership and most importantly for building future multinational teams in Russia. It is valuable to know how the nationalities differ from each other and what kind of leadership actions are needed to manage the expectations of the team members, regardless of the nationality.

5. SUMMARY

Project management is problem solving in its best making it fascinating and inspiring profession. Every country has its challenges and difficulties, fortunately project management is a tool to overcome these and enable companies to increase significantly the percent for successful projects. The project management is a field where the professional knowledge and skill can be developed throughout employees' career. This kind of study was probably first of its kind and can act as a handbook for project managers and team leaders, who are carrying out projects in Russia. This book will also help the companies during the feasibility phase of the project to find the most common problems and difficulties, when starting business in Russia.

Generally all results and objectives promised in the introduction were achieved. The graduate work objective was to analyse the differences between Finnish project management best practices to Russian practices. In the introduction it was also promised to find out the special characteristics of the project management knowledge areas when executing projects in Russia. Transformational leadership survey was the base for the team building analysis that was also one part of the study. Promised results were analysed and achieved clearly as a huge number of new initiatives was given per each knowledge area. The results from the transformational leadership survey were also meeting the expectations as the case project team results could be used for building the project team in a short run but also served valuable information for future team building activities for the case project company.

Project management theory is widely available for students and practitioners of the profession so in this graduate work the emphasis of the theory was centralized and focused to PMI global standards and practices, which are most recognised globally. In the beginning of the study the theory was gathered from several sources and combined also with the transformational leadership theory part.

In the execution phase of the study several interviews and surveys were conducted to experts of the field and also to the case project team. Significant amount of data was gathered from the team of people consisting of more than 60 years of Russian

business experience. This fact alone built the trust that the results and conclusions from the field have also scientific and academic value. This material was then analysed widely in the results part of the study. Expert judgment was the ground for all new information from the field, which was then combined widely from the observations from the case project and literature.

The results and conclusions were in the end as promised in the introduction part of this book. Huge number of Russian specialities, difficulties, resource allocation methods, using of PMI tools or not, and way of working procedures were introduced and gathered. Clear ideas how to avoid certain problems and difficulties in the knowledge areas was given and the whole subject was thoroughly studied and analysed.

As discussed earlier, the field of project management is broad. Each of the nine knowledge areas could be examined more in detail, and compared to Russian or some other demanding business area practises, to find out ways how the project management professionals can work more efficiently. Several graduate work books can be written from the project management subject as also from the team building spiced with the transformational leadership analysis. Such books as this are valuable and interesting for international companies for several reasons. First of all such data is not gathered to single source and not widely available. Secondly, making mistakes during project execution costs a lot of resources (time, money, and people), so if companies can gather such data before making the investment decisions, it will increase sooner or later their revenues. Thirdly such know-how of the people making such studies can be then used in companies searching for professionals from project management areas and especially Russian business professionals, who are in fact not many at the moment.

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