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**THE COMBINATION OF INSTITUTIONAL THEORY AND CULTURAL  
DIMENSIONS' THEORY IN HRM PRACTICES' IMPLEMENTATION.**

Case studies of Finnish companies in Russia.

Master's Thesis in  
International Business

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**Purpose** – Previous studies have revealed the lack of research in relation to the role of institutional and cultural dimensions' theories on HRM practices of Finnish multinationals operating in Russia. Therefore, the purpose of this study was to investigate the connection mentioned above and gain a solid understanding of possible similarities and differences between HRM practices in the parent unit and subsidiary.

**Design/methodology/approach** – This study uses deductive approach and establishes a framework based on the literature review that was tested through the semi-structured interviews. Embedded case studies supplement the thesis with empirical findings. The sample is restricted to Finnish companies operating in Russia. The data from the interviews was processed together with the theoretical framework provided.

**Key findings** – The research findings demonstrate that international differences (both institutional and cultural) existing within Finnish MNCs in Russia tend to diminish due to the existing unified corporate policies on HRM practices. However, the results still prove the existence of those differences to a certain extent.

**Research limitations/implications** – This research is limited conceptually, methodologically and empirically. The major conceptual limitation implies on the theoretical framework provided. Methodologically, the study is restricted by the choice of research design consisting of multiple case studies. Empirically, the study is limited by the sample size of five companies.

**Value of the research** – The study contributed to the existing research base. Firstly, it is one of the very few studies which combine the two named theories in one study. Secondly, it expands the discussion on HRM practices in this regard. Moreover, this research is unique in terms of the case countries chosen. To sum up, it provides HR managers from Finland and Russia with some invaluable tips when operating globally.

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**KEYWORDS:** HRM practices, institutional theory, institutional distance, cultural dimensions' theory



## 1. INTRODUCTION

A lot of researchers nowadays agree on the fact that the way in which human resource management practices in the companies are managed strongly influences the strategic outline of the company and its competitiveness on the global scale. This chapter is the introduction to the study that is dedicated to the role of institutional environment and culture in the implementation of HRM practices in large MNCs and their subsidiaries. The first part summarizes the sufficient background information for the research, and then states the research gap, the purpose of the current work, research question and main research objectives. The definitions of the main concepts of the study will be presented in this part as well as the whole outline of this thesis.

### 1.1. BACKGROUND OF THE CURRENT RESEARCH

The current research observes the role of institutional theory and cultural dimensions' theory of Geert Hofstede when implementing HRM practices in Finnish MNCs in Russia. The author of the thesis believes that these two theoretical lenses are complementary and interdependent to a certain extent when speaking about performing HRM practices in MNCs.

The cultural perspective has traditionally gained a great amount of attention not only in the sphere of human resource management, but for general internalization strategy of the company as well. Culture, according to Hofstede, has always been described as “crystallization of history in thoughts, feelings and actions of the current generation” (Hofstede 1999). The traditional cultural approach was the first one to analyze the transfer of HR practices in MNCs. The advantage of Hofstede's approach adopts “a contingent perspective, which claims that the performance of a certain HR practice is dependent on its coincidence with the national system of values” (Schroeter & Davoine 2009: 16).

Smale & Suutari (2007) stated, that the relational context formed by factors like power dependence or trust building level influence social-institutional context to a large extent (Steger, Lang &

Groeger 2011: 9). Theory confirms that the transfer of standard practices from the MNCs' headquarters to their subsidiaries is not possible. However, bearing in mind, that MNCs are usually very strong in their corporate culture and corporate values, which are the same for the HQ unit and the overseas subsidiaries, we assume at the primary stage of the research that this rule might and should have certain exceptions. On the contrary, other scholars state that MNCs are obliged to adapt their HR practices to the local way of life and in accordance with those in the local national companies (Schroeter 2009). In this regard the author also hypothesizes, that this "local approach" will be applicable to a certain extent in case companies taken for this study, taking into account the visible and hidden differences between Finland and Russia in terms of culture and institutional environment. A deeper analysis on the primary stage is required in order to apply the dimensions to the existing realities and the case companies (Schroeter & Davoine 2009: 7).

The author of the current study believes that HRM practices in different countries cannot be completely understood without taking into account the institutional environment of both the parent-unit and the subsidiary. When utilized within the international HRM context, certain arguments of the comparative institutional theory are abandoned. This approach perceives organizations and managers as strategic participants trying to change the norms of the big company policy in order to turn it to their own interest and further benefit. In this regard MNCs rather than smaller domestic companies happen to be of particular interest. Studies based on comparative institutional approach consider any transitions from parent units to their subsidiaries as a scrutinized practices' composition. Comparative institutionalism seems to offer a useful and productive way to understand how national – both home country and host country – conditions influence HR management practices. However, primary researches show that subsidiary practices might vary considerably from the parent company practices even if the institutional contexts happen to be similar. (Shroeter & Davoine 2009: 16.) The evidence of those observations is yet to be proved in the empirical part of this thesis further on.

There are possibly three fundamental approaches that headquarters might prefer to follow when conducting the HR policies in their subsidiaries: ethnocentric (home country oriented), polycentric (host country oriented) and geocentric (world oriented). The first type donates power and superiority to the home country managers, when those carry responsibility of practices

implementation in the HQ as well as overseas units; the second type gives more freedom and independence to the host countries and the third moderately provides a balance in different departments abroad. Sometimes there is also one more type defined – regiocentric. In case the management of the company inclines to the implementation of the latter, it is believed, that regional middle managers are the most aware of what could be done in order to organize operations in the best possible way, therefore they are bestowed with the largest amount of trust and responsibility. Multiple researches prove that those four dimensions are not mutually exclusive and could gradually replace each other depending on the situation within the company or department. (Karadjova-Stoiev et al. 2009: 71.) The author supposes, that all four types could further be observed in the empirical part due to the differences in size and level of importance of Russian subsidiaries of the MNCs examined.

Multinational corporations (MNCs) are especially important for international comparative management research, because of their enormous role in the global economic circle. These companies form a huge pool and a vivid example of various management practices on different levels, global-local dilemma solutions, and combine many other important existing practices from international business studies. The author also believes, that strategic HRM occurs in big companies only, while the smaller enterprises cannot provide the whole picture of what international HR is in practice and how it is implemented over the borders. The phenomenon of human resource management itself and its efficiency has always been considered a key to success of the company and its strategy on both national and international scales. According to Nohria & Goshal (1997), the talent of successful transfer of HR practices from headquarters to subsidiaries is one of the most important characteristics of an MNC (Liu 2004: 500). This particular research is aiming at proving the fact, that HRM practices transfer occurs in relation with the postulates of institutional and cultural dimensions' theory.

## 1.2. RESEARCH GAP, PURPOSE OF THE STUDY, RESEARCH QUESTION AND RESEARCH OBJECTIVES

The research on the role of institutional theory factors and cultural dimensions theory factors lacks evidence. One of the central questions in the literature on MNCs, however, is the extent to which their subsidiaries act and behave as local firms (local isomorphism concept in practice) versus the extent to which their practices resemble those of the parent company or some other global standards (the phenomenon of internal consistency of the organization). Business performance of foreign companies' subsidiaries in Russia depends on external and internal macro-economic factors to a large extent. It is worth stating, that surprisingly very few research works in Russian language and from a Russian perspective exist nowadays. It is mostly due to the fact that management sphere in the way Westerners understand it has not really yet developed in Russia. It could also be pointed out, that Western research also concentrates on other emerging markets (mostly China and India). All these factors combined make this research a rather unique one, however at the same time pose certain limitations on the applicability, which will be discussed further on.

The role of HRM field in general and HR departments in particular is often underestimated, especially in the Russian market. In the western world strategic HRM is believed to be able to contribute significantly to the general strategy of the company if implemented in a proper way. On the contrary, this field in Russia is still a rather unexplored. As mentioned above, generally HR practices involve attracting and motivating employees in order to support business goals and objectives of the company. These practices include globally shared practices, world-wide trainings for the employees from the same departments, adjustment and appraisal programs, and so on. (De Cieri & Dowling 2005: 26.)

This research happens to be of great importance, as it shows how the decisions of a company HR management actually happen to be strategically relevant when going overseas (Karadjova-Stoev & Mujtaba 2009: 69). Generally speaking, much of the earlier IHRM studies focused only on the primary role of HR — staffing decisions in MNCs. The research dedicated to labor and

employment practices dates back to the beginning of the 20<sup>th</sup> century (Kaufmann 2008: 36). However, the term “human resource management” appeared in the 1980s only. The main difference lies within the variety of perceptions of HRM earlier and nowadays. Today we emphasize employee goals correspondence with those of the employer through a so-called value-based lens. This remark is especially relevant in the framework of this research, namely, international companies comprising several value-based lenses. It also did not happen a long time ago, when the terms of employee training and performance management appeared. Here was the moment when the need to study institutional influence on labor practices emerged (Godard 2011: 115). Concerning the subject and key actors for this research, the author supposes, that Russian market and Russian subsidiaries could benefit a lot from being involved in the permanent cooperation with the Finnish HQ. The fact, that HRM in Finnish MNCs is very developed is well-known, and puts the Russian side in a favorable position of a “supervisee” in this regard. We suppose, that Russian side could learn and inherit numerous useful practices from the western neighbor in terms of strategic HRM, which would further promote the field development in the country.

While conducting this research, the author faced multiple complications, for example, lack of sufficient background studies. Little research and theoretical frameworks exist on how subsidiaries’ and HQ’s managers implement various HR practices between each other. It is yet unclear how training, expatriation and reward packaging influence subsidiaries’ working life (Simonin & Ozsomer 2009: 506). Moreover, Foss & Pedersen (2004) claimed, that subsidiary managers are often left without any guidance based on theory on what is to be done on the daily basis.

Having researched existing theoretical concepts and empirical studies conducted on Finland and Russia, the author supposes, that several aspects of interconnection between institutionalization and implementation of HRM practices should be pointed out from the very beginning. One of the theoretical parts of the current research concentrates on various HRM practices, namely recruitment and selection, training and development, performance appraisals, compensation and benefits. This will allow to fill the gap existing in the current research on the topic and develop the

ideas on existing relations between the theoretical framework of institutionalization process, cultural dimensions' theory and HRM practices themselves.

The main purpose of this study is to observe the differences in HRM practices carried out in Finnish companies and their Russian subsidiaries (if those exist), based on the institutional and cultural analyses provided. It is also important to prove, that those two lenses are reflected in the activities performed by HR managers on the daily basis. The goal will be achieved via comprehensive analysis of the concept of institutional theory, cultural dimensions' theory and their interrelation when performing HRM practices in two rather distant countries in terms of culture and institutional structure. Via broad review of both theories' main concepts and the interviews' analysis provided in the empirical part of the current research, the author aims at identifying the actual relation between the main theories currently existing in the field of interest and the real working environment in Finland and Russia. In order to specify the details, wide literature review and several frameworks are provided. The focus of the study will be permanently shifting from a developed and stable in the institutional sense Western European market (meaning Finland) to the emerging economy with generally transitional environment, unstable economic situation, different HR field and rather working and living style (meaning the Russian market). The theoretical framework provided in the first part of this study will then be tested by empirical evidence via qualitative interviews with HR managers from both countries. This research is believed to be useful for the Finnish companies that have not yet established HR departments in the Russian market or are still struggling from the "institutional" or "cultural distance" to better understand the necessary "HR path" within the specialties of the Russian market. It is also believed to be valuable for the Russian side, which can gain a better understanding of the Finnish way of doing HRM and learn.

The main research question is stated as follows: *to what extent the institutional environment and the cultural differences existing in the home- and host-country make the HRM practices different in Finland and Russia.* Speaking about possible research objectives of the study, the following could be suggested:

- 1) Identification of Finnish and Russian HR departments' similarities and differences in HRM practices based on the two mentioned theories;

- 2) Examination of the roots of those differences (home/host country institutional and cultural differences);
- 3) Proof of the theoretical framework implementation in practice via interviewing both Finnish and Russian HR managers of the MNCs.

As already mentioned above, the current research lacks theoretical background to a certain extent. Even though there has been a lot of research done on the cultural differences and institutional environment specifications in Finland, the decent research on Russia and Russian way of doing HRM has not yet been provided. This is partly rooted in the fact, that separate Russian HRM practices started to develop only after the collapse of the Soviet Union in 1991, while generally European (Finnish) practices have already been rather developed at that time. Therefore the author of the research states several hypotheses here and there in the research that will be later explored in detail first in the theoretical part and then while the real interviews with HR managers. According to the general knowledge in the sphere and primary research, we suggest, that multiple variations in HRM practices implemented in Finnish MNCs themselves and their subsidiaries in Russia will appear (to a great part due to the various aspects of institutional and cultural dimensions' theories examined further). As follows from the objective analysis of cultural and institutional distance between Finland and Russia, we suppose, that "local approach" for Finns will prevail and a lot of extra activities should be conducted within Russian units to cover the existing gap in the development and innovations within the HRM sphere.

While conducting the preliminary research on the subject, it became rather clear that one of the most important tasks for any MNC is staying globally efficient in its HR strategy while permanently staying responsive to the local environments. The future proficiency and ability to compete on a global scale require development of various capabilities and coordination of work in all the HR units globally. (Smale 2014.) The case-companies' examples prove the possibility of achieving this sustainability and business advantage on various markets.

Talking about academic researches, some applied rather interesting economic models to analyze HRM practices (Grimshaw & Rubery 2007), but those showed their inconsistency without the decent amount of attention given to the implications following the laws' variety in the taken

environment. Therefore, the author states, that little attention has been given to different HRM practices themselves so far, as well as the interconnection of those and the institutional factors and cross-cultural analysis (Godard 2011: 116).

According to Aycan (2005), using just the Hofstede dimensions' study does not finish as a complete picture of differences in HRM practices, and institutional complexities cannot be simply dropped. HRM does not exist independently, it is conditioned by the institutional environment, in which it is framed. Not only the practices vary themselves, but also the way they are understood or considered effective in different environments. The author claims, that any HRM practices implemented are institutionally embedded and cannot be fully explained and studied within a given environment unless they are viewed in institutional terms. (Godard 2011: 116 — 117).

The processes of institutionalization and development of HRM in Russian subsidiaries of Finnish multinationals has been lacking in-depth description in the literature. Their interrelation is perceived as an emerging process in transnational spaces, where the employees and HR departments having to deal with values, qualifications and career development processes play a major role. Main ideas come from the theories of New and European Institutionalism. (Steger et al. 2011: 7.)

### 1.3. DEFINITIONS OF KEY TERMS

Multinational Corporation (MNC): a large international corporation which manufactures, operates and sells goods in more than one country. In this research Finnish multinationals operating in the Russian market will be observed.

Institutions and institutional theory: institutions are defined as “official organizations, founded for a religious, social or any other purpose”. Institutional theory can be defined in a variety of ways, however in the current research it is a theoretical lens that emphasizes the process of isomorphism and legitimacy, meaning the legal aspects of governmental structures.

Institutional distance: the extent of (dis-)similarity between the regulatory, cognitive and normative institutions in the chosen countries. (Scott 1995.)

Emerging market (country): fast-growing market that is currently experiencing the transition from the older premarket stage to the more developed market stage of the Western capitalist economy. In this particular research the one of the BRICS countries - Russia – is referred to as the “emerging country” or “emerging market”. As those markets contain invaluable resources for the European countries, they are gaining more and more popularity for the Western multinationals. The author assumes, that the close geographical distance between Finland and Russia will contribute to their partnership.

Cultural dimensions’ theory formulated by Geert Hofstede: theoretical framework for cross-cultural management and communication, proving the influence of national cultural values and beliefs on the behavior of people and organizations.

HRM practices: certain instrumental activities performed by the HR departments in order to increase the competitiveness of the company while developing its most strategic asset – employees. Several groups of HRM practices are mentioned in the current research, each of them is believed to be perceived in a different way by the managers and ordinary employees from Finland and Russia.

#### 1.4. STRUCTURE OF THE THESIS

The thesis is structured as follows: first the topic and the main concepts are introduced to the readers, followed by the main research objectives and the purpose of the study. The key essential definitions are also given in the introduction part. The theoretical background of the study is divided into three big parts. The first theoretical chapter focuses on the institutional theory and various concepts and definitions existing within its framework. The discussion is complemented by the examples from the Finnish and Russian perspectives. The second chapter talks about the

cultural dimensions' theory of Hofstede, where national and organizational cultural dimensions are defined and the comparison of Finland and Russia is provided. The third chapter talks about HRM practices themselves, and the analysis of the role of both theories' for the HR management is presented.

After the theoretical chapters, the methodological part of the research can be observed by the readers which describes the process of the work and the techniques used in the research conduction. Further on the results from the empirical research (qualitative interviews) are presented in connection with the main theoretical concepts from the first part. Possible implications are stated. Finally, in the last chapter main findings of the research are presented and summarized, the research question as well as research objectives are presented in relation to the real life examples, and conclusions are presented in accordance with the content stated at the very beginning of the research. The thesis ends with the limitations for the study, practical implications for the managers and future research suggestions on the topic. The interview questions can also be observed in the appendixes to the current thesis.

## 2. INSTITUTIONAL THEORY

This chapter develops the unified concept of institutional theory for the current research topic. According to the theoretical concepts examined, institutional theory is not a single-angle phenomenon, and various interconnected parts exist. The short discussion and a historical discourse appear, which aim at proving the main research hypotheses about the influence of this theory on HRM practices in MNCs.

As stated above, the current research deals with the interconnection of institutional theory and cultural dimensions' theory in terms of their influence on HRM practices in Finnish MNCs in Russia. National cultural differences have a huge impact on HR policies and that those features need to form the core stone for any HR strategic steps made. A number of researchers also argued that cultural features of the home-country made the final decision for all the subsidiaries. However with the appearance of institutional theory and national business system perspectives the views have changed. The research starts with the broad analysis of various aspects of institutional theory.

### 2.1. INSTITUTIONAL THEORY IN BROAD

According to DiMaggio & Powell (1983), assumption underlying in the study of different institutions is that organizations are embedded in the institutional context. As Concise Oxford English Dictionary (2002) states, an institution is “an official organization founded for a religious, social or any other purpose”. In this research institutional environment will be observed in a more narrow sense, as the main topic of interest is HRM sphere only, not the company structure or development in general. Therefore it is reasonable to claim, that various organizational practices reflect structures built into their environment in the broader sense. As Meyer & Rowan (1977) stated, the institutional environment is the source of legitimization, possible rewards or sanctions on organizational activities. Rosenzweig & Nohria (1994) believed, that the assumption about the HRM and institutional theory's relation derives from that point of view mentioned above.

According to Giddens (2002), many institutions in different countries have become “shell” and cannot perform the tasks they were aimed to from the very beginning. This is strongly related to the bureaucratic procedures as well, which in the age of technologies could have been simplified, however still exist in very large proportions in one of the case-countries – Russia. A common set of institutions can be found in any country: public and private companies, financial and educational establishments, governmental agencies and so on, so this research is not aiming at concentrating on all of them. (Lewis 2013: 24.) What matters, is the difference within the organizational and structural parts of those and their interrelation within business units, as well as the “paper” procedures related to them, which are believed to cause further differences in HRM implementation. The author believes, that the extra paper-work existing from the Russian side in this regard might perplex the HRM processes among the Finnish and Russian units.

Institutional theory itself is a useful theoretical lens to study adoption of various organizational forms, analyze organizational behavior in response to empirical dissimilarities, where what is being observed in the world is believed to be rather inconsistent (March & Olsen 1984: 747). According to Hodgson (2004), from the very beginning institutional theory existed in close connection with neo-classical economics theory, resource dependence theory and ecology theory, while later it became more related to structuration theory (Hodgson 2004; Greenwood 2008; Scott 2008). A more detailed look will be given to the economic theories from the past, as the author believes the socio-economic environment in the country and business environment interrelate and might be in hand in the further discussions on the topic of interest.

## 2.2. NEO-LIBERALIST, NEO-CORPORATIST AND SOCIALIST PERSPETIVES

Current debates on the way the institutional theory influences business life are based on the general ideologies that do not take into account all the differences between various states. To shed some light on the various perspectives the researchers consider, three theories will be mentioned.

Neo-liberalism doctrine emphasizes the desirability of market forces in allocating resources and instigating economic efficiency. This perspective takes into account the movement of capital and labor, as well as the ability of an individual actor to take responsibility for his actions (Hollinshead & Leat 1995). It also points out, that policy makers are supposed to ensure that economic structures are deregulated, and the freedom of management in private companies stays strong (Lewis 2013: 25). The main postulates of this doctrine are believed to be important for the current research in terms of “movement of labor” in particular, as HR departments constantly deal with the personnel movements and human capital changes on the daily basis.

Neo-liberalism became a rather influential doctrine in the 1980s, and was always associated with such world-wide practices, as privatization of state-owned and nationalized industries. Moreover, the meaning of this theory has found support in the documents and activities of such world organizations, as the World Bank and International Monetary Fund (Stiglitz 2002). According to Alestalo (1993), Finland and countries of Scandinavia in general have historically been believed to have rather strong principles of equality and insurance against any situations of market ambivalence. The paradox of such a welfare state, however, lies in the complexity of its relationship with economic sources. Mainly, solving the tensions between the means of public resource generation and stable economic growth are concerned. (Alber 1988). However, we assume, that steady economic growth is rather utopic, therefore Finland is believed to be vulnerable towards market fluctuations. Nowadays the existing legislative system problems point at the complications of balancing public and private sector. The main question is how to maintain the principles of collective responsibility and to distribute the resources in an equal way. (Alestalo 1993: 36.) In terms of the current research the question about the existing equality in the working process is the one of interest, as it can be examined, whether Finnish subsidiaries abroad are expected to follow the same principles in their daily operations. Moreover, as mentioned, Finnish market is a rather “economically stable” one, in contrast to the transitional economy of Russia. The research is expected to reveal existing differences in management practices related to this issue.

Neo-corporatism gives more power to the states in seeking to integrate and promote cooperation of such huge giants, as those responsible for labor and capital. The base for this theory is the

assumption about the market forces that, if uncontrolled, can cause a lot of damage (Hollinshead & Leat 1995). This doctrine is also associated with inequalities in societies, which is dangerous for the economic competitiveness of the state in general. The conclusion is the following: any economic activity taking place should occur only in the relation with societal actors. This approach is believed to have gained a lot of popularity in the Scandinavian countries, including Finland, at some point in time. The principal measures include consensus decision-making process, government intervention in the economy, high role of trade unions. This theory has also formed the base for the EU institutional arrangement and employment policy measures. (Lewis 2013: 26.) We believe at this point, that HRM policies in Finland being a part of strategic outline of the companies will be formulated in accordance with the following norms and beliefs coming from those economic perspectives discussed above.

Socialist or Marxist perspective promotes the view, that any political equality is impossible, and the state always supports generally influential economic class and capital movements. Marxists claimed, that any activity of western MNCs in developing economies, such as Russia, are the way to cause international dependency of the latter. However, it is also worth stating, that this doctrine has gained a rather huge amount of supporters in such countries, as Russia or China (Lewis 2013: 27). In this regard, the hypothesis about the level of dependence of the Russian subsidiaries from the Finnish units could be stated: taking into account the larger amount of experience in the Finnish HRM field as well as a more stable environment, Finnish MNCs might attempt to cease control over the Russian units to a certain extent in terms of practices' and policies' implementation. Regarding the political environment and various political instabilities, that might occur, those are believed to matter more for the businesses in general rather than HRM implementation in particular.

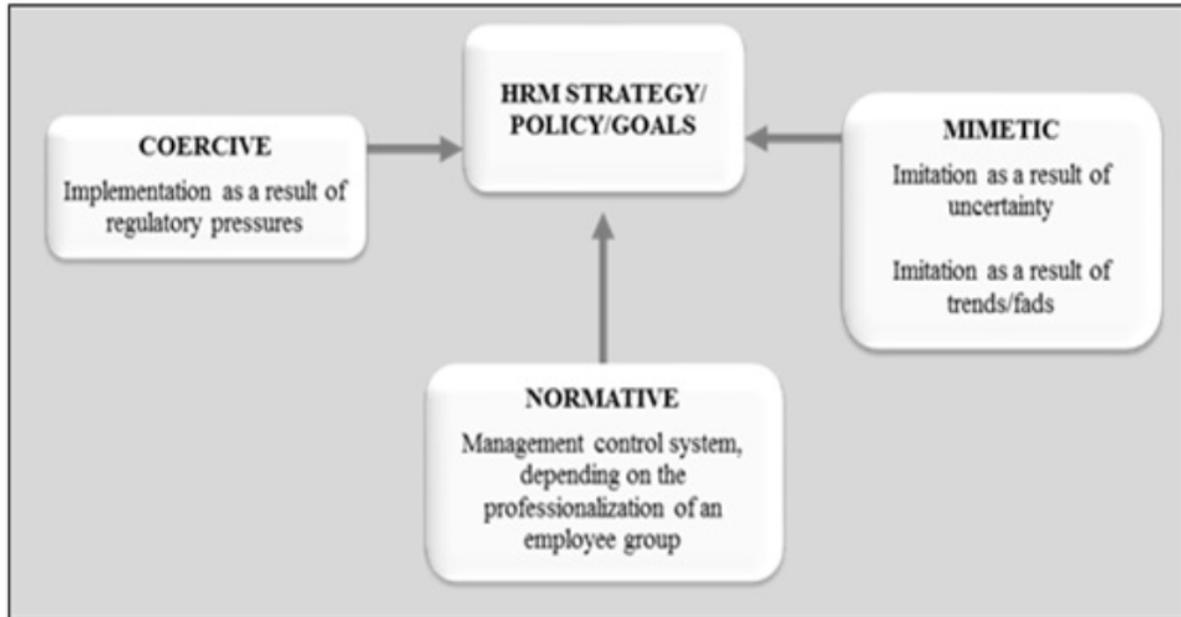
As follows, those perspectives and institutional factors mentioned above have an impact on the HRM policies in a variety of ways. Companies embedded in the liberal market economies (LME) structure place more emphasis on a shorter run performance and are generally driven more by the financial criteria. Employees in the companies following this direction are perceived as sort of disposable resources. Such enterprises are believed to concentrate on the individual performance more and might see trainings and development as a potential part to sacrifice if needed. Russia is

believed to follow this approach. Generally speaking, HR principles related to liberal market economies are the following: freedom of management, emphasis on short-term competition, flexible deployment of personnel. (Lewis 2013: 29 — 30.) We claim at this stage, that this tendency might be observed in some of the Russian subsidiaries, yet the constraints are expected to exist taking into account the official dependence and “subsidiary” status of the Russian units.

Coordinated market economies (CME) companies, like those in Finland, are more oriented towards flexibility and cost-effectiveness. Employees in Finland are seen as an invaluable asset of the firm, and their training is always a priority. In the systems like the one of CMEs societies employment laws and regulations play a vital role, yet restrain the activities of the companies a lot. Employee motivation and commitment of personnel in such companies is very high, and the companies in general are globally competitive. The institutional analysis helps to understand the inserted elements of HRM policies and practices across different cultures and nations. (Lewis 2013: 30.)

### 2.3. INSTITUTIONAL PERSPECTIVE IN DEVELOPMENT

Human Resource Management researchers started to recognize the applicability of institutional theory into various HRM practices in the early 1990s: Wright & McMahan (1992) were the first ones, followed by Paauwe & Boselie (2003), who first applied new organizational institutionalism theory systematically in the field of HRM and developed the following proposition for connection between HRM and institutional theory:



**Figure 1.** First HRM-institutional theory model by Paauwe & Boselie (2003).

As stated above, the theoretical implication behind the institutional model is that organizations constantly exist under social pressures to implement certain practices – those of HRM as an example – that have to meet a certain list of requirements to be appropriate for the current situation and the current market conditions (DiMaggio & Powell 1983). Moreover, constructive HRM practices help organizations to win the war for talent. And this is the moment when global-local dilemma occurs: companies choose whether to conform to local environment in their policies or continue to use more standardized approach in HRM. As the institutional environment (meaning political, economic, social factors) in Finland and Russia vary, we assume that the Finnish side will have to follow the “rules” of the “Russian way” in order to be competitive and successful in its operations regardless the common Finnish approach. However, the extent, to which it will occur, is left yet undiscovered.

Rozenzweig & Nohria (1994) framed their studies into the postulates of institutional theory and examined how host country regulatory, normative and cognitive institutional processes influenced

the HRM practices in subsidiaries. Little research has been conducted so far in the sphere of high-performance HRM in various MNCs and their foreign subsidiaries.

According to Barney and Wright (1991; 1994) human resources are a great source of general competitive advantage of the company. Following the resource-based view on the enterprise, acquisition and maintenance of valuable rare and non-imitable idiosyncratic resources is the key to sustainable success of the company (Bjorkman et al. 2007: 432). Human capital theory is considered to be complementary to resource-based view mentioned above, and focuses on the effects of variety of talents on the performance of the company. Within this framework, human resources could be defined as a large pool of human beings under the firm's control within employment relationship (Wright & McMahan 1992). In the context of the current research this observation gains special influence and importance, as obviously the richness and variety of the human capital resources in multinational companies in particular is hard to overestimate. The ratio of foreign employees and local employees in the foreign subsidiaries is also the one of interest for the author, as the outcome of these two groups' performance obviously influences the strategic line for the subsidiary in general. It would also be important to distinguish the extent to which local managers (possessing a greater amount of knowledge in the field of the local market conditions) would fit the company's way of doing business into the existing institutional perspective of the host-market.

It is widely known, that large companies prefer to develop their human resources in a variety of ways. However, the primary base of existing knowledge of the managers is believed to make a difference as well. As Vanhala (1995) stated, the educational background of HR personnel in Finland usually varies from MBA degrees gained from abroad to various simpler forms of education (preferably Bachelor degrees at least). According to the studies by Mattila & Saarinen conducted back in 1992, the personnel manager's position has been seen as especially critical for the success of the activities performed within the company and as a strong force to influence strategic decisions on the upper levels (Vanhala 1995: 15). The HR manager is generally supposed to cover the knowledge of a manager, psychologist and strategist in order to perform his/her activities in an excellent way. The conversation about Russian HR personnel competencies is rather challenging, as the sphere of HRM in Russia is a considerably undeveloped one. According

to the research conducted, very limited amount of attention has been paid to the relations of HRM practices towards subsidiary performance, hence, it is hard to provide even general tendencies within the field.

The majority of larger size companies in Finland have specialized HRM function. SMEs, on the other hand, tend to diminish the role of HR departments as an individual unit, and HR managers' role is often performed by ordinary line-managers. This is one more reason why specifically MNCs have been chosen for the conduction of this research. Vanhala (1995) claimed, that (de-)centralized Finnish HRM departments in MNCs are also subcontracted in a number of cases. Yet, the applicability of this tendency within the case companies is to be examined further. Currently the combination of a diversified organizational structure of the companies and decentralized HR function cause coordination problems due to the level of independence of the units. As mentioned above, competences of HR managers vary a lot in terms of education, background and experience, consequently the difference in approaches to the working process occurs, causing a generally negative effect on the atmosphere within the organization and organizational culture. (Vanhala 1995: 16.) The author supposes, that the complications named in this paragraph might not be the case for the case companies of the current work. We assume, as those have been operating in the world for more than a decade, such problems of "misunderstandings" and "deregulations" must have already been solved in some way, which will be opened up in the empirical part.

As the researches from the Soviet Union state, the institutional environment in Russia has always been rather different from capitalist Europe and North America, and Russian attitude to work varied as well. The focus in the working process was traditionally put on the amount of work instead of its quality. Russians were punished for making mistakes at the working place, which is also believed to be one of the consequences of the Soviet regime which has penetrated all parts of business life. Since those years it has been difficult to change the attitude of employees from the psychological point of view: they are still rather unwilling to discuss the working process and possible negative aspects with higher-level colleagues freely (Shekshnia 2003). As follows, the training and development sessions as well as open-floor discussions which are so popular in the West might occur with difficulties in the Russian teams.

According to Krishnan's opinion (2001), line management holds the dominant position within HR units in Russia, as it is believed, that line managers can estimate the real performance of the team in the most realistic way. Therefore in some cases (for example, talking about SMEs) it is worth stating, that Russia has certain similarities with Finland. In terms of MNCs' management we can talk about the tendency to hire local employees in Russian units. Which, however, might cause certain disadvantages for the parent company, as employee behavior, practices and values need to be shifted to fit in the Russian standards (Krishnan 2001: 134). This tendency will further be observed in detail in the empirical part of this study. The general level of specific HR knowledge among the potential candidates for HR positions in the Russian market is believed to vary a lot depending on the region and their background.

It is worth stating, that statistically the number of large companies in Finland comprises only a very small percent, and it is generally rather complicated to approach any of the processes and any assumptions related to HRM as a regular "tendency". Researchers agreed, that little attention was actually given to human resource management in Finnish multinationals (Vanhala 1995: 16) and the situation has not changed considerably till now.

According to the general inclinations, mentioned above in terms of HR existence in SMEs and MNCs in Finland, it is reasonable to state that HR field and high performance practices in Russia have so far been developed only in western MNCs as well. Generally speaking, HR in most cases implies recruitment and sometimes branding only, and such world-widely used practices, as performance appraisal or compensation and benefits' system based on the performance of an individual is still something rather undeveloped. However, being one the BRICS countries pushes Russian market further in its development and provides great opportunities for the strategic HRM. According to the studies conducted by Fey & Bjorkman (2000), having employee-development programs in Russian MNCs was linked to subsidiary performance and to the strong willingness to perform practices which were earlier unavailable due to the closeness of the Soviet Union. It is generally advisable for the managers in Russia to concentrate their attention on feedback and information systems, while also taking into account team-work results. (Krishnan 2001: 135.)

Talking about Finnish companies in Russia, we state, that company-specific and host country institutional factors play a significant role in determining the HRM practices performed in the host country's subsidiary. Organizations always find themselves under pressure of some institutional rules existing in the institutional environment. Logically, organizations tend to perform various practices according to the "rules" of the environment they operate in to acquire legitimacy (Bjorkman et al. 2007: 432). Suchman (1995) defined institutional legitimacy as "a generalized perception that the actions of a certain entity are desirable, proper within certain constructed social norms and definitions". Consequently, organizational response to institutional pressure around is crucially important for its success.

#### 2.4. ISOMORPHISM AND CORRUPTION

The phenomenon of isomorphism is fundamentally an outcome of both competitive and institutional pressures. The majority of HRM researchers prioritize competitive pressures; however organizations are believed to compete not only for resources, but at some point in time for political power and institutional legitimacy (DiMaggio & Powell 1983). This statement is especially relevant for the Russian market, where the political and legal procedures seem rather remarkable and unexpected for the European investors. Both groups are observed in details further on.

Russia's institutional environment in 2013 was ranked #133 out of 144 countries in the Global Competitiveness Index, therefore we name the country's institutions as one of the key challenges for the foreign investments and trust. It is agreed, that most inadequacies derive from the government side and high levels of corruption. This process has completely grown into all the processes and spheres in the society and therefore forms a threat to the country's wealth creation and international status. It also prevents foreign companies from maintaining stability and control over the operations taken inside the country. (Rapoza 2013.) The author supposes, that corruption explains a lot of difficulties in establishing business relationships between Finnish companies and

the Russian side, therefore has an influence on the potential research limitations. Hence, it is observed in more details in a separate sub-chapter in the third theoretical part of the current thesis.

Neo-institutional theories also claim the influence of organizational isomorphism on corruption. Considering the fact, that Russia is ranked rather high in corruption indexes tables, it is worth stating, that this topic has generally gained quite a lot of attention in the recent years (Ashford et al. 2008). Many international organizations such as EBRD and World Bank have been trying to conduct special anti-corruption measures, especially in the emerging markets, like the Russian one, however have not yet quite succeeded. Also, OECD (2007) has been working on fighting corruption through its “Convention on combating bribery” (when a country signs this convention, its companies are subject to anti-corruption procedures and very strict rules). Most of the European countries have signed this Convention, Russia, however, has not. Logically, we would assume, that companies which face huge fines and imprisonment in their home-countries for bribery and corruption practices would not conduct those in the host-country market (Venard 2011: 62). In terms of the current research, the specific mentality of Finnish people has to be mentioned, who are believed to be especially accurate in obeying the rules and precise when it comes to various regulations. In our case the role and influence of corruption is crucial in terms of socio-economic environment and development of the country, consequently, the companies and applied practices. If we compare such economic indexes, as GDP or innovation in two case countries – Finland and Russia – the results will show even more evidence of negative influence of this concept on the companies’ performance. (Venard 2011: 59.) For instance, in the tables for 2015 Finland is ranked in the “top 5” in several categories, including Research & Development (essentially innovations), Research Personnel and Education in general. In the final table is it ranked #4, When Russia is much further down (Bloomberg 2015). The lack of the innovations deriving from the Russian side will be observed in the further chapters, as those are believed to be important for such constantly changing fields, as HRM. Having an opportunity to gain so much experience from the Finnish HQ is the life chance for Russian subsidiaries, which could use them for further improvements and development.

To conclude the primary conversation on corruption, Brooks (1970) defined it as “transgression of social norms”. Talking about corruption as a deviance from political and social norms, it could be

defined as manipulation of powers of government or sales of government property, or both by government officials for personal use or private benefit (Lambsdorff 2007). One important implication of corruption for the current research includes quality of institutional framework. Companies are always limited by the institutional environment where they operate. When this framework is weak, companies (especially local ones) are much more likely to implement their practices in an unethical way in order to maximize the profits (Venard 2011: 60).

Talking about isomorphism and similar behavior adoption, we state that some overseas companies might start the policy of copying corrupted behavior in certain markets. Here the concept of organizational isomorphism appears again. Organizational isomorphism is “the trend of organizations to become homogeneous and follow similar strategies of others in the market” (Venard 2011: 59). According to the author’s general knowledge on the Finnish way of doing business and Finnish values, it is rather complicated to imagine such a trend occurring in the Russian market from the Finnish side, however, the possibility of this type of isomorphism will also be examined in the practical part. We hypothesize on the current stage that organizational isomorphism will not occur in case of Finnish MNCs’ operations in the Russian market.

Institutional isomorphism derives from the fact that organizations belong to a common organizational field: suppliers, consumers and so on. According to DiMaggio & Powell (1983), the phenomenon of institutional isomorphism can take three forms – coercive, normative and mimetic – each of which has considerable implications for HRM implementation in MNCs and their foreign subsidiaries. Institutional theory (Scott 1995) claims that companies reconcile to the rules and beliefs of a certain society, as institutional isomorphism (could be structural and procedural) earns legitimacy for the organization (Suchman 1995). Typically companies interesting for this research constantly operate under different kinds of pressures. The author predicts that social, political and economic factors constitute a certain institutional structure of a Finnish or Russian environment which provides the companies with challenges or some opportunities for engagement with other companies from the chain (Liu 2004: 503). It is claimed, therefore, that it is important to secure the firm with institutional understanding and support in the host country. As one of the case countries – Russia – is a rather complicated and “closed” society in terms of various institutionally-legal norms, this aspect becomes one of great importance.

Three main types of isomorphism are further defined. Normative isomorphism, according to Paauwe & Boselie (2003), refers to “background of employees in terms of educational level and practical job experience”. The degree of professionalization of employees is believed to affect the nature of the management-control systems (DiMaggio & Powell 1983). As general professionalization is often interpreted as collective struggling for cognitive base establishment within an occupational autonomy, it is stated that the value developed increases the similarity of the skills and the workforce in an organizational field as a whole (Boon et al. 2009). Common however not exactly same HR practices in different countries are a good example of the implementation of this mechanism.

Coercive isomorphism in the HRM context results in forming relationships with social partners or employment legislations. It states, that companies are very much constrained by more powerful actors on the stage (like the states themselves) (Mizruchi & Fein 1999) and refers to the big role of key institutions on organizational behavior (Venard 2011: 61). Those mechanisms could be visible at different levels, however only international-level pressures for this research will be emphasized now and later: various national-regulatory practices in HQs and subsidiaries, different employment laws and so on (Paauwe & Boselie 2003).

The last but not the least type – mimetic isomorphism – basically relates to the level of uncertainty in the organization (ambiguity of stated goals as an example). Indefiniteness as a phenomenon within the framework of institutional theory intertwines with cultural dimensions (the level of uncertainty avoidance for the people) and their role for HRM practices. The details will be observed further in the research. Within the framework of mimetic isomorphism organizations tend to copy those others (competitors) who are doing better on the current stage. As the current research deals with big Finnish multinational companies, operating in the same field, this statement could be checked further in the empirical part of the research. According to DiMaggio & Powell (1983), coercive and mimetic isomorphism are believed to influence management practices a lot. Some companies apply so-called practices of “bypassing” when the values and beliefs are transferred via various actors involved in the real process, such as via expatriation (Steger et al. 2011: 12).

The concept of transformation of practices from the Western-European perspective (for Finland) and the different more Eastern-European one (for Russia) is considered rather complex in terms of implementation. Bluhm (2007) stated, that a special phenomenon of so-called “Russian capitalism” occurs, when the very extraordinary political and social factors in the Russian market create a rather high level of institutional distance with Finland. As the Russian side is believed to have a higher level of authority and influence roles’ of various actors, a higher role of personal relationships and interests in the process of interrelation between institutionalization and HRM practices is expected to occur (Steger et al. 2011: 12).

Isomorphic pressures from the host-country investigations will be carried out further in this research paper. The author of the thesis will be checking the following statements, summarized from the discussion above:

- Coercive isomorphism phenomenon effects the topic of the current research in terms of powerful constituency (namely, governmental structures), posing limitations on the organizations and their subsidiaries’ activities (Bjorkman et al. 2007: 432);
- Mimetic isomorphism implies that companies tend to follow apparently successful strategy of the other companies in the field (Bjorkman et al.2007: 432);
- Normative isomorphism, when professional organizations of different kinds show the example of ideal working process. (Bjorkman et al. 2007: 432.)

Scott (2001) offered an additional division of institutional processes and postulates, namely regulatory (close in implications to coercive isomorphism), cognitive (roughly mimetic isomorphism) and normative processes. According to Scott and his research (2001), institutionalization is “the process when activities repeat and share a common meaning for the society, with time forming certain rules that later are taken for granted by the next generations” (Bjorkman et al. 2007: 433). In terms of the institutional environment, this postulate seems especially relevant, as it is one of the fields in the life of the nation that has the longest routes and happens to be the most complex to change with years. Even when the “new-comer company” and the practices happen to be more relevant and profitable in a certain situation, it is likely that the

traditions of the specific host-country will outweigh, and the less intelligent and profitable decision will be taken.

As follows, institutions and their roles are believed to be dispersed unevenly across countries. Therefore the concept of “institutional distance” was created. Based on the definitions of Scott (1995) and Kostova (1997), it is “the extent of (dis-)similarity between the regulatory, cognitive and normative institutions in two chosen countries”. As follows, the larger the institutional distance, the more challenging it is for the home company to gain legitimacy in the host country. Hence, these processes call for external legitimacy development in the host country and internal flexibility in management practices within the company itself (Xu & Shenkar 2002) (Liu 2004: 503). “Institutional distance” is expected to occur in case-companies taken for this research, therefore is expected to be empirically proven further on.

## 2.5. COMPANY LEVEL FACTORS

There are two main approaches that help to understand the role of institutional theory on the organizational practices: organizational culture and resource dependence of its subsidiaries. Organizational culture is partly influenced by the national culture of the country of origin; however some researchers believe that those features might vary depending on the regional location in the home country (Liu 2004: 503). The resource dependence approach, initiated by Aldrich (1976), is based on the presumption that one company is simply unable to facilitate its activities in resources’ collection by itself, therefore various networks and negotiations between partners occur. In other words it is believed that subsidiaries are very much dependent on the parent companies in the resources-sense, and the tighter this dependence, the more it is likely that the parent company starts exercising control over the subsidiary in terms of HRM practices transfer (Liu 2004: 503). We suggest, that the staff turnover exists to some extent between Finnish companies and their Russian subsidiaries. Therefore, we also suggest, that the more resource flow between the parent company and the subsidiary increases, the more will the control over the subsidiary increase as well (Pfeffer & Salancik 1978).

The studies conducted by Gupta & Govindarajan (1991) claim that a strategically important link exists between the adoption of subsidiaries' practices and HRM. Hence, Beechler & Yang (1994) assumed, that any MNC is likely to implement country-of-origin influence to the greatest possible degree. One more interesting observation includes the results of the research made by Temple (1999) who stated that the importance of the subsidiary to the parent company depends on its function (for example, outsourced research & development function abroad versus simply sales department). (Liu 2004: 504). We believe at this stage, that the importance of the HR department is hard to overestimate, as it is the main body for choosing the key personnel in the host-market, and the better its performance, the more profit the home-country unit will eventually get.

## 2.6. MNC STRUCTURE

Bartlett & Ghoshal (1989) proved the interconnection between the organizational structure of the company and its strategy on the global scale. As known, four types of MNCs' strategies can be named: multidomestic, international, global and transnational. Even though their definitions in various literature resources vary and sometimes happen to be rather vague, some specifications will still be provided further. The multidomestic scheme within the cooperation implies, that subsidiaries respond to local legislative requirements and market situation. The organizational structure of those companies is usually decentralized, and the subsidiary is relatively independent from the parent company abroad. International strategy means transferring the knowledge across borders a lot. The organizational structure of this company is coordinated, when host-country subsidiaries tend to be rather independent, however use the know-how and new ideas from the headquarters. We believe on the current stage, that the case-companies taken for this research will be following either of the two strategies described. The global company, pursuing global efficiency, usually has a centralized structure and the dependence of subsidiaries from the parent-unit is close to 100%. Transnational style of management is rather flexible, linking the major parts of the firm together without any dominant-bodies. (Liu 2004: 504). To sum up, it could be argued that companies following multidomestic strategy, for example, are the least likely ones to transfer their HRM practices within different departments abroad, as they are independent of the resources

from the parent company and the influence of the headquarters is limited. Global MNCs are believed to transfer their practices the most, as they tend to apply the same management style and practices within the enterprise. (Liu 2004: 505).

Following the findings of DiMaggio & Powell (1983) and Scott (2001), it is reasonable to theorize that work of HR department in both the headquarters and overseas subsidiaries is highly influenced by various institutional factors in the local environments and is also under pressure from isomorphic processes on the international scale. First thing that comes to mind in terms of various restrictions are strict local law and governmental regulations delimitating certain activities of the MNC abroad. In terms of difficulties for HR units, various mentality and values of the HR managers, as well as different labor markets regulations could form a great obstacle in implementing a certain HR strategy within one company. Hence, the author supposes that cognitive-mimetic framework forms the HR behavior to a certain extent. Greenwood & Hinings (1996) also stated, that organizations within certain institutional frameworks tend to form so called templates, determining that very organizational legitimacy (Bjorkman et al. 2007: 433).

Moreover, as partly mentioned above, subsidiary decision makers might have various sets of values and beliefs, and their understanding of proper HR policy might differ in normative and cognitive regards. In our case this makes especially big difference in terms of the phenomenon of expatriate management, which is expected to occur in case of Finnish subsidiaries in Russia. The companies with more (or less) number of expatriates are expected to have different cognitive and normative practices leading to the concrete understanding and implementation of HRM practices. The current study is expected to examine the potential home/host country environment and also MNC HR factors of influence on different HR policies.

## 2.7. SUMMARY

To conclude the primary discussion about the institutional theory, we state that the key function of institutions within global operations is to reduce uncertainty and provide a logical and legal

framework for the companies' activities abroad. The lack of knowledge of the institutional environment of the host-country can cause serious complications for the parent-unit, including such, as stopping the operations at all. In terms of HRM we admit, that institutional environment poses certain way of thinking on the employees from both home- and host-country units and measures have to be taken in order to reduce the possible "institutional distance" in order to achieve fruitful cooperation. The discussion on implications of institutional theory on HRM practices will continue in the next chapters.

### 3. CULTURAL DIMENSIONS' THEORY

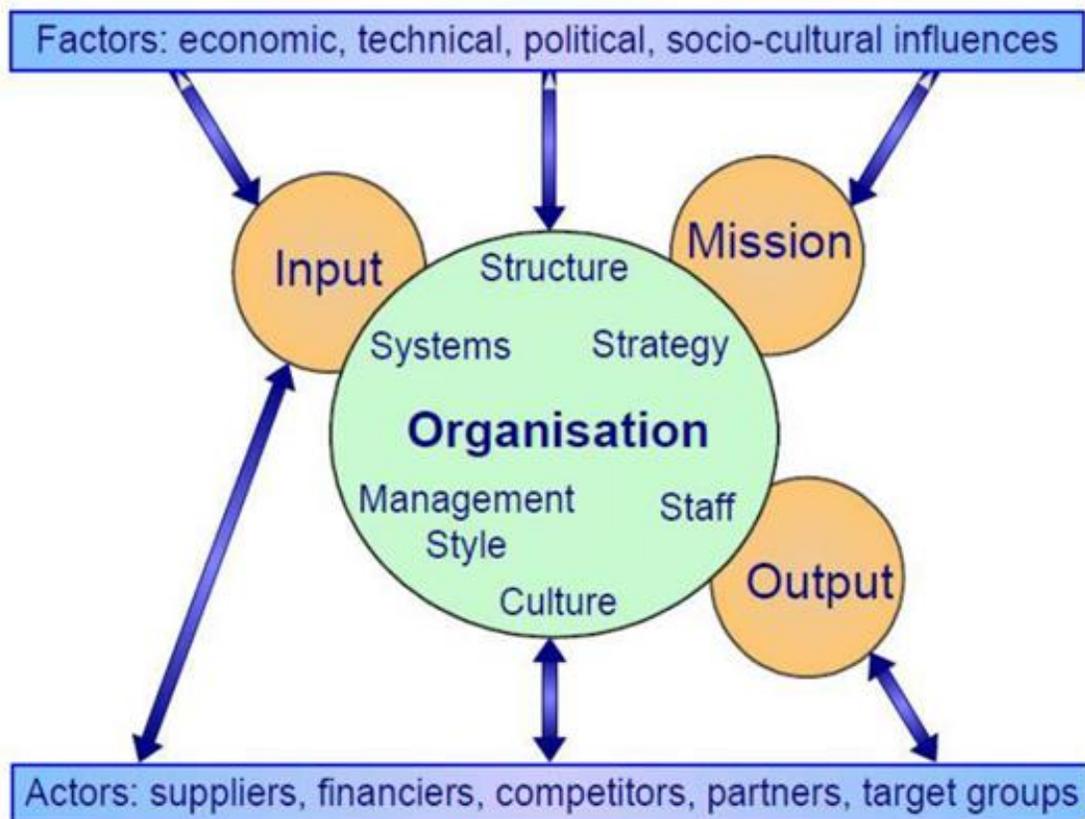
In this chapter the impacts of the cultural dimensions' theory on the HRM practice in Finland and Russia are discussed. It will start with the short introductory session into the Hofstede's studies and proceed to real-case examples. This chapter is aiming at the explanation why in author's opinion the institutional framework and the cultural dimensions' framework can only co-exist and cannot be perceived separately in terms of HRM practices' implementation.

#### 3.1. HISTORICAL BACKGROUND

When speaking about national environments' differences, two major classifications of different countries and cultures exist, one of which being Hofstede's cultural dimensions (1980) and institutional theory itself. Institutional distance (deriving from institutional theory) is believed to exist in close cooperation with the cultural distance, described in Hofstede's studies (Liu 2004: 501). The author of the thesis believes, that HRM practices' difference in various countries could not be fully understood and explained via only institutional theory concept, therefore cultural aspect occurs. Those two frameworks are supposed to be complementary and help the author in conducting the current research and answering the research questions.

The connection between the institutional theory and HRM practices has been discussed above, but the author states, that both this theory and cultural dimensions' theory influence HRM practices within enterprises. Companies, like those taken for case-studies for this report, largely expand internationally and face various kinds of human resource matters in both headquarters and subsidiaries. As the current research is dealing with one emerging country, it is worth mentioning, that HRM is closely related to various financial issues occurring in the MNCs as well. A lot of researchers state, that HRM practices are not transferrable across countries, and partly they agree on the role of culture in this regard. Consequently, we predict that HR roles across borders are implemented in different ways. It is logical to assume that people establishing the companies

follow certain point of view, including general values and beliefs of the national culture and the way of doing business (Hofstede 1983).



**Figure 2.** Various factors influencing organizational behavior (Liu 2004).

According to numerous researchers, the level of cultural influence on HRM practices differs with different practices (Myloni 2007). Some scholars (Hall & Soskice 2001; Lane 1994) agree with Liu (2004: 502) and state that financial systems and institutions within the countries, trade unions, legal entities and other institutions shape national business systems and form a base for the cultural HRM differences. In this regard stakeholders' perspective and influence is also worth mentioning, as customers, for example, will be the main orientation party for almost all the companies' units. In fact, the work by Hall & Soskice (2001) is considered to be the core stone in understanding the

role of national institutional environments in the differences in cross-cultural practices all over the world (Godard 2011: 118).

Looking closer at the famous work in the field – *Varieties of capitalism. The institutional foundations of comparative advantage* – liberal market economies (LMEs) and coordinated market economies (CMEs) could be distinguished in this regard as well as in the institutional theory context of the previous chapter. However, according to the theory this time, a different picture appears. LMEs' special features include weak vocations trainings systems, weak labor protection and rather limited bargaining power of workers in the companies. The situation in CMEs is completely the opposite. Therefore, we predict that these differences in their turn cause the great variety of employer values and HR strategies existing in different societies (Godard 2004). Surprisingly and in contrast to the studies of the other researchers, in this regard the classification of countries turns out to be different. The author predicts, that Finnish HR market is more likely to follow the CMEs' strategy with higher standards, more efficient trainings-system and higher experience of the employees. The personnel is expected to have a strong voice in various labor organizations as well (Godard 2011: 119).

Such well-known scholars, as Deller, Yu & Stahl (2000) announced that there are three stages in which cultural dimensions have a possibility to effect HRM practices within companies. The primary stage is occupied by internal work culture which reflects concrete norms and beliefs, which further effect employees and the way the company operates. The second stage corresponds to assumptions deriving from organizational characteristics, such as industry, ownership status and resource base. The third stage shows employees' thoughts driven by socio-cultural norms. (Meshksar 2012: 20.) The author prefers to prove the evidence of those three stages in the practical part of the current research via giving real examples and citations from the HR managers' perspective.

Having primarily understood the possible implications for HRM practices from the cultural side, it is high time we give the definition. As Geert Hofstede stated, culture is the “collective mental programming of a certain group of people living in the same environment” (Liu 2007: 502), and it is this programming that distinguishes one national group from another. The author of this thesis

believes that two countries under careful investigation – Finland and Russia – should vary considerably in terms of mental cultural values, hence HRM practices applied in two countries should vary as well.

According to the studies of Hofstede and his followers, two classifications of cultural dimensions exist: national cultural differences (speaking about differences in values between different groups) and organizational cultural differences (various practices within one organization or its sub-units operating in different countries). (Hofstede 2015.) The current research will mostly concentrate on the main national cultural dimensions, however with a number of implications deriving from the organizational dimensions as well.

The author of this study first defines the six main cultural dimensions mentioned in Hofstede's studies and after that applies the following in comparison of Finland and Russia: a) power distance (further on: PD), b) individualism versus collectivism, c) masculinity versus femininity, d) uncertainty avoidance (further on: UA), e) long- versus short-term business orientation and f) indulgence versus restraint. It is worth stating at this stage that the 6<sup>th</sup> dimension will not be broadly referred to in this research due to the visible lack of theoretical or practical influence.

According to the Hofstede's center, country scores proposed by Geert Hofstede are generally relative, however proven to be stable over the past decades; the changes in them, if happen, usually tend to be forced by global changes. It is worth stating, that dimensions do not exist by themselves and correlate with other political, social or economic indexes, broadly speaking institutional environment. For example, power distance could be related to religious norms or economic inequality in the country, individualism could in its turn deal with national status world-wide, and the level of masculinity versus femininity could be closely related to the emancipation processes. These are the first implications showing the interrelation existing between the institutional perspective and the cultural dimensions' perspective. (Hofstede 2015.)

According to Hofstede's center (Hofstede 2015), dimensions are also closely connected to the legal side of life (which could be placed into the category of institutional environment as well), for example, UA is directly connected to the general legal obligations in developed countries to carry

identity cards in case of the security checks. (Hofstede 2015.) As HRM field deals with people and a great variety of nations, basic beliefs and norms, we assume, that the cultural dimensions and the HR practices will be interrelated. For instance, PD might be reflected in the HR pyramid and structure in the organization, individualism can be observed in the team-building discussions which set the goals for the teams' versus individuals' role in the working process orientation and so on.

The author now looks at the meaning of six dimensions one by one in order to better implement them in the practical part further on. Power distance is believed to state the “extent to which less powerful groups of population are basically unsatisfied with their existence and prove that the power is not handed out equally” (Hofstede 2015.) Logically, societies with high PD indexes tend to obey justified and undeniable hierarchy, while the “opposite side” tends to provide and promote equality on all levels. In everyday situations employees in high power distance cultures tend to trust their supervisors even in cases when those higher in ranking are obviously wrong, and salaries and benefits create a gap between top managers and employees of a lower level.

Individualism and collectivism both co-exist to the extent to which individuals in the society take responsibility and care about others in comparison to self-care. The latter is executed in “unquestioning loyalty”. In regard to the topic of the current research the definition of “I” and “we” existing within this dimension seems crucial when dealing with personnel relationships in the company (Hofstede 2015). Erez (1995) claimed the difference in recruitment process in individualistic versus collectivistic countries. In the first case the recruiters are believed to form their opinion on the base of personal records and achievements mostly, when in collectivistic countries recommendations and networks play a more crucial role. According to Hofstede himself (1991: 53) HRM policies cease to exist and operate better in individualistic societies, concentrated more on the individual performance and development.

Masculinity and femininity deal with preferences for individuals to achieve success and material rewards from life and the level of competitiveness within the society (Hofstede 2015). Uncertainty avoidance deals with ambiguity in various activities. In low UA countries people take risks in the working life more easily and do not work as hard as their colleagues in high UA societies, who are

believed to be very structured and future-oriented in every single step they take in their everyday working process and their way to success. Long-term or short-term orientation measures the extent to which the business society cares about challenges of the past and future. Long-term planning prevails in Eastern cultures and highlights such qualities, as persistence and perseverance. It is consistent with those organizations, planning the strategy for a rather large amount of time ahead. Short-term orientation implies pressure on employees to demonstrate immediate and considerable achievements in the best possible way. (Lewis 2013: 33.)

The last but not the least dimension – indulgence versus restraint – presents the society’s view on natural human behavior aimed at having fun. This dimension seems rather relevant when we talk about the “out-of-work” side of the personnel relationships, which are believed to be as important, as those relationships built within the company and at the business meetings. (Hofstede 2015.) After primary observation of cultural dimensions and their meaning, let us now proceed to the exploration of the dimensions’ role in the business life of the two chosen countries – Finland and Russia.

### 3.2. FINLAND

The author of the current thesis believes that profound analysis of the Finnish culture via Hofstede’s dimensions will assist the research in understanding the primary drivers in management, namely HRM practices. As mentioned above, PD implies the possible social and economic inequalities currently existing in different cultures. According to the figure 3 below, Finland scores rather low on this dimension (score equals 33), which possibly leads to the following characteristics of the Finnish life-style: considerable independence at the work place, rather low hierarchy in working relationships, and equality of rights. Therefore we predict, that in Finnish companies’ responsibility and power in the departments could be decentralized and divided equally between managers. Supposedly, team work, weekly meetings and discussions occur in order to ensure experience exchange between colleagues. Furthermore, control should not be a usual thing and consultancy occurs on a day-to-day basis. Communication within departments

is direct and opened (Hofstede 2015). In low PD countries smaller differences in wages are expected and a sort of flatter organizational pyramid might easily be observed. Schuler & Rogovsky (1998) claimed that in low PD countries, like Finland, employees' desire to share experiences is rather widespread. We suppose, that all the theoretical features mentioned above are likely to find their reflection in the real Finnish HRM practices, which will be observed further on.

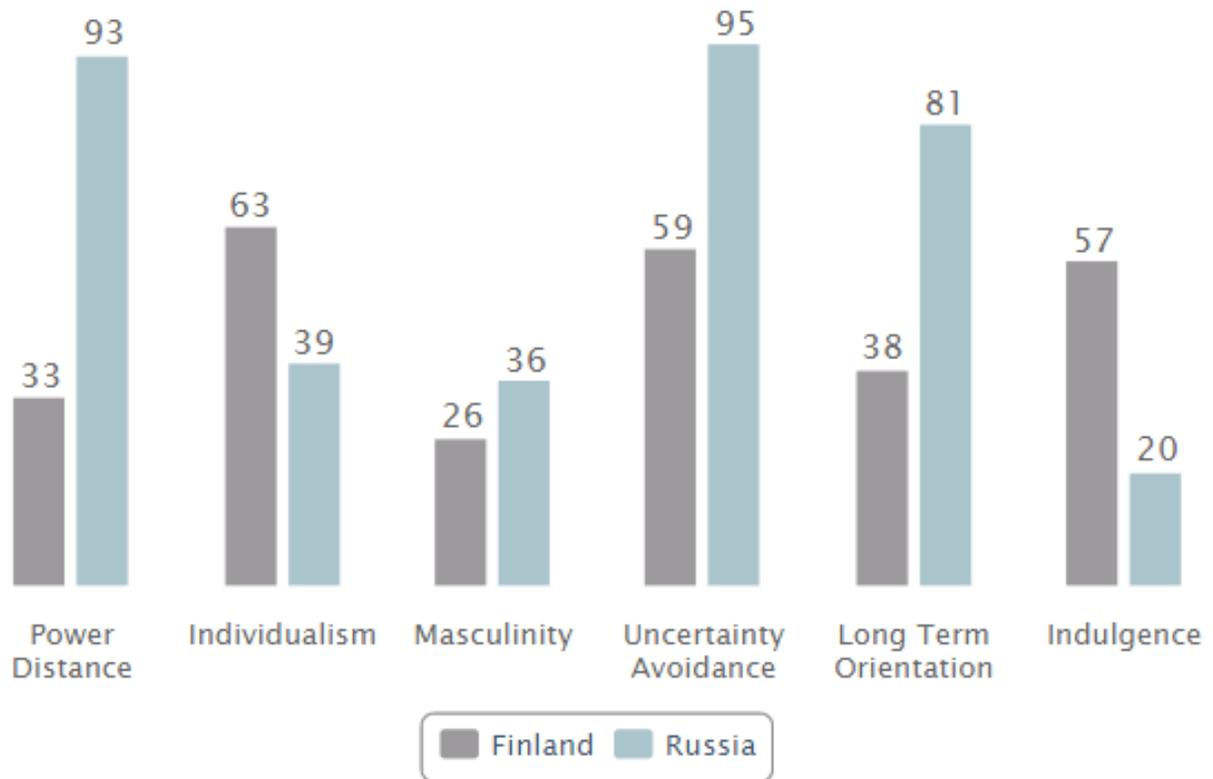
Finland scores 63 on the individualism dimension, which, in average, is rather high. Individuals at the working place are expected to guard their own interests, and mutually-advantageous work contracts and conditions are expected. Rather individualistic cultures, like Finland, tend to discuss employees' potential and "way to success" based on regular performance record (Meshksar 2012: 20). According to the primary hypotheses, the author believed, that this theoretical statement can be controversial, as Finland has always been concentrating on team-building and mutual goal more than on individual performance. This argument will further be discussed in the empirical part.

What concerns the next dimension - masculinity versus femininity – Hofstede gives Finland only 26 points which makes it a "feminine" society. As follows from his studies, main values for feminine societies include quality of life and care for others, but not aiming at success and standing out from the crowd. Managers in Finland are believed to work in order to reach consensus and solidarity. Negotiations are the only way to solve various conflicts in the working place. What concerns team building work, managers value incentives and free time. An effective HR manager is always involved in the conflict situation that might occur.

Finland values direct approach in communication, which can be proven by a rather high uncertainty avoidance index (59). Finns value honesty and clear behavior. People tend to work hard to achieve the goal, they are punctual and concentrated on the working process. Security is an integral part of life there. The great amount of tolerance is also expected in Finnish companies. (Hofstede 2015.)

In terms of time orientation (score is 38), Finns are believed to concentrate on achieving quick results, respect traditions and aim to have work done on time. To conclude the overview on

Finland, the score of indulgence versus restraint is stated as 57: Finns tend to have fun and enjoy life, possess a positive attitude to life and spending money as they wish (Hofstede 2015). All the hypotheses stated here will be further examined on the examples of the case companies, and HRM implications will be given further on.



**Figure 3.** Finnish culture versus Russian culture (Hofstede’s cultural dimensions).

### 3.3. RUSSIA

According to the author’s life experience and having lived in Finland as a Russian citizen, it is worth stating that Finland and Russia vary a lot in terms of cultural values and beliefs even on the

day-to-day basis. Now let us proceed to their comparison on the cultural dimensions' basis, proposed by the Cultural dimensions institute.

Starting with the power distance dimension gives a very clear picture of Russian way of doing business and managing people. The score here equals 93 versus 60 point less in Finland, meaning the distance between those who hold the power (in the case of companies – top managers) and average employees in the Russian society is excessive. This, however, can be easily explained by the fact, that 2/3 of all foreign investments go into the central region – Moscow – where the financial capital of the country is concentrated (KPMG 2012). Most of the companies' structures in this regard are centralized in the Central region, not only financially, but in terms of power as well. The author believes, that the same ratio in terms of main HR department will be observed - they will most probably have central units in Moscow region and the main activities will be carried out from there. The difference between higher levels of society and lower ones should be stressed in all the possible ways in the Russian units: respectable behavior at work, top-down management approach, working under clear instructions from the senior supervisors (Hofstede 2015). In such societies, as Russian society, organizations tend to employ senior colleagues instead of invited instructors to provide trainings and learnings for the employees, as the first group possesses higher level of credibility and trust, and could expect authority from the audience (Meshksar 2012: 20). In this regard it is worth reminding, that the situation in independent Russian units (operating to a certain extent in accordance with traditional cultural norms and beliefs) might vary a lot from the situation observed in more dependent foreign MNCs' units in Russia. We predict, that corporate culture and values of the parent-unit might overweigh the "Russian way", and Finnish HRM practices will prevail in the Russian subsidiaries. This statement is yet to be proved in the further examinations.

Traditionally, there has been very little information sharing between managers in different departments of Russian companies, and this phenomenon could be explained via Hofstede's dimension of power distance and its high ranking in case of Russian way of life. As respect is a very important part of relationship-building process in Russia, there are certain traditions concerning the authority and communication procedures. As high PD exists in Russia, having an

extensive flow of information between different groups of managers in the company could give western – owned subsidiaries competitive advantage on the Russian market. (Krishnan 2001: 135.)

Russian society scores only 39 on “individualism”, which proves the role of relationships and connections in the business society. Those are considered the main way to obtain information, get introduced to the right people and negotiate various issues. The relationship needs to be trustful before one can focus on defining tasks or building communication (Hofstede 2015). Bjorkman & Lu (1999) found some evidence for the fact, that team relationships could become more reluctant, when the new comers from the external environment join the team. Their connection and trust for potential internal candidates play a major role in further relation-building (Meshksar 2012: 21).

The low score on masculinity – 36 – is rather surprising for the author and she claims, that this can differ depending on the country area and the type of a company. Generally Russians value the status, material state and personal achievements of the individual. However due to some economic issues it is not always reflected in the wages – for example, well-known doctors or scientists might be found working on a very modest standard of living. Dominant behavior coming from the boss is accepted in Russian national companies and in foreign companies regularly as well (Hofstede 2015). The latter example makes the Russian way of management different from the one in Finland where equality in the working and decision-making process is valued. Talking about this dimension, the hypothesis mentioned above in terms of PD seems as applicable. If the foreign companies are willing to follow a global strategy in their HR operations and spread the unified practices all over their foreign subsidiaries, we believe, that the corporate norms will prevail and the applicability of the features of this dimension in the Russian units will diminish.

Russians prefer direct and honest way to solve issues as well as Finns, which can be proven by a very high (95) score on uncertainty avoidance versus 59 in Finland. The situation is proven by the fact that Russia has one of the most complex bureaucratic systems in the world (Hofstede 2015). The main point in having a huge amount of paper work lies in the cease for control and strong tendency to eliminate all the possible negative consequences. Detailed planning is always expected from the employees and the background & context information is required in order to provide a clearer picture during presentations. Russians tend to act formal and rather distant with foreigners,

which is understood as a sign of respect. Any kind of changes are very hard to implement in the Russian companies, also partly due to the bureaucratic procedure. In terms of management, systematic long-term orientation in personnel development could be named as one of the distinctive features. (Meshksar 2012: 20.)

Russia scoring 81 on long-term orientation is explained by the generally pragmatic mindset of Russians. Truth in the arguments always depends on context and time. Saving and investments are considered a great part of companies' strategy in Russia. We state that this particular dimension in the current research could be observed only in accordance with the real case companies' situation, therefore lacks evidence on the current stage. Score 20 on indulgence implies on pessimism and cynicism within the Russian society, which in the author's mind is rather controversial as well and will be examined further. (Hofstede 2015.)

#### 3.4. ORGANIZATIONAL CULTURAL DIMENSIONS

As it was stated above, there are two classifications of cultural dimensions in Hofstede's system, and the second group considers organizational cultural dimensions. Organizational culture is the "way in which members of an organization relate to each other, their work and the external environment". (Hofstede 2015.) The cultural dimensions of both national and organizational levels seem to have a lot in common. Talking about the relationships within the team we state, for example, the level of openness and trust between the senior members and the general personnel, which corresponds to uncertainty avoidance and power distance in national cultural dimensions. In relation to the working process, we talk about short- versus long-term orientation when something in the working process goes wrong. In terms of the external environment's attitude we could think of the extent to which "outsiders" and new comers are actually welcome in the team (Waisfisz 2013) and how fast the adaptation occurs.

Means-oriented versus goal-oriented dimension is closely connected to the subject of this research and effectiveness of management implementation within a company. The principal difference

derives from the names, when the dominant question in the former is “how” and in the latter it is “what” (Hofstede 2015). The author supposes, that this organizational dimension will reflect a big cultural difference between the Finnish and the Russian ways of doing business and the way of communication and achieving the goal. The author of the current thesis believes that the difference in answers to the questions dedicated to the various organizational dimensions between Finnish and Russian managers will occur.

The extent to which the working style of a company is internally- or externally-driven always makes a big difference in the HRM part. According to Hofstede’s center, employees in the first case recognize their tasks towards the outside world as a given, as they are confident enough in the way they do business and the way they treat the customers. In the second case the stress is laid upon meeting the customers’ needs and requirements, and results are more principal to complete the task. The author expects those work attitudes to be the same in both Finland and Russia due to the fact that certain set of rules exists within one company in accordance with the policies and Codes of conduct. (Hofstede 2015.)

Strict work discipline versus more opened and flexible environment refers to the amount of discipline with the company and its subsidiaries. One more rather interesting dimension is local versus professional attitude within the company. In a local company employees and talents are mostly identified within their unit with the boss for a rather short period of time. In a professional organization the identity of the employee derives from his profession and the content of the job done. (Hofstede 2015.)

Open versus closed system organizations relate to the level of accessibility of the organization and the atmosphere within the team – are new comers always welcome? The author supposes this dimension is closely related to the cultural side of the employees mix. The last but not the least, employee-oriented versus work-oriented working structure and degree of acceptance of leadership style, as well as degree of identification within the organization could always form interesting differences and findings for the current research. (Hofstede 2015.) We believe at the current stage, that Finnish MNCs’ strategy will be more employee-oriented and the work-orientation will be ensured via creating sustainable relationships within the teams.

### 3.5. SUMMARY

In this chapter the general description of the cultural dimensions' theory and cultural dimensions separately was provided. The author aimed at the descriptive character of this part in order to implement more applicable and analytical approach in the empirical part, where it is more visual to complement theoretical findings of the Hofstede's institute with the real examples and answers of the people overcoming cross-cultural differences in their working process every day. The main hypothesis in the author's opinion lies in the fact, that cultural dimensions and their importance might vary depending on the situation in the local (national) companies and foreign units. The potential role of Codes of conduct and MNCs' global policies is hard to overestimate, that is why we assume that cultural characteristics might form a different shape and perspective in case of the current research. We will now proceed to the discussion of the interrelation of HRM practices with the theories observed in the first and second theoretical chapters of the thesis.

## 4. HRM PRACTICES' RELATION TO INSTITUTIONAL AND CULTURAL DIMENSIONS' PERSPECTIVES

This chapter flows from the theoretical concepts discussed in the previous chapters and aims at relating them with the real HRM practices performed by the companies on the day-to-day basis. We first have a traditional discussion about various aspects of the possible correlations, and then proceed to the description and primary analysis of four HR practices themselves, namely recruitment and selection process, compensation and benefits system, performance appraisals and trainings. It is worth stating, that those practices were chosen on the reasons of usual applicability and extent of use in the MNCs.

### 4.1. BACKGROUND INFORMATION

HRM in this thesis is observed in the internal context of several organizations, namely in its structural and strategic parts, and in the external sense. The latter includes various institutional complications related to cultural differences and great variety of different values co-existing in the international environment, as well as legal regulations, economic factors, social features (Mayrhofer & Brewster 2005). The current research is dealing with two countries, which could be put into two different regions and, consequently, approaches in HRM: European HRM framework for Finland and Former Soviet Union perspective for HRM in Russia. The author argues, that each of the regions has been forming its own approach to HRM and practices, which in their turn reflect conceptual features and internal variety within the company (Mayrhofer, Sparrow & Brewster 2012: 528).

Generally speaking, a rather contextual perspective dominates in the academic discussion of HRM practices in Finland. This concept implies a deep focus and understanding of various differences between HRM practices and their causes. According to Mayrhofer et al. (2012), European HRM is generally moving towards a stakeholder approach, taking into account employees, potential

customers and other groups, who can influence decision-making process within the organization (Mayrhofer et al. 2012: 533).

Generally speaking about Finland, personnel administration sphere had existed much before the phenomenon of HRM started to develop. It was focused on discrete and rather technical activities, such as recruitment or very specific set of trainings for the employees (Palm & Voutilainen 1970). With the fast development of HRM practices in the end of the 20<sup>th</sup> century the focus changed from physical activities to managing people and talent (Vanhala 1995: 4).

The Russian model of HRM took its final shape at the beginning of the 2000s (Gurkov & Zelenova 2009); however to a certain extent it took the traditions from the Soviet Union model of 1970s which included the following aspects: a) full employment via creation of jobs in the spheres of production and industrial sector; b) low wage differentiation between the similar groups of employees; c) wage-scale system in payments; d) nonmonetary benefits available (camps for the children of employees and other social welfare benefits); e) various psychological incentives (such as government awards for various achievements). Some of those benefits mentioned above are believed to be expected by the Russian employees in the foreign MNCs units, as those like social welfare benefits have traditionally been considered “obligatory” from the employer’s side. Nowadays the general tendency among HR managers includes lack of qualified employees and high uniformity of HRM (partly due to the lack of sufficient education, partly due to the lack of experience and understanding of the western way of management (Gurkov & Zelenova 2012: 68 — 69).

There is a great variety of concepts linking institutional approach and institutional distance’s influence with HRM practices, however the basic theory remains the same in years. According to Scott (1987) and Kidger (1991), various latest proposals in the field of communications and technology create a brand new global regulation system, when management practices in terms of geographic isolation that had been preserved for decades, actually change for the sake of technology. This is believed to be the case for well-developed Finnish HR departments. This technological process in its turn predicts concurrence in HRM practices on a global scale (Wood et al. 2008: 28). In this regard, it is worth stating, that modern technologies in HRM field could

simplify a lot of aspects considerably, however, we predict, that the level of bureaucracy in Russia might still pose some limitations on using such technologies in the subsidiaries, thus, making this process rather irrelevant for the MNC's operations on this emerging market.

As mentioned in previous chapters, organizations are believed to tend to copy other organizations operating in the same field to gain legitimacy and support from various third parties and external agents who could potentially influence the way the business within the organization (or in our case – HR department) is done (Strauss & Hanson 1997). Hence, according to the researches by DiMaggio & Powell (1983) this process has a potential impact on the societal or cultural environment around the certain company. The logic behind the adaptation of HRM practices to the current environment is the following: it is vital for their survival within the pool of other parties to react on the spot to different rationalized and institutionalized expectations of the country (Meyer & Rowan 1977). These statements show a rather tight relation to the isomorphic process in institutional framework observed earlier.

Institutionalism has gained many meanings, one of which is “process by which social process, obligations or actualities come to take on a rule-like status in social thought and action” (Mayer & Rowan 1977: 341). This process has passed several stages over time, from the importance of functional and technical criteria in its normal functioning ability, to the role of various socio-political institutions for the management practices. In this regard let us look closer at the process of institutionalization, identified and classified by Tolbert & Zucker back in 1996:

- 1) Pre-institutionalized step implied limited knowledge about a management practice and its adoption;
- 2) Semi-institutionalized step implied the development of the theory on the first step and its normative acceptance;
- 3) Fully-institutionalized practice becomes taken for granted for the certain social group. (Wood et al. 2008: 29.)

We believe, that most of the HR practices from the Finnish side could be placed into the third developed category, when those from the Russian market are still rather underdeveloped and lack experiential implementation in most cases.

We state once again, that the main purpose of institutionalization processes within MNCs is gaining legitimacy (Scott 2001). At the first stage, the key point is familiarization when the company accepts certain potential decisions to solve potential problems, and organizes them into codes of behavior or various policies. In the second stage the practice is still comparatively unstable and still being tested, and only the third stage implies full admission. (Tolbert & Zucker 1996: 179.) (Liu 2004: 509). In terms of multinationals a different scheme might occur, as the practices are expected to be transferred and copied to a certain extent from a company, where they have already proved their consistency.

#### 4.2. POLITICAL IDEOLOGY AND HRM

The state plays a crucial role in forming institutional environment not only in terms of specific regulations in accordance with the law, but various judicial doctrines based on certain assumptions, that have existed for decades (Woodiwiss 1990; Atleson 1995). Those values are believed to form the views on the ideal employer-employee relationship, as well as define the nature of different HRM practices (Godard 2011: 122).

Now let us take a closer look on various socio-economic factors in institutional theory that could potentially influence HRM practices of MNCs. Roe (2003) claims, that the government ideology has a strong influence on HRM. In right-wing governmental countries the rights of owners and managers tend to be stronger, consequently managers perform their roles much more effectively in the interest of owners of the company, but not the employees. When owner rights in the company are rather solid, human resources are arranged instrumentally: wages are constantly constrained and “hard” HRM techniques, namely focused performance appraisals, performance-based payments, are used. This approach seems rather controversial, as it is hard to find evidence to the

fact, that strong owner rights play a good role in manager-employee relationship. Such countries, as Finland, have been successful in implementing various types of innovation in their working process, and have had a considerably high level of employee rights and conducted trust and effective human resource capital for years. Those types are far from proving the theory above and have many times outperformed liberal markets, such as US or UK (OECD data 2007). Thus, it is worth stating at the first glance, that the relationship between political situation and HR can be controversial. (Wood et al. 2008: 30.)

Talking about Russian politico-economic system, its institutional environment is believed to form organizational practices as well. Several scholars emphasize the encounter of the former socialist planned economies on the workforce in Russia in general and HRM field in particular. The old system coming from the Soviet Union era influenced the development of HR in MNCs' subsidiaries nowadays. The socialist planned economy's HR system has been de-institutionalized, and new practices emerged mostly as an opposition to the older regimes. May et al. (2005) stood firm for development of such world-wide used HRM practices, as personnel trainings or performance-based compensation packaging. (Bjorkman, Fey & Park 2007: 434).

### 4.3. LEGAL SYSTEM AND HRM

When talking about legal regulations, the concepts of labor law and employment law are worth distinguishing. The former implies those laws regulating collective rights of the employees concerning the relationship with the employers, while the second classification means the relationship in the departments in general (Godard 2011.) These two groups include the following sub-groups:

- 1) Employment standards (working hours, minimum wage and so on);
- 2) Health and safety at the working place;
- 3) Human rights (both natural and deriving from Codes of conduct of the particular company);
- 4) Employment equity;

5) Job security (meaning possible reasons for dismissals). (Godard 2011: 124.)

The author claims, that labor and employment laws are crucially important for the definition of importance of HRM practices. In some cases they are believed to strengthen negotiations process between employers and employees in terms of promotions and performance appraisals, in other they are perceived as a “provision of even more bureaucratic procedures”. Generally, laws are claimed to develop employer resistance, however the extent to which this is possible is strongly dependent on the particular institutional environment. (Godard 2011: 125).

One more wing of institutional theory includes various views on legal system and its influence on HRM. In civil law countries (Finland is believed to follow so called Scandinavian civil law practice) employer rights are generally weaker than those of employees, mostly because of the dominance of equality principles in all spheres of life. As researchers stated, labor legislation in such countries is believed to be more comprehensive and the role of trade and labor unions is optimized. (Wood et al. 2008: 31.) Talking about Finland, the legislation system and extremely formalized system of labor relations in the country make the use of work force rather inflexible. There is a strong belief in the current research that it is much more complicated to fire an employee according to his performance, than perform the massive dismissals in a company due to the economic reasons. At the same time, HR managers are rather influential in this regard. For example, the Finnish “Act on the equality of rights” was found to have less influence within several companies, than just the opinion of the line manager. However, large MNCs tend to compensate “unfair” dismissals with special offers, money compensations or earlier retire age. It is also believed, that the current employers help dismissed employees to find a new place of employment and give recommendations. (Kozlov 2012: 1.) The authenticity of these statements is expected to be revealed in the real conversations with HR managers.

Legal framework is generally a very important framework to take into account in the analysis such as the current one. The laws are the most crucial regulators and limitations of social activities. Gerring & Thacker (2005) proved the positive correlation between well-made and strict laws and absence of corruption in the society, which is crucial for the current research. The author claims, that Russia, being a country with a rather undeveloped and vague law system, suffers from

corruption and its outcomes to a much worse extent, than well-organized Finnish society. (Venard 2011: 61). It is yet to prove the relevance of this statement in terms of Russian subsidiaries' performance.

To sum up the primary analysis of various political-legal factors' influence on HRM, it is worth stating, that those mentioned above are generally referred to as rational-hierarchical approach in the literature. Most researchers assume, that according to this theory the owner and worker relationship ideally finishes in a zero-sum result. Talking about stronger owner rights, like in Russia, HRM policies are believed to be more "bottom line" oriented, with such prevailing features, as individual performance evaluation and reward system. In countries with a more equal atmosphere employee co-representation and a more collectivistic approach is expected. (Wood et al. 2008: 35.) We suppose, however, that the ratio between the political and legal influence on the HRM will vary in favor of the second one, as the author strongly believes, that political factors matter more in general organizational procedures, not HRM processes.

#### 4.4. SOCIO-ECONOMIC CONTEXT AND HRM

The socio-economic context of HRM is rather complex, reflecting a huge amount of institutions and their interrelations. Four main sub-parts could be mentioned:

- 1) Financial markets and firm-ownership structures;
- 2) Product market structures and conditions;
- 3) Labor market policies and programs;
- 4) Labor and employer companies. (Godard 2011: 128).

Financial markets form a rather important part of the institutional framework (Zysman 1983). It is logical, that the ability to finance its operations is the main goal of any company, and of course, such fields, as HRM, need a lot of financial injections (especially, the trainings of the personnel on the global level). Some researchers prove the link between the levels of corruption in the

country and the levels of its financial activities. Therefore, we assume, that this index will vary for Finland and Russia in the current research.

According to the rules of a welfare state in Finland (Kozlov 2012), the socio-economic system in the country could be named as “egalitarian”, if to take into account the taxation policy. It is the minimal wage that makes the salary of even the youngest and unqualified intern or trainee rather high in Finland comparing to other EU states or Russia. As known, the highest possible tax is registered in Finland (up to 48 % monthly) depending on the salary. The system of social welfare is rather favorable yet complicated, which has recently caused a paradox, when a person would rather choose unemployment than employment, as he/she will be gaining more profit without performing much effort. Salary-wise it is worth stating, that the monthly wages for top-management and line management are discussed within a company and are generally higher than the wages of blue-collar workers, which are based on collective agreements. The most spread system of compensations and motivations is based on performance and specific results that an employee can show. (Kozlov 2012: 2 — 3.) Russia faces the similar kind of situation salary-wise. The top-managers and the blue-collar workers’ salary is totally incompatible, as well as the training scheme. This situation, when the people doing the engineer part of the job get much less amount of money for their labor causes a lot of strikes and complications in the Russian market.

Any organization’s performance is mostly measured via its stability in the long-term perspective. However if we look at the concept from a stakeholder perspective, rather than one of a shareholder, other values would be noticed (Godard 2011: 128). In this regard it is worth stating, that expenses on HRM are considerably challenging to count, that is why in certain societies it is easier for the shareholders to simply withdraw them from the balance sheets and skip the HR strategies’ promotion. The budget on the HRM in the case-companies chosen for the research is expected to be revealed during the interviews with Finnish and Russian HR managers. The author strongly supposes, that the schemes for such HRM practices, as performance appraisal sessions or training sessions will be the same in Finland and Russia, as those are expected to be part of global policies existing world-wide.

#### 4.5. CULTURAL DIMENSIONS AND HRM

In the author's opinion, the Hofstede's national dimensions classification is the best option to conduct the current research and answer the posed questions. However, it is worth stating, that numerous other approaches to the relationship between culture and HRM practices exist. The works of Kluckholm & Strodtbeck (1961) offered an interesting framework to state cultural differences and distinguish between countries and management practices. They viewed culture as a mix of assumptions and values about human relationships and environments. In their classification they defined human nature (evil, medium or good), human-environment relationship (harmony versus dominance with some intermediaries), social relation with people (hierarchical, individual), human activity (being, becoming, doing) and time sense (past, present or future). This concept has been considered much more complicated and confusing, than the one by Hofstede, that is why the latter is preferable (Reiche et al. 2009: 54).

One more worth mentioning theory is the GLOBE study (conducted by House et al. 2004). This framework comprised 9 different dimensions of culture and assisted in investigating cultural variations and their impacts on managerial practices. Another study includes the works of Parsons & Shils (1951) as well as Trompenaars & Hampden-Turner (1997), who proposed a rather interesting framework of value dilemmas, which, however, has not found decent amount of attention and implementation yet (Reiche et al. 2009: 55). The latter places the main focus on people's interpretation of the world and happenings around them (Lewis 2013: 33). Other than those dimensions, Hofstede's cultural dimensions theory is still considered the most effective and efficient in terms of cultural relationship to HRM practices, which explained the author's choice for the current thesis.

The basic assumption behind the interrelation of culture and management practices, is the fact that organizations and environmental culture interpenetrate (Reiche et al. 2009: 55). This process has some logical key points behind:

- 1) National culture is believed to shape its citizens' basic assumptions, thus individuals performing certain HRM practices within the frames of a certain culture are thought to refer to the same values and beliefs within one organizational culture (Van Maanen & Schein 1979). The author hypothesizes, that this postulate will be especially detectable in case of this research and the companies, as all of them are originally Finnish. We therefore assume that the influence of the Finnish culture should to a certain extent be distinguishable in the overseas units as well.
- 2) As culture itself is an enduring concept, it connects generations and ensures their socialization in the same direction, which consequently forms a certain view on HRM practices, which tend to be similarly culture-specific. In this regard the author guesstimates that the example of the host-country market could possibly prove this postulate, due to the discussions of the routes of contemporary HR in Russia and the influence of the Soviet Union practices.
- 3) According to social cognition theory, individual cognition is strongly influenced by one's cultural background (Bandura 2001). Hence, culture "scans, selects and validates information from the environment in order to make the needed classifications" (Budhwar & Sparrow 2002). One of the interesting parts of everyday working process in various cultures is the justice assessment which tends to be rather subjective. Ensuring fairness at the working place is one of the biggest concerns of HR departments nowadays, especially in big companies. Culture-bound appreciation of justice will in its turn influence recruitment, performance appraisal and other practices in a specific society (Reiche et al. 2009: 56). We strongly believe, that Finland will give a great example of pure justice and fairness in the working environment.

Organizational culture is strongly influenced by culture in the following ways:

- 1) Preferred organizational structures (for example, presumably consultative style for both Finland and Russia) can be related to the dimensions of power distance (Lewis 2013: 37). We suppose that although Russia is a country of high PD, the Russian units will still follow the "balanced" way of work typical for Finns.

- 2) Recruitment is based on the high- versus low-context cultures' concept, taking into account merit and talent for Finland, and more of a "connections-base" for Russia (Lewis 2013: 37). We hypothesize therefore, that certain differences might occur in the recruitment practice and selection rules in Finland and its Russian subsidiary.
- 3) Maternity leaves and other payments from the social welfare system could be related to the level of masculinity versus femininity (Lewis 2013: 37). We predict at this stage, that those matters will be of great importance for Finns and therefore special programs or benefits' systems will exist in both units.

In order to better understand and implement the practices and theories, mentioned above, different HRM practices across cultures will be observed further. According to Huselid (1995), HRM practices influence employee competencies and develop their skills through the simultaneous contribution to the human capital of the company (Fey et al. 2009: 694).

#### 4.5.1. RECRUITMENT AND SELECTION PROCESS

One of the important tendencies in the Russian market derives from the transition from the Soviet Union reality to the more capitalist approach from the beginning of the century. Turns out, that older and more experienced people lack proper skills for the fast-developing business environment of today, and find it difficult to adjust to the new realities, including working in multinational teams, using various languages for work, learning new techniques and so on. Hence, it is easier for the western companies to recruit younger, less experienced, but more open-minded and flexible employees. One typically Russian feature in terms of recruitment and promotion is worth-stating. It is not surprising to become a well-paid manager in a Russian subsidiary of a western MNC at the age of 25 or even less, when such a fast promotion is barely possible in western countries. Consequently, it could be predicted, that performance-based promotions are much more likely to happen in Russia, than those depending on the age. (Bjorkman et al. 2007: 436.)

Finland has observed a remarkable change in recruitment behavior of numerous large companies in terms of recruitment. The transition from external to internal recruitment practiced occurred, followed by several organizations' banning policy on external recruitment and so-called

“promotion of internal rotations”. (Vanhala 1995: 21.) Various researches from both Russian and Finnish side prove this fact of internalization of human resources, and those examples taken from big MNCs like Wärtsilä are believed to be followed by smaller Finnish companies as well. We assume, that this tendency could have occurred because of the current economic situation in the EU and Finland as its part, however the proof and the real reasons are yet to be found via real discussions with HR managers. (Kozlov 2012: 1.)

Going on with the discussion about the mobility of the human resources in Finland, it is worth stating, that the liberal model of work placements change and the freedom of choice of the employees has recently started to be replaced by the obligatory reductions and transfers between the departments. As the current research is mostly dealing with the engineering companies, it is worth stating that the staff turnover in the industrial sector around 3 years ago constituted 60 %, while now this number is much lower partly due to the economic crisis. Earlier the staff transfer was mostly caused by the promotion reasons, and now it is mostly the need to face massive reductions. It is worth assuming, that a rather inflexible recruitment policy within Finnish MNCs might cause decrease in the labor quality to a certain extent. For example, the researches show, that Finns try not to miss working days not only because they fear being dismissed, but because of the mental understanding, that the work has to be done by the exact employee, not his replacement for a day or two. (Kozlov 2012: 1.)

There is not much research on definite HR practices and their relation to culture, however, those that exist tend to state that recruitment and selection are culture-bound. Aycan (2005) suggests, that recruitment and selection processes in cultures high on performance orientation are based on such definite criteria, as job-related knowledge, technical or computer skills, when countries and cultures of low performance orientation would choose relational skills or social status connection. We now believe Finland to be classified into the first pool, and Russia more fitting into the second.

Providing the link between Hofstede and culture, collectivist societies, like Russia, are often rather reserved and hostile when accepting externally recruited candidates into their pool, they also tend to use internal labor markets to promote the loyalty to the firm (Bjorkman & Lu 1999). Moreover, countries high on uncertainty avoidance use more types of selection tests and conduct more

interviews, as well as monitor employees' progress more. Short-term oriented cultures focus on transactional employment relationships, when long-term orientation entails the center on employment needs (Reiche 2008). The question about the selection process in the Russian departments are believed to reveal the conspiracy.

#### 4.5.2. COMPENSATION AND BENEFITS SYSTEM

The former research has proved, that because of existing differences between cultural and institutional environments of various countries, people perceive compensations and various bonuses differently (Giakobbe-Miller et al. 2003). Hofstede (1997) supposed, that large PD countries (in case of this research - Russia) could be associated with a larger difference in salaries and various compensations' and bonuses' systems, when in such small PD countries, as Finland, the opposite occurs. Hence, we predict, that performance-based payment systems promote inequality and therefore will be more wide-spread in the high PD countries, like Russia (Fey et al. 2009: 699). Various researchers have also proved, that motivational effect created by money varies from country to country (Fey 2009). Therefore it could be predicted, that bonus money for Russians fulfills more basic needs and it is likely to contribute to bonuses having a greater motivational effect for employees in this transitional market.

The literature on this HR practice differentiates between job-based and person- or skill-based pay systems in the companies (Lawler 1994). Performance-oriented societies base their payments on objective and systematic assessments, while particularistic cultures follow subjective point of view, judging by the personal characteristics of the employee or the opinion of the top-managers, rather than following some logical assumptions (Aycan 2005). High power distant cultures like Russia are believed to have lower performance-reward probability, and high UA cultures (like in our case Russia as well) prefer skill-based reward system, when low UA cultures would focus on individual performance-based pay system. As at least one of the case study societies – Finnish – is considered rather individualistic, it is worth mentioning, that pay-for-performance approach is rather common in such countries. As Russia is more of a collectivistic society, flexible benefit plans, child care practices and maternity leave programs could be observed (Huo & Von Glinow 1995). Gurkov & Zelenova (2012) proved, that unprecedented authority of line managers in terms

of rewards and wages can be observed in the majority of different companies as well (Gurkov & Zelenova 2012: 66).

#### 4.5.3. PERFORMANCE APPRAISALS

Performance appraisal systems assist employees in obtaining feedback on their performance and progress, and cease to develop those specific competencies that are useful for the company at that very moment. Performance appraisal systems generally contain evaluations of employee's job performance, as well as assessment scheme of the potential needs for improvement or training (Fey et al. 2009: 694; Bjorkman et al. 2007: 435). According to the managers, feedback is really useful, as it provides the clear picture of the adequacy of the working process and employee behavior (Bandura 1977). Moreover, performance appraisal systems help in creating a sense of accomplishment for the employees and provide managers with a certain amount of control (Bandura 1977).

To start with, performance appraisal practices usually consist of three parts:

- Preparation stage, dealing with defining the performance criteria and goals to be assessed;
- Appraisal method choice;
- Content of the performance evaluation. (Milliman et al. 1998.)

As known, a lot of people from the potential employee pool in Russia work on the positions they have not previously aimed for, consequently, they could not have been specifically trained for those. To a certain extent, this rather interesting phenomenon dates back to the Soviet Union, when a different distribution of jobs in the newly emerging economies was required. In modern times MNCs coming from abroad often have a different set of requirements for the employees that have been working for Russian companies before. Therefore we predict, that performance appraisal systems in Finnish subsidiaries in the Russian market will be needed, as it is important to ensure perfect understanding and clearness of the goals and objectives set by the main unit. Moreover, it might be useful to provide Russian employees with feedback about their progress on a regular

basis. Jackson (2002) stated that Russian managers' instrumental value approach fits in the system of broad use of performance management (Bjorkman et al. 2007: 435).

Fey et al. (1999) stated, that approximately 80 % of the Western companies operating in Russia used some forms of performance-based compensation systems, most probably bonuses based on employees' performance. According to the studies based on the mentality of Russian employees, conducted by Fey (2009) and Bjorkman (2007), those steps are supposed to help to motivate the personnel for working towards the company's and the whole team's prosperity. One more unique feature of the Russian attitude towards appraisals and open discussions is the fact that employees tend to become really defensive when the results of their work are discussed instead of seeing those discussions as a logical way to better development and success (Fey et al. 2009: 699). To sum up, historical labor market traditions in Russia have caused strong beliefs in the positive effects of performance-based payments on the employees working process (Bjorkman et al. 2007: 435).

Logically, differences exist between opposite cultural dimensions. For instance, individualistic societies tend to stress their individual goals and achievements more, while collectivistic cultures stress the success of the group in general. Some researchers (Van de Vliert et al. 2004) prove, that feedback quality and transparency between supervisor and subordinate coming from the same type of society on the rates of individualism versus collectivism tend to match more than those observed coming from the opposite countries. Of course, different types of cultures also value different aspects (for instance, direct feedback versus indirect and personal feedback). In this regard differences in the managers' answers are expected. (Reiche et al. 2009: 59).

According to the studies by Snape et al. (1998), low PD cultures use more egalitarian forms of performance appraisal, while those from high PD cultures tolerate autocratic assessment styles. Finland in our case is believed to have a better attitude towards performance appraisals sessions, as the institutional environment has ensured the expectation to do so. As both case-countries are placed in the opposite pools for this dimension, the results in practice seem rather interesting. It is worth proposing, that the topics for performance appraisal in different societies differ as well. For instance, individualistic countries tend to highlight employee's potential for future promotion more than their colleagues from collectivistic societies (Reiche et al. 2009: 60). However in this regard

we predict, that in case of MNCs such systems can be the same for all the companies' departments, therefore the theoretical differences might vanish. Fey & Bjorkman (2001) stated, that payments in Russian organizations include performance appraisals' results after various group works in both decentralized and centralized units (Krishnan 2001: 134). According to CRANET surveys, Russia is believed to have very low levels of formalized performance appraisal systems compared to International levels (Gurkov & Zelenova 2012: 73). The high PD context in the Russian market also imposes complications on the "open discussion" style about skills' development and improvements (Fey et al. 2009: 698).

#### 4.5.4. TRAINING AND DEVELOPMENT

Training is an HR practice through which organizations develop their employees' skills. Investments in employee training are believed to be beneficial in strengthening the human capital potential of the company and form a rather typical Finnish practice. According to Becker (1975), any kind of job-related training increases the future marginal productivity of the employees in the given company. Moreover, training sessions are believed to increase the chance for the company's success in developing employees' abilities (Guess 1977).

As follows from the research by Bjorkman et al. (2007), a lot of Russian employees lack basic business skills expected from them by their foreign employers. This gap is believed to have occurred due to the absence of capitalist-style management practices in the country. Generally, western MNCs observe training and development as one of the most crucial HR practices for their competitiveness in the host-country market (Shekshnia 1998). Coming from the absence of decent amount of professional training, one typically Russian tendency could be named once again: a lot of employees there occupy positions for which they have not been getting formal training. As an example, there is no surprise in Russia in seeing a nuclear physicist working as a marketing manager, which confuses most of western managers, therefore MNCs are expected to provide special training in their Russian subsidiaries. (Bjorkman et al.2007: 435). Some studies have found that Russians value training opportunities to such a large extent, that they are even ready attend a week training abroad rather than receive a money voucher or a bonus, equivalent to the salary (Fey et al. 1999). This is believed to be the case for the employees of foreign multinationals, who might

be trying to cover the gap in knowledge by either attending the officially-organized training sessions or gaining another education or higher qualification courses.

Finnish people, on the other hand, are more influenced by the very consistent and logically structured system of education and every person at a certain age is believed to have solid knowledge and great potential for working in different spheres (Kozlov 2012: 2). In terms of training policies and practices, Finnish companies have seen a transition from external training sessions to those provided by the internal staff. Generally speaking, the role of training and development is widely recognized in Finland, in a bigger part due to the rapid change of working life and need for flexible behavior within the companies (Vanhala 1995: 22). According to the “Act of cooperation within the enterprise” Finnish companies hiring more than 30 employees are obliged to ratify special annual educational plans for the employees. There is a tendency concerning white-collar and blue-collar workers nowadays, when the latter are believed to spend much more time on various training sessions than their office-colleagues. However, this hypothesis will be checked further in the empirical part. General educational subjects for all the employees include Total quality management trainings and service culture programs. (Kozlov 2012: 2.)

Comparison of Finnish and Russian market shows, that the former is much more mobile and subject to annual changes, than the latter. It is partly because of the Finnish “life education” concept, which is not something typical for average Russians who have not really spent enough time living abroad and getting used to the other cultural and business realities. In most cases, the education for people stops at the age of 25 at most (with getting a specialist’s or ‘master’s degree), when the working life takes its place (Kozlov 2012: 2). Going back to the student status later on in life is a rather unusual example and is not likely to occur unless this move is imposed by the employer.

Some countries are believed to perceive this HR practice as inconsistent and unnecessary, while others suppose, that individual leaning styles might be of great importance (Harvey 1997; Yamazaki 2005). High PD countries like Russia prefer training and development sessions with supervisors from a higher rank than them, in order to form the decent trust and respect atmosphere. High uncertainty avoidance and low assertiveness standards force managers to pursue internal

long-term orientations in personnel development (Reichel et al. 2009). Generally, it is worth stating, that this part has been very poorly researched so far in transitional markets, like Russian. To sum up, we predict, that such HRM practices as, for instance, recruitment and selection will be much less culture-bound, than let us say career development or performance appraisals, therefore will be the same in both units. (Evans & Lorange 1990).

According to the studies conducted by Welsh et al. (1993), such well-adopted Western practices as trainings via team meetings and discussions do not function on the Russian market. However, direct leadership and authority are believed to motivate the performance of employees to a much larger extent (Steger et al. 2011: 9). As the current research is dealing with global MNCs with a strong corporate culture and policies, this statement is hypothesized to be realistic only to a certain extent.

#### 4.6. TRANSFER OF HR PRACTICES

Researchers agree on the opinion, that there is a certain tendency among MNCs to transfer their HRM policies from the headquarters to subsidiaries abroad. It is widely-known, that Finland is a very developed country in terms of management and it is hence predicted, that Finnish case companies tend to transfer the way they create their HR policy abroad to their Russian subsidiaries (so called country-of-origin effect in practice). Scholars relating cultural dimensions to HRM practices state, that it is almost impossible to transfer practices between countries with varying national cultures in the biggest part due to the fact that HR management practices simply cannot be applied to different groups of people in the same way. Adler (1995), Harrison (1992) & Lau (1997) proved in multiple studies, that national culture has a big impact on HRM practices. One of the main reasons is the major list of national cultural differences between the homogeneous and collective countries in the east and more individually oriented western societies. Ramamoorthy & Carroll (1998) stated, that incompatibilities in such countries, as the case societies – Finland and Russia – are enormous. (Liu 2004: 502). Consequently, this aspect becomes one of the most important research questions of the current paper.

According to Kostova (1999), any HRM practice from those mentioned above is rooted in deep cultural and value assumptions. Hence, we predict that when the values implied by particular HRM practice and the values within the culture of the national and organization are compatible, the employees from the subsidiary will be willing to accept them more freely. As an example, it is more complicated to transfer a compensation system based on personal performance to a company with a higher degree of respect towards the work of the team. Thus, we propose that transferability of HRM practices is associated with the degree of compatibility of two cultures and units of the company. (Liu 2004: 506.)

Direct and indirect HRM transfer mechanisms in foreign subsidiaries could be specified. The former implies the complete control over the subsidiary's HRM practice via compiling a set of united policies for all the units. The aim of the current research is to examine whether transfer mechanisms in the taken case-companies are transferred directly to the subsidiaries. On the one hand this system seems rather uniting and consistent, however, there is a possibility of facing a very strong objection from the personnel of the units abroad. (Liu 2004: 508.)

In contrast to the direct mechanisms, indirect ones imply attaching HRM practices to certain employees in sub-units or to expatriates. According to Coller (1996: 164), personnel required training in order to recognize corporate culture and certain values (these trainings are expected to transfer the ideal version of HRM practices as well). As the researcher claimed himself, "international trainings are a way to teach the "company way" and exchange practices and experiences". (Liu 2004: 508.)

According to the studies by Gooderham & Nordhaug (2006), the concepts of HRM transfer from Finnish parent companies to their Russian subsidiaries prove the assumptions about the power division between HQ and their subsidiaries, when the parent unit seizes control and has a stronger position in practices' transfer process. Yu et al. (2006) names this tendency a necessary "strategy for subsidiary control", sending the researchers to the principal-agent theory (Steger 2011: 11). However, those studies seem to be rather general and underestimate the potential work of various HR managers from both sides, who apply the knowledge about different interests, values and

beliefs in order to achieve better performance records at the end. The author states, that variations in HR practices implementation occur in two countries.

#### 4.7. SUMMARY

This chapter discussed the possible interrelation of institutional and cultural dimensions' theory with various HRM practices performed in Finland and Russia. The main conclusion is the fact that the studies conducted on the issue before seemed to be rather general and did not take into account all the possibilities and features of the markets, taken as case-study examples. The author believes, that it is too early to state any conclusions on this chapter, as it lacks real life examples in order to prove or argue with the theory existing. Therefore the main conclusions will be provided after careful consideration of all the aspects and HR practices mentioned here in accordance with the real life case-companies' examples and HR managers' opinions.

## 5. METHODOLOGY

This chapter focuses on presenting the methodological framework for the study including the description of research approach, data collection and data analysis methods. In the end the validity and reliability of the research will be mentioned. The chapter flows into the empirical part of the current thesis.

### 5.1. RESEARCH PURPOSE OF STUDY AND RESEARCH APPROACH

Before conducting this study the author had to define the reason this particular research had to be conducted, state the possible research objectives and consider hypotheses. Only after primary research on the topic of interest the most applicable research approach could be chosen. There are three main types of research purposes: exploratory, explanatory and descriptive. There might have been various ways to perform the current study, however, the author chose the following procedure: first the necessary literature (meaning books and articles) was found and analyzed, then interviews with managers were performed and finally the analytical part of the research occurred. The author of the thesis chose interviewing managers due to the reasons of availability and time constraints mostly.

Three possible types of studies will be further defined. The exploratory type of study aims at new findings in a certain field in order to shed the light to the concept. The second type – explanatory – states causal relations between existing variables. The last but not the least – descriptive type – basically interprets various situations and concepts. (Saunders et al. 2009: 140.) The author of the current research strongly believes, that more than one research purpose can co-exist in a single study, depending on the topic of interest. This study is the one of exploratory-descriptive type to a large extent, as it is aiming at finding new perspectives on the concept that has not yet been defined and researched clearly, and at the same time describes and defines the world-known concepts that

have existed for a while. However, as the author is also trying to provide the proof for different relations between concepts, this research can also partly be defined as an explanatory study.

Two types of research approaches exist: inductive (building a theory) and deductive (testing a certain theory). The type chosen derives from the role and the importance of the theoretical part for the current study. In the deductive approach the theory is the primary source of information and the empirical part emanates from the theoretical part; the possible hypotheses in this case are stated in the first part. The inductive approach means introducing the theory after the analysis of the research results and interviews. In the type chosen for the current research – deductive approach – the greater amount of attention is given to the theoretical part and research methodology, and the empirical part is sort of generalizing and summing up the theory when implemented in practice. Once again we state, to a certain extent these two approaches might be combined in one research. (Saunders et al. 2009: 127.) Pure induction is believed to be rather rare. (Kontkanen 2014.) The study continues from the deductive approach to the qualitative methods when collecting the information for the empirical part.

## 5.2. METHODOLOGICAL CHOICE

Before the author of the thesis conducted the investigation necessary for the empirical part, the preliminary decision on the way information will be further analyzed and collected had to be taken. In order for all the techniques used in the master's thesis writing process to correspond to each other, the author had to choose qualitative research method in order to better examine and answer the research question posed. Even though the choice of the author was stated before, the other technique – quantitative method – will also be defined further. Quantitative research is based on numbers, collected data is numerical and the information is explained via causal relations and statistical data, it also involves various measurements. Qualitative method chosen for this particular research implies sort of a more vague analysis of data, more generalized concepts and the conclusions in this type of work derive from words and propositions. (Saunders et al. 2009: 482.) In the author's opinion, quantitative research is more precise and more applicable to the

researches dedicated to the topics of finance or more rigid subjects. The author believes, that as the style of work is more descriptive and exploratory, it is easier to answer the research question via implementing the qualitative data analysis. However, we state, that in some cases it is possible to mix those two styles (for example, in the current research when proposing several hypotheses), when the sphere taken into consideration is not yet well explored in the previous researches (Saunders et al. 2009: 127).

One more reason to have chosen the qualitative data and case study-type for the current research could be stated. The author states, that the sphere of the research lacks theoretical background and real case examples. Even though Finnish MNCs work a lot abroad, not all of them operate in Russia (preferring other BRICS countries), consequently not performing HR practices there either. It was rather complicated for the author to find those several case companies presented further in the empirical analysis, and finding a greater amount necessary for the quantitative analysis could be impossible. Moreover, the author believes, that a personal interview and open questions could expedite more opportunities and ideas for the potential research, than a simple “yes/no” questionnaire. Moreover, some of the issues discussed with managers were rather complex and simply could not be fit into a short response.

As mentioned above, the research represents several case studies and their comparison within the framework provided in the theoretical part. As HR management is a live-body, which constantly moves and innovates, it was very important to have a personal or Skype discussion and ask the additional questions in order to reveal all the details. Generally speaking, case studies are considered one of the most popular means of qualitative research methods. Three major types of them could be mentioned: collective, intrinsic and instrumental. Current research could be placed in the group of collective studies, as multiple case-companies and their practices were observed, and later the common conclusion on all of them was made; intrinsic type tends to analyze one particular case only and the instrumental type provides analysis in order to better understand a certain issue. (Stake 2005: 444.)

It should be emphasized once again, that as the research deals with two countries as different as Finland in Russia in terms of both institutional environment and cultural beliefs, it is important to consider all the possible outcomes from those differences and analyze those in a definite way.

### 5.3. SAMPLING AND DATA COLLECTION

As mentioned above, due to the limitations imposed by the current business environment circumstances, the case-companies and the HR managers were chosen on the accessibility and availability basis mostly. Two of the case companies involved HR managers from the Finnish and Russian sides, and one HR manager comprised both roles (originally Finn working for the Russian side from Finland). Two more companies provided information from only the Finnish and only the Russian perspective according to their responsibilities in the company. All of the interviewees were HR managers with a long and various experience paths in Finland and in Russia, and were eager to answer the questions posed (the conversation with Russian managers was conducted in Russian language for the sake of convenience). Their roles varied in the hierarchy from recruitment and talent acquisition managers to HR directors (the latter mostly from the Russian side). Most interviews lasted for 40-45 minutes and were recorded in order for the author of the thesis to be able to cite the managers later in the empirical part of the paper. Due to the some limitations in time from the author's side in accordance with the availability of the HR managers, the interviews were conducted within one month time. Private meetings, skype calls and simple telephone calls were organized in order to ensure high quality and descriptiveness of the answers provided. The author assumes, that it was rather surprising, that most of the managers did not have/use skype in their everyday work that is why in some cases there was no other option besides a simple phone conversation with them. The questions posed could be observed in the Appendixes 2 (for the English version) and 3 (for the Russian version) and correlated with the research objectives and research purpose of the study (Ghuri & Gronhaug 2005: 142). It is worth stating, that the set of questions was the same for both sides, however, for the Russian side some clarifying questions about the institutional environment were included due to the complexity of this issue in the author's home country. The questions did not always follow each other while the interview, as the flow of

the conversation and the willingness of managers to talk varied. All HR managers received the interview questions well in advance via e-mail in order for the interviewer and interviewees to discuss possible misunderstandings and pose questions in advance in order for the communication process to be as beneficial as possible. Russian side managers also claimed, that some of the questions could not be answered due to the “confidentiality” reasons.

Each interview was audio-recorded and transcribed the same day in order not to forget any valuable supplementary issues discussed with the managers in addition to the main question-line. Direct quotes are further directly translated from Russian into English. The final step for the author included comparison and written analysis of the empirical data based on the theoretical framework proposed in the first part of the thesis. (Saunders et al. 2009: 500). The author was aiming at being non-selective and objective when writing the empirical part and basing the results on all the angles that were somehow mentioned by the managers via interviewing. All the responses of the managers and the company names are kept confidential due to author’s and managers’ agreement earlier in the communication process.

#### 5.4. VALIDITY AND RELIABILITY OF THE STUDY

To begin with, the definitions of “reliability” and “validity” concepts will be given. According to Saunders (2009: 157) validity is a “measurement for the extent to which the findings of the research are in reality correspondent to what they seem to be”. There are three main types of validity: construct, internal and external validity (Kontkanen 2014). In order to improve this index in the study, multiple sources of data were used, namely articles, books and various websites, and all the companies interviewed were Finnish globally-known MNCs. Reliability, according to Saunders (2009: 156), relates to the “repeatability of the data collection methods and analysis procedures used by the author”. Reliability also relates to the concept of transparency and the amount of sense deriving from the primary data. When conducting the interviews, the author was always there in order to provide the managers with necessary clarifications on the questions and to make sure the conversation is going in the right direction and the answers are understood properly. Some

misunderstandings could have occurred because of cross-cultural differences, which, however, did not happen. The risk of misunderstandings or double-meanings was also minimized, which increased validity of the conducted research. The author supposes, that the fact, that Russian managers were able to express themselves freely in their native language also contributed a lot to the extent of validity of the study.

When talking about qualitative method, one more problematic concept appears – generalizability or external validity (Saunders et al. 2009: 327). However, the author strongly believes, that qualitative research and data analysis via this method imply less chance for generalizing the results as the quantitative method. The author is ready to admit that due to the lack of experience in conducting such kinds of interviews, the questions might have been unclear to a certain extent. As the interviewees (HR managers) were the representatives from different countries and from different companies, the broad spectrum of opinions and ideas was ensured, which could be later used for the next chapter of the current research – empirical part.

## 6. RESULTS AND FINDINGS

Chapter 6 of this master's thesis discusses the actual results of the research conducted and the outcomes of the interviews, and highlights the key findings. It will start with a short presentation of the companies taken as case-study examples for this research and flows into the results' discussion and analysis from the perspectives of institutional and cultural dimensions' theories. Finally, the results are combined and the general conclusion on the research is stated.

### 6.1. PRESENTATION OF THE CASE-COMPANIES

For the practical part of this research five big MNCs from the Finnish market were found, from which seven managers were interviewed. It is worth stating, that in all the companies the author of the research was aiming at finding HR representatives (managers of all levels) from both Finnish and Russian side to get a broader perspective on the issues of interest from two countries and two supposedly different ways of doing business. One of the case companies sort of exquisitely comprised the two managers in one, as the conversation was held with the Finnish-origin manager, who has been working with Russian market for the time-being. In two more cases the conversation took place only with the Finnish and only with the Russian HR representatives, which, however, still gave the author a good understanding of the applicability of the current research and the theoretical framework. The majority of managers stated during the interview that they would prefer to stay anonymous together with the name of the company, that is why in the current research further on they will be referred to as the "*Manager #*" with the companies named from "Company 1" to "Company 5". The whole list of the interviewees, as well as their relation to the companies and their positions can be observed in the Appendix 1 to this thesis. The list of companies and their names is provided further in this sub-chapter for the readers' convenience. The case-companies were ABB (due to the lack of big Finnish multinationals currently operating in Russia and having relatively large HR departments there, this company was chosen for this study, taking into account its Finnish roots and rich Finnish past), Wärtsilä, one of the representatives of the Metsä Group – Metsä Wood, Vacon Group and KONE Corporation. All of the companies operate in the

manufacturing sector. The pilot interview occurred with the Finnish HR manager of ABB, therefore the author gives the description of this case-company first.

<b>Company 1</b>	<b>Company 2</b>	<b>Company 3</b>	<b>Company 4</b>	<b>Company 5</b>
ABB	Wärtsilä	Metsä Wood	Vacon	KONE
<i>Manager 1 &amp; Manager 3</i>	<i>Manager 2 &amp; Manager 5</i>	<i>Manager 4</i>	<i>Manager 6</i>	<i>Manager 7</i>

**Table 1.** Company number and its name.

#### 6.1.1. ABB

The history of ABB is rather complicated and international, and goes back to the 19<sup>th</sup> century. The company was rooted in Scandinavia, namely Finland, and later was bought by Sweden and finally got involved into the merger with the Swiss company, which resulted in the announcement of ABB global in 1988. It is currently a huge multinational corporation, operating mainly in the fields of robotics, power and automation technology. At the current stage ABB operates in more than 100 countries, with around 150 000 employees globally. Its solutions tend to improve the quality of the customers' operations, efficiency and productivity, at the same time taking into account the possible effects on the environment and minimizing the negative consequences of ABB's operations. Innovation is the primary focus of what ABB does on the daily basis (ABB About Us 2015). According to the talent acquisition manager of ABB-Finland, until 1988 "the company was Finnish" and the main operational activities were conducted from Finland. However, since the millennium ABB has been headquartered in Zurich. It is worth stating that Finland is still the main country for the ABB Nordic region, which combines three Scandinavian countries, Finland itself, Russia and Baltic countries. ABB-Russian manager also pointed out, that UK and Iceland are often considered a part of this group. ABB-Russia has been existing for more than 20 years now, it comprises more than 1 300 employees from various departments, 5 large production sites (so called divisions, the biggest located in Moscow region, Cheboksary and Ekaterinburg) and more than 30 regional offices. It is worth stating from the very beginning, that ABB-Russia currently does not

maintain a lot of construction projects, and most of the employees are concentrated on sales practices of the goods, imported from Finland and other ABB-units (Interview with *Manager 3*). Going back to the HR departments, ABB-Finland currently comprises over 40 HR managers of different levels, main HR unit in Russia – around 20 HR specialists from different fields. The author had tremendous opportunity to speak to the talent acquisition manager of Finnish ABB (further referred to as *Manager 1*) and HR manager (recruitment specialist) from ABB-Russia (further referred to as *Manager 3*).

### 6.1.2. Wärtsilä

The second company interviewed was Wärtsilä - a huge world-known Finnish multinational providing complete lifecycle solutions for both energy and marine markets, providing the customers with efficient assistance at low environmental load. This enterprise was found in 1834 as a small mill and now operates in more than 70 countries around the globe with net sales of EUR 4,779 million and almost 18 000 employees (Wärtsilä About Us 2015). Wärtsilä-Russia (so called Wärtsilä Vostok) has been in business for over 20 years. The main office of Wärtsilä Vostok is located in Saint-Petersburg, but there are also three sub-divisions – Murmansk, Moscow and Vladivostok (Interview with *Manager 5*). In terms of HR departments, there are currently three HR managers working in Finland (two in Vaasa and one in Turku – this number is stated not taking into account the global HR unit located in Helsinki and implementing HR management all over the globe) and two HR managers working in Russia, which makes the work-load and the time constraints for the managers really vigorous. The author of the thesis talked to one HR manager from Wärtsilä Finland (further referred to as *Manager 2*) and HR Director of Wärtsilä Vostok (further referred to as *Manager 5*).

### 6.1.3. Vacon

Vacon was one more company interviewed for this research. It is a world-known Finnish MNC established in 1993. It manufactures and develops air conditioning systems and AC drivers used in electric motors. As known, AC drivers are currently remarkably important in the energy production from renewable sources. Vacon's revenues in 2014 were equal to 409 million, and

globally the company employed more than 1 500 people (Vacon Company 2015). The interviewee from Vacon was the HR Development Director from the Finnish side, who, however happened to have certain amount of experience in working with the Russian people and Russian market. He gave the author of the thesis a great perspective of Finnish HR in the company with the inner as well as global business perspective. The HR manager for Vacon will further be referred to as *Manager 6*.

#### 6.1.4. Metsä Wood

Metsä Group started back in the first quarter of the 20<sup>th</sup> century as a trading house which used to focus on international business and trade only. It has now grown into a huge Finnish multinational present in about 30 countries. Metsä Group's main business include tissue and cooking papers (Metsä Tissue), pulp (Metsä Fibre), wood production (Metsä Wood) and board (Metsä Board). Metsä Group's sales amounted EUR 5 billion in 2012 with approximately 11 500 employees globally (Metsä Group Wikipedia). According to the interview materials, the following could be stated about the company:

*“It has historically focused mostly on wood based products and forest services. The main strategic line implies the focus on those businesses, where Metsä has competitive edge and sustainable growth potential”.* (Manager 4.)

The main feature of Metsä Wood is the strong “dependence on good-quality Finnish wood raw materials”. The interviewee did not give any specific numbers on HR department in Metsä Wood Finland or Russia, however mentioned her main working focus on Baltic States and Russia. The interviewee's position is SVP (Metsä Forest HR & Russia) and she is referred to as *Manager 4* in the current thesis.

#### 6.1.5. KONE

KONE Corporation is the global leader in the elevator and escalator industry. It was founded in 1910 and has been headquartered in Espoo since then. The company's main goal has always been

the satisfaction of the customers and loyalty to innovations. For more than a century KONE has been providing high-quality industry-leading elevators, escalators and automatic building doors in offices all over the globe. It has been ranked within the best 30 world most sustainable companies within the last several years. In 2014 KONE registered the net sales of EUR 7,3 billion and counted more than 47 000 employees globally (KONE Corporation About Us 2015). KONE Russia has multiple offices across the country, however the central units are located in Saint-Petersburg and Moscow. Russia is one of the numerous front-lines of KONE Global, however it is not classified to either of the areas. There are currently 9 HR managers working in KONE Russia. The author had a discussion with HR Director of the Russian unit who provided her with the broader picture of how global KONE practices are transferred in the Russian market (The representative further referred to as *Manager 7*).

## 6.2. GENERAL IMPRESSION

At the beginning of the interviews all HR managers emphasized certain tendencies related to the Russian market – the fact, that currently their partnership is not facing its best stage. For example, according to *Manager 2*, around 10 years ago they were operating in the market on the permanent basis and he had to “go back and forth over 20 times as there were a lot of expatriates and projects going on”, however, nowadays there are several factories that have been in business for years, but no new projects have really been implemented since millennium. ABB-Russia also emphasized the fact, that Russian managers deal mostly with sales of the product already made and imported (from Finland and Switzerland), when earlier ABB used to have much more production units on the Russian territory. It could be assumed, that this tendency on the current stage deals with the situation in economy in general, however, it should also be a warning signal for the Russian side, as the business in other emerging countries is developing much more rapidly (meaning China and Brazil in the first place). Yet all of the managers agree, that Russian market is a very important one for them and they would prefer to extend their businesses there in the future, as it would provide new opportunities for the internal and external markets. To avoid generalization, yet mention the most common tendency within the companies and in their management processes, we

state, that ABB, Vacon and Wärtsila follow more of a local approach in their operations, while Metsä and KONE balance between the implementation of Finnish practices on the Russian market as well as paying decent amount of attention to the differences existing (Interview materials).

Concerning the framework, provided in the theoretical part of this research, and according to the answers of the managers in this regard, both institutional environment and cultural issues are the major reasons for the differences in HR practices implemented in Finland and Russia. However, according to the answers' analysis, the author would like to state, that the cultural side seemed to overweigh in terms of HR management specifically. Institutional theory's influence will be examined further on, however it is believed to influence the businesses in general more, not HR practices in particular.

In order to present the discussion results in the most accurate way, the general line and content of the theoretical part of the paper will be followed and the results of the discussions will correspond to the main chapters of the theoretical part.

### 6.3. STRATEGY GLOBALLY

MNCs perform their activities in distant locations, therefore cross-cultural issues are their day-to-day reality that reflects the effectiveness of various practices performed within different departments. It is worth stating, that generally headquarters' perspective on HRM practices is more discussed in the literature, however the author tries to combine both the parent company's and subsidiary's perspective while conducting empirical research in order to provide the reader with the balanced comparative analysis. (Rozkwitalska 2013: 66.)

It is important to understand the main facilitators of effective personnel relationships in MNCs, as those tend to influence the general potential of employees as well as their willingness to learn and improve on the day-to-day basis. As existing research lacks information on internal (deriving from the cross-cultural dimensions) and external (deriving from the institutional perspective) factors of

influence on HR relations within one MNC, various examples and sides of the question will be observed further in the current study. (Rozkwitalska 2013: 68.)

To begin the analysis of the HR strategies of the chosen companies and their Russian subsidiaries, the author states, that the majority of the case-companies preferred so called “polycentric” strategy with the focus on the host-country and its specific features. However, Company 5 emphasized the role of the main unit:

*“Our head unit sets the rules, and our company’s mentality is the same for everyone all over the globe. Our policies have to be the primary source of information in any local conditions or problematic situations”. (Manager 7.)*

According to *Manager 1*, it is quite a common practice, that the “administration and HR procedures are local”. In both units of Company 1 there are several HR units and one main HR center, which is responsible for the centralization processes and the unification of all HR practices that occur on the daily basis. The main HR documents – Global recruitment policy e.g. – are unified documents which are obligatory and same for all the countries, however are accustomed to the reality of the specific host-country environment. Talking about Company 2, strategy of the company for them is the “strategy for the people”. Global procedures according to the global unit’s instructions are adjusted locally (“think global – act local” approach is the main strategy of Company 2 in terms of management in general and HR in particular). As Company 2 is a huge multinational, they value the diversity and prefer to adapt the company rules and regulations to the people and the specific mentality (*Manager 2, Manager 5*). According to *Manager 4*, the system in their company works the following way:

*“We have several units in Russia, each one of which sort of represents a separate small body, however, the main Finnish unit benefits from centralized services and mutual policies and processes occurring in its subsidiaries. External joint purchases of services from service providers (in terms of HR as well) are considered to be beneficial for both parent- and host-units and provide a better bridge in understanding each other and complementing the obligatory policies with a more local approach”. (Manager 4.)*

According to the Finnish side managers, this centralization of processes provides the Finnish side with the feeling of security of its operations and preserving of the important values by the host units. According to the managers' answers about the polycentricism of their operations, we primarily assume, that the differences existing between Finnish and Russian market make it impossible to "make a copy" of the HR operations working in the Finnish HR departments due to certain reasons. All managers mentioned the fact, that HR departments in Finland have been existing for the time-being, while HR departments in the Russian subsidiaries have not, which proves the theory about current "underdevelopment" of this field on the Russian market. Earlier in time it was possible to maintain HR strategies from Finland, however, with the growth of production in all the case-companies the need to open local HR units occurred. Only according to the *Manager 6*, the Russian HR department on the current stage does not exist at all due to the reasons of common sense, as the operations are currently piloted from Finland HQ and the on-going projects on the Russian market make it possible to send foreigners there without implementing HR locally.

To continue the discussion about global view on the case-companies, the general strategy of those is worth mentioning. As follows from the discussions in the theoretical part, the companies varied in terms of definition of the strategy they follow abroad in their HR units. Companies 1 to 4 are believed to stick to the mixture of multidomestic and international schemes of cooperation (with Company 3 sort of having a mix), as generally the operations are coordinated from the main unit to a certain extent, however at the same time the subsidiaries' management teams respond to local requirements in terms of flow of documents, for instance, in accordance with the local complex legislation in Russia. The subsidiaries of Companies 1 and 2 are believed to be the most independent from their HQs, however they also perform knowledge transfer across borders on the daily basis:

*"We believe that benchmarking each other on the constant basis is the key to success of our company globally". (Manager 1.)*

Company 5 is believed to be a truly global multinational, and the level of dependence from the parent-unit in terms of policies' implementation, according to the HR Director, "is close to 100 %." (Interview with *Manager 7*).

According to the theory, multidomestic and international companies are the least likely to transfer their HR practices abroad. This tendency was proved to be true to a certain extent only, as in case of multinationals the global policies tend to form the most important set of rules in any case, and even though those are not always totally applied, the managers have to find a way to adjust:

*"We sort of have no choice but to find a way to implement those main corporate practices within our teams. For example, in our main unit in Finland so-called "system of grades" exists, which is not yet completely understood on the Russian market, but we as managers are obliged to work according to this system and provide regular reports to the HQ". (Manager 5.)*

All companies agreed, however, that such corporate documents, as Global recruitment policy or Global training policy are in reality rather flexible when implemented in the subsidiaries' market and "the influence of cultural and institutional distance" on them is enormous (*Manager 3*). Managers of Companies 2 and 4 mentioned a concept of doing HR "business wise", when the "idealistic realities of the Finnish market simply cannot cease to exist in such environments, as the Russian one". *Manager 4* mentioned in this regard the role of the culture of values:

*"Our values and Group policies are generally mutual, however additional amount of attention is given to the law of the host-country, and as Russia has specific requirements (for instance, reporting on personnel or insurances' provision), Company 3 obeys the local legislation and carries out its activities accordingly". (Manager 4.)*

The case of Company 5, which is believed to both think and act globally, proved the hypothesis of transferring its practices the most, as the parent-unit management team tends to apply the same management style and HR practices within the overseas subsidiaries (Liu 2004: 505). The HR

processes of Company 5 are an integral part of so called “Management and Support” processes, which oblige all the units to follow the identical approach in most HR policies.

#### 6.4. INSTITUTIONAL THEORY

To begin with, all seven managers agreed on the fact, that institutional environments of Finland and Russia vary a lot in various political, economic and social terms, that is why “implementation of HR practices in an identical way in both is impossible”. Yet, *Manager 6* supposed at the beginning of the conversation, that “you can perform these global guidelines with a local perspective, as the strategy of the successful multinational is expected to be realistic and broad”. The theoretical part of institutional theory started with the discussion of earlier existing economic theories, which found certain amount of proof in the managers’ answers. We proposed earlier, that Russia will be more likely to follow LME perspective when implementing HR policies, which in fact implied concentration on individual shorter-run performance and concentration on the financial aspect in compensation and rewards more than its western neighbor. This was proved by companies to a certain extent, however, as the subsidiaries in Russia are still dependent units from Finland, the approach from the CME-following Finland ceases to exist in HR management practices, implying admission of the employees as the most invaluable asset of the company, and trainings and development programs as its priority. The effective combination of both perspectives occurred in the managers’ answers, and the balance exists. It is worth stating from the very beginning, that mostly financial side of the questions and various HR practices (like the budget on training, for instance) were preferred to be kept confidential by the managers, however, the approximate numbers and dates for the training sessions or performance appraisals were stated to be the same for Finnish and Russian units. In this regard we assume, that the proof of the theoretical data mentioned above will not show any striking difference during the research analysis.

As follows from the theoretical part, laws and regulations play a major role for the CME societies and constrain their activities a lot. *Manager 1* totally agreed with that proposal:

*“The problem for us Finns is that even if do not like certain rules and understand, that they are rather shell on the current stage, we will still follow them, even if the whole team admits that the harder way was ahead of us. We never switch the direction before we get the greenlight”. (Manager 1.)*

Company 2 supported the idea with the following statement:

*“It is not always easy to follow same rules even in Finland, as we have thousands of people working in the local units, and we would rather come up with new ideas, but have to obey the policies and laws existing for decades”. (Manager 2.)*

The author supposes, that such fields, as education in the home and host-countries are related to the social environment and consequently to the institutional environment as well with its own specific features. For sure, educational background and educational traditions of the employees performing the roles of HR managers in both Finland and Russia influence the way HRM (“field which is all about people and differences”) is implemented. The theoretical part and various researches stated, that the phenomenon of switching jobs and “sitting on another’s place” in terms of the job-position is something relevant for the Russian market only. However, the discussions with the managers revealed a great variety of backgrounds of Finnish HR managers as well. HR teams of all the companies are believed to have diverse structure, from “doctors of Philosophy to engineers”. *Manager 6* stated:

*“HR sphere – is constant dealing with quests on every step you make, and when those occur, it is a great asset to have someone with a technical background to pay attention to the facts, and someone with the humanitarian background to feel the psychological side better. Therefore you get the balanced view”. (Manager 6.)*

*Manager 7* confirmed the statement of her colleague in the following way:

*“The background is not the most important thing, what matters more for Company 5 is the motivation of a person to work in the field of HRM specifically, desire to acquire new*

*knowledge on the constant basis, being initiative in regard with possible new changes and innovations, being able to take decisions independently to improve the working process; the more technical and specific knowledge can be gained ‘on board’.*

*(Manager 7.)*

*Manager 4* summarized the opinion with the following statement in this regard: “job-related knowledge is of great importance; as task – related issues one can learn in Company 3; personal capabilities one should have when getting on board”. All managers agreed, that what HR really needs and values – is the understanding when working with different people and different cultures, as the techniques can come in the day-by-day practice. HRM is one of the most fast-moving management fields and good perception skills are very important for the good managers. Even though HR departments in both countries value professional HR-field trainings and professional qualification courses (if not the full Degree in HRM), they state that the role of understanding, and more of a human approach (psychological development) is something invaluable.

Talking about the Russian HR background in the theoretical part, we proposed, that the challenge in the minds of employees coming from the Soviet Union era is a rather different one from the Western perspective, in terms of perceiving the relationships within the company (boss-employee relations and so called top-down approach), trainings and so on. Russian HR managers, who are cooperating with the Finnish colleagues on the constant basis, admitted the visual differences in perceiving the companies’ policies and obligatory discussion sessions:

*“Russian representatives tend to be quieter, seem less interested in sharing their opinions and are much less willing to discuss the working process details and possible modifications. We would want them to be a bit more initiative.” (Manager 1.)*

As we stated in the theoretical part, this is a so called “soviet union rudiment”, which was however rather complex to prove, as the managers interviewed were all from a younger generation and age groups. Yet three of them agreed, that “weekly and monthly trainings and benchmarking meetings are a great opportunity to learn from senior and more experienced colleagues”. The direct question, however, revealed their agreement with this postulate. It is worth stating, that in this regard

employees and HR managers of foreign MNCs in the Russian market are in a rather favorable position, comparing to employees of national companies, as the western organizational culture penetrates the minds and changes them for a more active and flexible approach in business.

Talking about the differences between the existing knowledge in the HR sphere, which were referred to in the theoretical part, the opinion of the HR managers from the Russian side was especially valuable for the author. *Manager 3* stated, than unfortunately “the level of HR field development in Russia is very far from the Finnish neighbor”, it is partly rooted in the lack of education and popularity of this field on the Russian market. *Manager 5* stated, that the “progress can still be visible nowadays, as there are more and more accessible opportunities to expand the knowledge in the field”. According to the assumptions from the theoretical part of the current thesis, HR in most cases in Russia nowadays means recruitment only, and such world-known practices, as performance appraisals, coming from the Finnish units, are still something rather unknown even to the managers of big MNCs and are yet to be get used to. The question was posed to some of the Finnish managers about the necessity to provide Russian side with more trainings and team-work, however, the answer did not reveal any significant complications for the Finns. The role of global training sessions in this regard should be emphasized, as experimenting with the knowledge gained from each other is the best way for the Russian managers to cover the existing gap in HRM implementation knowledge, which is later applied in the Russian unit taking into account the existing differences in institutional rules and culture (*Manager 3, Manager 5, Manager 7*).

The questionnaire part regarding the institutional theory’s role for HRM implementation started with the questions about the role of institutional environment in HRM practices implementation. The clarification on institutional environment was given in order to avoid possible misunderstandings (at first the conversation was aiming at revealing some major implications, namely, the role of political and economic environment in general, and later the list was narrowed depending on the flow of the managers’ thoughts). In all the cases the corruption and rather big amount of bureaucracy came to managers’ minds in terms of institutional complications in the Russian market. Referring to the phenomenon of coercive isomorphism, which is a great part of

the institutional theory and implies forming relationships with social partners and employment legislations, *Manager 4* and *Manager 6* stated:

*“This is a great yet rewarding challenge for us to become friends with the way you do business in Russia”. (Managers 4 & 6.)*

The author supposed before the real communication occurred, that Finns would prefer to penetrate the minds and ensure the company’s culture sharing via the phenomenon of expatriation into their Russian subsidiary. However, “due to the current economic difficulties” and “lack of ongoing projects” this was not considered to be necessary. To provide the most outstanding numbers on that, Company 3 announced “less than 1% expatriation in Russia on the current stage”, Company 4 was believed to have “a handful, but not more than 10-15 people” and Company 2 had “no expatriates” in the past several years (Interview material with *Managers 2, 4 & 6*). This tendency relates again to the strategy of the companies, when host-units are obviously given a great amount of independence in the decision-making process. *Manager 3* and *Manager 6* shared their opinions on the subject this way:

*“Expatriation is more important when the new project (meaning manufacturing and building a new factory) occurs, and Finnish managers usually have short-term trips to Russia to pilot the projects from their professional perspective and in order to make sure all the parent-unit standards are followed”. (Manager 6.)*

As Company 1 only has sales operations on the current stage in Russia, foreign managers also perform short-term assignments. One of the questions for the author was the ratio between the foreign colleagues and Russian employees working in the Russian units and the main reason for this. This main reason behind as well as the interrelation of this phenomenon with the topic of the current paper will be revealed in the conclusion part.

In *Manager 4*’s opinion, “differences in business environment of Russia and Finland may change the possibility of conducting the business and reduce profitability a lot”. She agreed, that the “environment differs a great deal” and gave an example of “introduction of higher export and

import duties” on Finnish production recently from the Russian side, which apparently has not been expected and caused the Finnish side extra expenses. She claimed, that the Russian legislation on recruitment and inspections differs from the Finnish unit a lot as well; in terms of extra paper work in particular, which makes the amount of work that has to be conducted “much more time consuming and unnecessary for the Finnish HQ reports”. The main problem with the Russian side lies in their “unexpectedness” and “difference in the way of doing business”.

Russian side, however, admits the existing complications related to the bureaucratic procedures and tries to solve them somehow. Company 2, according to the words of *Manager 5*, solves this extra paper work problem within the Russian unit only (“Finland and our head unit gets only the most important reports that are obligatory for all the units of Company 2”). Both side managers from Company 1 believed, that “paper work and extra documentation” is more related to the processes in sales, but not HR policies, which are “unified in paper” for all the units of Company 1. *Manager 7* pointed out the similarity in the labor codes of Finland and Russia, which are both aiming at the security and safety of the employees’ rights. However, she also emphasized the global strategy of Company 5:

*“All the necessary processes are undertaken within the company and our HQ take care of all the possible technological innovations that are immediately implemented in all overseas units” meaning that technological processes are born to make the paper side of the question easier on the daily basis; however, even when technologies exist, there are still enough reports and double-checking on paper in the Russian unit”. (Manager 7.)*

Company 4 raised one very important part of Finnish cultural mind, which was also proven by other managers in different questions during the interview. *Manager 6* stressed the importance of value within the company, which again related to the fact, that certain core issues existing in the minds of Finns and within Finnish units are very much likely to be transferred to the other units in order to preserve the corporate culture. He also later implied the existence of difference within people’s minds in terms of the role of politics:

*“I suppose, politics goes more strongly into the Russian heads and invisibly influences the way you do business (HR as well)”. (Manager 6.)*

In terms of possible donations or support of different local political campaigns all the Finnish managers stated such events to be “transparent” and “extremely rare” (*Manager 1, Manager 2, Manager 4*). Four managers agreed on the fact, that generally political and economic environment do influence the business of the Finns in Russian subsidiaries, however, on different stages, and those are not related to HR practices to a large extent. What concerns HR practices themselves, only the phenomenon of bureaucracy was proved to have an influence and cause changes between the parent-unit and the subsidiary.

One typically Russian market feature was also discussed rather vividly in terms of HRM implementation. This was the phenomenon of corruption, discussed broadly with the *Manager 3* and *Manager 4*. Both managers agreed, that it is rather unethical to give comments on such an issue, taking into account the huge size of Russia as a country (they believe the situation may vary from region to region). Company 3 believes, that “corruption has existed in the world for such a long time, that it causes multiple complications with rather inhuman consequences”. Discussion of the Code of Conduct appeared in the conversation and its role was highlighted. Although in most companies this document is basically a unified policy which is supposed to be accepted by all the countries, for Company 3 a certain section in Code of Conduct exists, that was introduced specifically to cover all the possible consequences from such phenomenon, as corruption, and imposes some internal rules on the subsidiary. For example, all the salaries and payments of Company 3 are made through the banks and no cash payments can even be accepted in any case (all the documentation and contracts have to be provided to the central Finnish unit in order to ensure transparency of operations in such transitional markets, as Russia). (*Manager 4.*)

Company 1 has shared its experience in dealing with corruption via implementing a special global anti-corruption department and the position of a compliance officer whose responsibility is to make sure everything goes smoothly in “controversial countries”. The managers were not allowed to go into detail about the specifications of this policy, however mentioned the part of “special check”

on providers, customers and suppliers. Apparently, this department of Company 1 works in close cooperation with the HR unit.

To sum up the general ideas and turn to the proof of some hypotheses made in the theoretical part, we state that the role of government (meaning the country labor laws and specifications) pose some limitations on the HQ activities and its interrelation with the subsidiaries, which to a certain extent prove the cease for existence of the phenomenon of coercive isomorphism in relation to HR management practices. Only Company 4 admitted some signs of mimetic isomorphism features in its operations:

*“We do cooperate with various Russian organizations to get a better perspective and gain invaluable experience from them”. (Manager 6.)*

As the concept of normative isomorphism could be interpreted as the certain level of unification and socialization of practices in the same market conditions, we suppose, that the fact that all five companies agreed on the role of institutional theory factors in forming their policies can be taken as an argument “for” this theory (Interview materials).

One of the most important postulates of the theoretical part of this research in terms of institutional theory stated, that the more the institutional distance is between the parent-unit and its subsidiary, the more complex it is for the home country to gain legitimacy in the host country. Four managers proved the meaning of this statement, however, on other stages of the company development, not exactly HR processes (for instance, when opening a new Greenfield unit or performing acquisitions). In this regard *Manager 4* claimed:

*“It makes a big difference, whether the company has already established culture and internal rules and ways of doing things compared to the new start and acquisitions; but this concerns HR matters as well”. (Manager 4.)*

Any possible complications in HR are believed to be overthrown via implementation of corporate policies which consolidate all the departments, and to some extent via putting local management

in place in order to better comprehend and implement the local standards of doing business in the host-country. (*Manager 6.*)

Two more interesting processes were covered in the institutional theory analysis, which were resource flow between companies and the country of origin effect. Under resource flow in this research we understand employees, expatriates and documentation on HR policies as well. Both found their proof in reality. The rather insignificant extent of resource flow proved the independence of the overseas units of the case companies but at the same time implied the big effect of country of origin, which was reached via affiliated practices from the parent units and sharing values via same corporate policies and documents.

## 6.5. CULTURAL DIMENSIONS' THEORY

As mentioned in the theoretical part, cross-cultural assumptions are believed to assist the companies in making final profits from operating in the diverse environment. As stated in the previous discussion about the institutional theory, HRM practices in most case companies were believed to be non-transferrable, and now the role of culture in this phenomenon will be examined.

As partly mentioned before, the CME's way of implementing HR strategies includes efficient training systems, higher experience of the employees and strong representation of employees in various labor organizations. Therefore we assume, that all the companies, linked with the Finnish market deriving from the CME kind, will observe those features in both the central units and the overseas subsidiaries. This part will be examined in detail further on, however now the general opinion of the managers will be stated: "HRM is about employees and it is our main job to make sure their potential and skills are constantly trained and developed" (*Manager 2*).

As follows, three stages in which cultural dimensions could possibly effect HRM practices were stated in the theoretical part of the research (Deller, Yu & Stahl 2000). The first stage included the internal work culture that was believed to reflect the most important norms and beliefs from the

parent-unit perspective, that were supposed to be further transferred and shared by the overseas units. The second stage reflected assumptions deriving from various organizational characteristics and the third one showed employees' ideas through the socio-cultural lens. The author states, that all those stages found reflection in real case-companies and managers' answers. The role of the corporate norms and culture has been specified by all case companies, however was especially important in Companies 3 and 5. *Manager 7* from Company 5 emphasized multiple times, that its mentality is the most crucial thing for employees' understanding, and its transfer across borders ensures the international corporate image and culture of Company 5. *Manager 4* mentioned the significance of corporate policies and Finnish attitude towards implementing various strategies, and stressed international policies implementation with only certain amount of local adjustment. Even though the Finnish MNCs tend to understand the importance of carrying out their operations globally, they still prefer to have their own brand and style.

#### 6.5.1. FINLAND AND RUSSIA – CULTURAL DIMENSIONS' ANALYSIS

In terms of specific cultural dimensions' perspective, variations in managers' answers occurred. Finnish HR managers' answers completely proved the specifications of the dimension of power distance, according to Hofstede, with low hierarchy in the relationships at work, equality of rights and weekly discussions and training sessions in gracious atmosphere (*Manager 1, Manager 2*). Within Finnish departments the sharing of responsibilities also occurred, which could be proven by the comparison of the amount of managers working in Finland and Russia (for example, the Company 1 had 40 HR managers of all kinds working in the unit versus only 20 at most in the Russian unit). Communication within the HR departments and with other departments in Finland occurred in a "smooth and amiable way", with "everyone ready to solve the problem and come up with a new idea" (*Manager 2*). Company 5, having currently less than 10 HR managers in the Russian market, also emphasized the role of cooperation in their day-to-day activities:

*"A special unit exists within the HR department responsible for "at work problems solutions, trainings and so on". (Manager 7.)*

To continue the discussion about Finnish HR departments, the theory about having a rather flat structure of HR department was proved – even though there are a lot of various positions of HR managers of all kinds in Finnish MNCs – the hierarchy itself is rather vague and even the GDs are rather willing to get involved in the every-day activities and share their knowledge in any situation (*Manager 1*). Unfortunately, the theory about small differences in wages in the Finnish units could not be checked, as this type of information was “too confidential to share” during the interview.

As a reminder, Russia scores very high index on power distance (93), which was proved in those HR departments of the companies, counting more than 5 people. According to *Manager 3*, *Manager 4* and *Manager 7*, “distance in the company is excessive”. Consequently, the involvement of HR Director in the basic processes, for instance, would be much less expected, than in the same case within the Finnish unit. However, in case of Company 2, for example, there are only two HR managers working in Russia, therefore the hierarchy itself does not really exist (*Manager 5*). Generally, employees in the Russian subsidiaries tend to perform “respectable behavior at work” and “follow the hierarchy” when the problem needs to be solved. It is worth mentioning, that the phenomenon of supervision at work is something rather “new for the Russian side”, and the supervisors in the HR departments as well in the company in general are perceived in a much deeper and more respectable way than for the Finnish colleagues, for whom the practices of supervision has become an ordinary procedure (*Manager 1*, *Manager 3*).

As already mentioned in relation to the institutional theory, the Russian management team takes part in various team-building sessions and shares experiences in innovations in the field of HR in a more reluctant way than the representatives from the head-unit.

*“When we are talking about whichever subject in the meeting, what is going to be implemented in regions, for instance, Finns are always ready to share the experiences and go into the details a lot and help the subsidiaries’ representatives in the implementation in a much broader way, than they are actually asked for; meanwhile the Russian managers and Russian culture is more like answering the simple questions and quietly waiting for the next one; we would expect more openness and cooperation from our colleagues.”* (*Manager 1*).

When global training sessions occur, which will be further discussed in the next chapter, senior instructors with a greater status and larger amount of experience would be more accepted by the Russian side in order to observe the hierarchy (*Manager 1 & Manager 3*).

Finland and Finnish units completely validated the Hofstede's descriptions of the individualism dimension. According to *Managers 1, 2 and 4*, this dimension is mostly reflected in performing HR practices of performance appraisals and trainings.

*"Trainings and appraisals are crucially important for us in order to keep an eye on the way the employee develops, what his/her expectations in terms of the complementation of the company's are; we value individualism in our employees and stimulate those, who are born leaders, ready to show their potential and development". (Manager 6.)*

According to the theoretical concept proposed earlier, high score on individualism would imply checks on the employees' development and progress on a regular basis, in order to ensure employees' heading to success and personal development. As discussed before, the sessions of performance appraisals or global trainings usually occur simultaneously in all the company's units. It is worth stating, that the characteristics mentioned above for the Finnish side found their relevance for the Russian side as well (even though in accordance with Hofstede's dimensions Russia scores much less on individualism and is expected to perform collectivistic policies' more). The author supposes, it is to a great extent the influence of the corporate culture and corporate rules which are affiliated for all the units. To continue the conversation on individualism, the following statement about the Russian side can be made: as building connections and trustful relationships within the teams for Russians is a fairly important process, the phenomenon, explained above, can be understood through the cultural lens of Russian mind: when the meetings and discussions occur, Russians are rather reluctant to express themselves due to the lack of trust built within the teams in those meetings. External visitors make it impossible for the Russian side to explicit themselves to the most possible extent (Interview materials).

The dimensions of feminism versus masculinity as well as time orientation did not really find that much proof in the conversations with the managers, however, some assumptions could still be

made. In terms of the Finnish way of thinking, a considerably feminine culture would imply reaching consensus in all the possible problematic cases and searching solidarity within the teams. As mentioned in the theoretical part, the author partly disagrees with the classification of Hofstede in this regard, and supposes, that dominance and social status will be important criteria for the employees from the Russian side. As follows, the long-term orientation in personal development in the Russian units could be explained via the lens of potential career plan with certain success implications. Regarding the time-orientation for the Finns, only the concept of work done on time was mentioned by *Manager 4* and therefore there is not enough reliable data to prove or disagree with the statements about “the desire to achieve quick results” for the Finnish side.

Finland as well as Russia are the countries scoring high indexes on uncertainty avoidance. Direct and honest communication, working hard, being punctual and stating yourself clearly are expected from the Finnish side and in their subsidiaries in Russia. All the managers from the Russian side and *Manager 4* working with the Russian side for quite a while now, have stated the problems and complications related to extra bureaucratic procedures when implementing various processes in Russia. This extra paper work is in the author’s opinion closely related to the dimension of uncertainty avoidance (as follows, expulsion of possible misunderstandings). According to the managers and their views on this difference, Russian way of preparing whatsoever projects is always much more precise and “unnecessary detailed” than the same projects performed by the Finns (*Manager 5*). This does not cause a lot of predicament in the communication process between the managers of two countries, however, sometimes routes needless complications (Interview materials).

It has already been stated above, that the 6<sup>th</sup> dimension of Hofstede - indulgence versus restraint – is a rather unaccustomed one and has not really appeared in the conversations with the HR manager from Finland or Russia. Referring to having fun and possessing a generally positive attitude towards life, it is often discarded from the analysis. However, in case of this research, *Manager 6* stated the importance of outdoor cooperation as well as business life, which to a certain extent could be related to this dimension.

*“We like to see people from our overseas subsidiaries come to Finland and see our flagship factory, however, we also like to see them outside their business suits, in a more relaxed and friendly atmosphere.” (Manager 6.)*

As believed, working within the global team does not only imply the working process itself, but also being able to cooperate and have fun “after 5 pm”.

### 6.5.2. ORGANIZATIONAL CULTURAL DIMENSIONS

As follows from the theoretical part, the organizational dimensions of Hofstede have not gained enough attention in the literature, however, did find certain amount of reflection in the managers’ answers for this research. Let us start with the dimension of means versus goal orientation in the working process, which was originally believed to find different answers from the Finnish and Russian side managers. As the author stated, this dimension was thought to reveal a big cultural difference in communication process construction and goals’ achievement between two nations, therefore even the separate question in the interview was dedicated to this aspect.

To provide the evidence for the difference, the opinions of the managers will be given in pairs. The answer for this question from the *Manager 1* was the following: “it is a very cultural question in my opinion... For me the way we do business is means-oriented, and the process of doing it is the most important thing for us”. In comparison, *Manager 3* stated the answer as follows: “for us the result is definitely important, as any process’s aim is achieving this result”. The opinion of *Manager 2* once again proved one of the main cultural features of the Finns, he said: “when we have a big company, we all try to follow the procedure and pay attention to the process, of course... However, sometimes I would rather shorten the way and proceed straight to the goal”. *Manager 7* stated the importance of keeping the balance in between the two, however stressed the necessity to “remember what the process is for – for the final result”. To sum up, *Manager 4* sort of went against her colleagues and said, that for Company 3 “goal orientation is the sustainable business profitability strategy” and “the result is something they are aiming at”. In the author’s opinion this dimension reveals one very distinctive feature of the Russians: the idea to achieve the goal has always been primary to the way it is done. Thinking about “social welfare state” in Finland, this

approach might seem to be rather radical for the Finns sometimes, as well as the expressions and explanations of the Russian side in this favor of this goal achievement. This distinctive feature, however, is believed to be general for the Russian nation, and to deal with HR practices as well as broader life and work complications.

In the author's opinion, other organizational cultural dimensions are closely connected to the company's strategy, internal policies and goals to a large extent. For example, the phenomenon of internal versus external drive for the activities and strict / flexible work discipline are believed to be reflected in the Code of Conduct of the company (meaning they are the same for both Finnish and Russian units) and the analysis will be provided further on. However, the dimension of open versus close system organization is worth giving an opinion on. As follows from the theory, this dimension could be closely related to the practice of recruitment and adaptation process after the new comers join the teams (consequently, to the cultural aspects within the Finnish and Russian teams). Of course, as the case-companies chosen for the current research were originally MNCs, it was worth assuming, that all of them would have a certain introduction and welcome process for the new comers, however, the answers revealed to a certain extent, that the new comers in the Finnish units felt more welcome and easy in the new environment than their colleagues in Russia. In this regard a link with the cultural dimension of individualism is worth stating (*Manager 1 & Manager 4*).

## 6.6. HRM PRACTICES' RELATION TO INSTITUTIONAL THEORY AND CULTURAL DIMENSIONS' THEORY

As follows from the previous chapters of the research, there is a wide variety of concepts linking institutional approach and its influence on HRM practices and this chapter from now on will be giving real HR practices' examples in relation to this theory, as well as cultural dimensions' theory. In terms of gaining legitimacy, any company going to the international market has to bear in mind the following: reaction on the spot to the variations of institutional environment between the

parent-unit and the subsidiary is excessively important in order to adapt the HR practices to the new environment smoothly (Meyer & Rowan 1977).

Such markets, as the Finnish one, have been extremely successful in implementing various innovations and techniques in the working process. As already mentioned above, the level of development of such HR tools, as performance appraisal or training sessions coming from the Finnish side is very high, however at times those innovations could be misinterpreted by the subsidiaries' management. For example, as agreed in the previous chapters, Russian procedures for the same processes, as Finnish, require much more written explanations, reports and paper work. In this regard occasionally Russians perceive new tools from the HQ as "unnecessary amount of extra bureaucratic procedures" (*Manager 5.*). All the managers from the Russian side sort of criticized the Russian labor code for the amount of papers required for even the simplest processes in HR department and all seven managers interviewed agreed with the postulate that "country specific laws are the most critical regulators and limitations for the activities the MNC performs on the market or within its units" (Interview materials).

After the general opinion on the role of institutional and cultural dimensions' theory has been stated multiple times, it is high time we observe some HR policies performed in reality in the Finnish units and their subsidiaries, and later proceed to the conclusions, about what could have influenced the similarities or differences in those.

#### 6.6.1. RECRUITMENT POLICIES

The first interview question regarding HR processes involved the managers into the discussion about recruitment policies and main principles they followed when enlarging their teams. To begin with, the recruitment policies (in general) turned out to be the same in the Finnish parent-units and Russian subsidiaries at the first glance, flowing from general recruitment policies of the MNCs, however the means of this process was believed to vary to a certain extent. *Manager 1* emphasized the role of job-related knowledge when selecting new employees, stating that "any possible connections to a person is a great benefit, of course, however, him/her fitting in the team that has already been formed is a different question". *Manager 3* implied the role of connections in the

sphere, yet still emphasized, that according to the MNC policy, the final decision is always based on “experience and qualifications that can be proved”. *Manager 2* indicated the important role of the line manager in the decision making process when performing the final selection, and his Russian colleague stated, than “candidates from all over are always welcome as long as they possess the necessary motivation and drive to join the team”.

*“The important issues are the person him/herself and the abilities, personal characteristics, business understanding, knowledge. So job-related knowledge, personal qualities you should possess getting on board.” (Manager 4.)*

*Manager 6* complemented the broad answer above saying that “interest and dedication to people is the most valuable feature someone potentially joining the team should feel”. Company 5 highlighted the “accessibility of information nowadays, when the search on the potential candidate has become a rather simple process” (*Manager 7*). The author believes, that even though a certain code on recruitment exists, the result of the process in two countries will still differ taking into account the difference in the candidate search approach from the managers. It is important to base that one on the general requirements from the parent unit, however more of a personal perspective might also be in hand.

As mentioned earlier, the age of Russian managers has not been revealed, however the tendency to recruit open-minded and flexible employees has totally been mentioned by the Russian managers at various points in the discussion flow. What concerns Finland, *Manager 2* and *Manager 6* supported one the theories regarding the general switch to internal recruitment in Finnish companies. As stated, “Picking new candidates from an existing pool of candidates is a business decision for us”. Two other companies also referred to this tendency, however explained it via certain “troubles existing currently on the market” (*Manager 4*). To sum up, generally the recruitment processes from both Finnish and Russian side have been described in a “generally-company” way, when the different specifications were omitted, however managers still followed the line of “culture bound recruitment policies”.

### 6.6.2. COMPENSATION PACKAGES

One more HR practice that was broadly discussed with the managers related to compensation and benefits systems and the way they were implemented in the companies. The theoretical analysis led us to the logical point, that large PD countries (like Russia in case of this research) would experience larger differences in salaries and compensation packages. However, this did not turn out to be completely true due to the fact that multinational corporations with unique package of policies were taken as case studies. Giving an example of Company 3, the compensation and bonuses system in most case-companies was close to this scheme:

*“Besides the basic salary, of course, volunteer medical insurance is provided to our workers, as well as accident and travel insurance; annual bonuses are given out the same time on our units and are based on the annual decision of the Company Board in Finland; any extra raises are believed to occur budget allowing.” (Manager 4.)*

*Managers 5 and 7* explained the base of the financial bonus to derive from the price of the employee on the labor market in Russia. The role of the line manager in the provision of various mid-year bonuses was emphasized multiple times, as only this key figure can evaluate the result of the work done by a certain employee.

To go on with the topic about financial side of the working process in the Finnish units and Russian units, a question about the role of money in the managers’ opinions was stated. The author predicted in the theoretical part, that this answer will reveal the difference in attitudes of Finnish and Russian employees in this regard. Finnish managers (except for *Manager2*) stated, that “money is something very far from being a good motivator for our employees”, and he said that “apparently even though we are Finns – our researches show the opposite answer”. The Russian managers admitted that “unfortunately for our mentality money is something that makes people move forward” (*Manager 3*). The answer from *Manager 6* was a rather interesting one:

*“Money is a good motivator when it is used cleverly; in our company we do not want people to do a good job because of the money, we want them to do an excellent job, and*

*for that real passion is needed; in Company 4 money and salaries and bonuses are definitely important, but simply monetary benefits will never give you satisfaction from the working process that we aim at.” (Manager 6.)*

Although this question revealed certain differences between Finnish and Russian people, it is still worth noticing, that not all Russians perceive such material things, as money and financial benefits, in the same way, and in this regard loyalty to the company and its principles is very important.

### 6.6.3. PERFORMANCE APPRAISALS AND GLOBAL TRAININGS

As in case of recruitment, for example, the performance appraisals and trainings schemes are also more or less the same in both parent-units and subsidiaries, and the calendars for those also matched in two countries. And even though this concurrence exists, there are still certain visible differences in the way the processes are perceived. First of all, the concept of feedback is believed to have a different meaning in Finland and Russia. In more “equal” countries, like Finland, the role of feedback is enormous, it is aimed at helping employees to develop their own working environment, promote the level of trust within the company. However, from the Russian side this process is perceived as a way to reveal some negative activities or problems within the teams in order to punish those, who are guilty, after. This cultural difference explains the fact, that Russian employees are much less willing to perform any appraisals or provide feedbacks on the work. Russians are also less willing to have “group discussions” about their development, and would prefer private conversations with the line managers only. Company 3 stated, that their performance appraisal system is “the same in structure in both Finnish and Russian units”. (*Manager 4*).

The question about the trainings revealed the greatest interest from the managers’ side, as all of them agreed, that this is the most “enjoyable” and “opened” part of the working process. The global structure of MNCs implies operating in a very dynamic atmosphere, when the willingness and the ability to change and switch roles very fast is something of great importance. As flexible behavior is expected from the employees of the Finnish companies, the role of training and development sessions is widely recognized in Finland and its overseas subsidiaries (*Manager 2*). As discussed earlier, high power distance nations, as Russia, prefer training sessions with higher ranking

professionals, in the best case – from the internal pool of the company in order to sustain trust and favorable atmosphere during the sessions. This is to a certain extent true, however, three companies base their choice of trainers on the topic and experience mostly (meaning, both internal and external staff can be invited for those sessions as the “professional” side). Even though the training sessions in all the case-companies seemed to be really close in the procedure and planning, a number of examples will be given. Company 3 performs Group level trainings multiple times a year, as well as the sessions aimed at the increase in the employees’ potential (so called development trainings) (*Manager 4*). Company 4 has the whole scheme and ratio for trainings & development sessions which they stick to:

*“For us training is not about the leaning several times a year, it is a continuous process, which we divide in the following ratio: 70— 20— 10, when 70 % is learning at the working place, 20% is working from the colleagues and 10% are the trainings we are talking about.” (Manager 6.)*

Companies 1, 2 and 5 also stated the existence of the special training calendar, when trainings for various staff occurred on the daily/weekly/monthly basis. In terms of global training sessions, provided by the main units, a certain tendency was revealed from the Russian side. *Manager 3* admitted, that the language barrier sometimes provides complications for the managers even from HR departments, the engineers and various groups of employees as well in attending training session from the central unit. Those training sessions so important for the corporate development in the Finnish units and Russian subsidiaries might always be in hand, but are not always possible to attend because of language or financial problems within units.

According to the common practices, MNCs are believed to innovate all the time, implement new technological activities and share experiences. Even the training sessions mentioned before imply innovating to a certain extent. However, we could assume, that it has to be hard to innovate within a big MNC very fast. This question was discussed with the managers concerning the way employees (in the managers’ opinion) perceive innovations. *Manager 1* emphasized the openness of the working environment and the importance of following “bottom to top” approach in the everyday working life. In her opinion it is very important to create an atmosphere when an

employee easily “comes up and speaks out his idea/opinion”. This does not happen once or twice a year, it should be an enduring practice. *Manager 2* also emphasized the fact that innovations never occur all of a sudden – they have to be implemented within the time-being, however are generally perceived in a positive way by the employees. *Manager 4* stated the following: “change management and implementation are difficult in both countries, as the human factor is probably even a more crucial factor, than nationality”. This follows us to another difference in the perceiving process of employees from Finland and Russia. The Finnish perspective was just discussed above, however, the Russian way of perceiving innovations might vary. It is very important (as Russia is a high PD country) that the innovations in the company follow so called “top-down approach” in order to gain respect among the employees. This is the approach that has been more spread in the Russian minds. In this regard *Manager 4*, taking into account the Russian way of thinking, stated, that “the implementation of the innovations in our units starts from the management and involvement of personnel eases up the process in this way”.

The final aspect that was discussed with the employees in terms of the role of institutional environment and cultural differences, was the Code of Conduct of the company. The author predicted this document to be a unified one for all the companies’ units both nationally and internationally, and this turned out to be true. Even though the managers stated themselves that all environments are different, this document still “did not take into account any variations” (*Manager 3 & Manager 7*). In addition, various introductory sessions and clarifications from the managers could be provided on certain parts of this document (let us say, the legal side, meaning the rules on the documentation flow).

To sum up the discussion on the management practices, some of them turned out to derive from the local approach of the companies, yet the general outline for all of them comes from the company’s practices. The role of human/cultural field has been emphasized by the managers when describing the implementation processes, and the theoretical predictions about culture-bound HR practices also turned out to be true to some extent. For instance, recruitment and selection processes were found out to be less dependent on cultural differences, than the processes of performance appraisals or career development and trainings.

## 7. CONCLUSIONS AND DISCUSSION

The last chapter of the current thesis will summarize the main ideas stated in the previous parts, and the final conclusions of the research's findings will be presented to the reader. The research question and research objectives, posed in the very beginning of the study, will be reviewed once again and critically evaluated in accordance with the main findings. Moreover, possible managerial implications will be suggested. To sum up, possible limitations of the research will be stated and future research suggestions will also be proposed by the author.

### 7.1. SUMMARY

The main aim of this research was to prove the existence and analyze the role of institutional and cultural dimensions' perspectives in the implementation of HRM policies of the Finnish MNCs in the Russian market. The result was reached via implementing an extensive review on existing literature in the field, concerning the topics of institutional theory, cultural dimensions' theory, and various HRM practices in the environment of well-developed Finnish market and emerging Russian market, and later complementing the theoretical findings with the real case-examples. All the companies interviewed stated the importance of the Russian market for them and their operations, yet, also mentioned certain complications related to the two theories and their outcomes mentioned in the theoretical part of this study. Generally stating the result of the research, both theories were proved to exist and moreover to correlate within the MNCs interviewed and their performed practices.

National differences between the countries form the core stone for HRM policies' implementation even in case of geographically close countries, like Finland and Russia. One of the most recent perspectives in intercultural management field is synergetic approach, which is dealing with the main issues of the current research – namely behavior of people and personnel management within MNCs. As mentioned in the theoretical part, cross-cultural assumptions are believed to assist the companies in making final profits from operating in the diverse environment. When talking about

MNCs and their practices, the phenomenon of global-local dilemma always appears. In terms of the results of this research, the Finnish MNCs taken as case-studies have shown a successful example of combining both the global guidelines (embodied in the internationally introduced and accepted HR practices) and local approach to their implementation in order for their activities to correspond with the institutional and cultural environments of the host-country. As Russia and Finland were proved to be rather different in certain spheres, several points for the locally responsive way of doing business and HR in particular could be mentioned.

Interviews with the managers and their answers proved multiple times, that their choice of implementing HR practices locally was the key to success in providing a better understanding of local employees in terms of their culture and mentality, as well as the knowledge of the environment. Most of the companies preferred to have local top-management teams in order to overcome the liability of foreignness to the largest possible extent. There was no doubt from the Finnish HR managers' side that their Russian colleagues will cope with various "institutional troubles", namely bureaucracy and corruption, faster and in a more efficient way. And this was not the question of the language knowledge only, but more of the value-based mentalities, which are so important for the HR managers, who deal with people on the daily basis and are responsible for finding the right candidates for the right job. Talking about the theories of isomorphism, their "limitation" occurred, for instance, the answers of Finnish or Russian managers did not reveal any evidence of Finland implementing the "Russian way" (meaning briberies, corruption and so on) or following the Russian rules when either doing HR practices or conducting the business in general. The process of HRM in Finnish MNCs in Russian subsidiaries is believed to derive from the parent-unit, however, with certain modifications to fit into the Russian realities. Therefore, the hypotheses about Finland following its "right" and "accurate" way of doing business and HR in particular overweighs in the Russian market. It is also worth admitting, that neither the phenomenon of following someone else's example, nor the concepts of normative isomorphism found any evidence in reality either.

The companies examined varied in the ratio of foreigners and locals in the top-management teams in Russia, however, those that maintained a local management team believed, that this contributed to their international performance a lot. It is worth stating, that the phenomenon of expatriation,

that was expected to occur in the current research, did not find evidence. Most of the managers related to “business-wisdom of this decision”. The comments and implications of the phenomenon of expatriation will be given further on. One very positive implication from this tendency could be named at this point: Finnish units definitely experienced great cost reductions, as it is much cheaper for the company to provide decent working conditions for the local employees with greater knowledge base about the market and people than keep expatriates from other units (Evans et al. 2011: 75).

As at least one of the companies interviewed proved to follow the global strategy and global perspective on HR, the possible positive implications from this perspective are also worth-mentioning. As follows from the theory and manager’s answers, this kind of strategy contributes a lot to the global branding of the company (the most favored statement of *Manager 7* was about “our unified policies in all the units”, “same corporate rules” and “our branding” in every step made in the working process of all departments). It was stated rather clear, that behavior and work according to the corporate norms and unique corporate cultures was one of the most important aspects within both Finnish and Russian units of Company 5. That company was really strong in its unified codes of behavior, however, even in this case certain policies found themselves localized and adapted to the Russian realities. Even though other four companies were believed to be associated more with the local approach, the role of unified HR policies is hard to overestimate.

In terms of the research results, the role of line managers should also be emphasized. During the interview sessions in various parts Finnish managers (to a larger extent) stressed the role and influence of line managers, whose opinion was believed to be “complementary” and sometimes even “primary” to the HR managers. This feature seemed to unite Finland and Russia in the work approach: that was the aspect that revealed certain independence from institutional or cultural differences, as it was more about the work ethics and business in both countries’ units.

Summing up the general agreement with the existence of the theoretical framework provided in the theoretical part, the last question posed for the managers during the interview was related to their opinion about the role of institutional environment (based on the solid postulates of institutional theory) and culture (based on Hofstede’s theory) when taking the final decision about

the ratio of expatriates versus locals in the host-country units. The best examples of the proof of the existence of the theoretical framework proposed for the study is their answer “Yes” to those two phenomena being the key reasons when performing the choice. The answers from *Manager 6* revealed the understanding of the two issues’ importance in the most exponential way:

*“Finns might be good at a lot of things, however, networking and getting used to new cultures is something that is not our strongest point; the local management team will understand and explain the institutional specifications and cultural features between us and them in a much more efficient way.” (Manager 6.)*

Therefore, we believe, that the framework created for the current study can further be used and developed in the field.

It is worth mentioning, that the development of BRICS countries and Russia in particular has contributed to the research in the sphere of HRM in general. As we stated in the theoretical and practical parts of the research, historical development of the company helped in forming its organizational features, management practices, assets and capabilities control. HRM sphere in Russia is the one of special interest due to the fact, that HRM there is currently facing the stage of its early existence and development. The question was stated, whether the practices so widely used in the West could easily be transformed from the modernized Finnish environment to the Russian realities, and the question turned out to be “yes” with the certain limitations. This was proved to be completely true in terms of implementation of various practices in the Finnish units and Russian subsidiaries, although some local modifications were in hand. It was also proved that institutional perspective and social determinants form the logic behind the organization and its employees in particular, and the activities performed in HR departments corresponded to the cultural and institutional expectations. (Reiche et al. 2009: 51). It is also rather logical to state, that management outline conducted within the parent-unit can be rather insufficient for a lot of subsidiaries due to institutional and cultural differences existing. There is generally global admission of the fact that cross-cultural HRM practices cannot be fully transferred between the countries and units, and this research proved this assumption, however, only to a certain extent.

If we follow the strategic outline of the current study, the most important aspects of the institutional theory proved their existence in the transfer of HRM practices towards the overseas subsidiaries. The conversation mostly regarded legal environment (meaning various laws and regulations), political context (which turned out to matter for the HRM only to a limited extent), as well as the specific concepts and complications deriving from the great level of bureaucracy and corruption in Russia. These problems from the institutional environment were closely related to the cultural concept of value (from the Finnish side), which could barely comprehend those concepts and apply the same policies in the home-environment. It is worth stating, that political and legal frames were proved to have more influence, than only HRM in the company. In case of this research bureaucracy was stated at the main “institutional distance feature”, which had to be overcome. In this regard we generally support the earlier hypothesis that work of HR department in both the headquarters and overseas subsidiaries is highly influenced by various institutional factors in the local environments and is also under pressure from isomorphic processes on the international scale. As proposed earlier, local laws and governmental regulations were considered the most crucial sources of difference as well. In terms of cultural variety certain implications also found out proof in the managers’ answers, and even though the two countries and people turned out to perceive the same practices in a different way, the balance in understanding each other was found and forming the policies was possible. What concerns the HR policies themselves, they have been discussed from both the theoretical and practical perspectives, and certain similarities and possible differences for two countries were stated and explained through the theoretical lenses.

From the very beginning of this study conduction it was predicted that HRM function will be decentralized, and the power within the departments will be divided equally between the manager, which was closely related to the dimensions of power distance and individualism. In reality most cases proved centralization of HR, yet, the equality still appeared. The phenomenon of individualism and its role of performance appraisal systems was also proven to a certain extent only, as the intelligent Finnish system sort of combined “setting goals for the teams” and “developing an individual” in its practices. The motivational effect of money ceased to exist in the Russian transitional market to a larger extent, than in Finland, however, its prediction to “fulfill the basic needs” was not proven due to the lack of empirical evidence. Performance appraisal systems turned out to be the same in Finland and Russia and feedback as well. This occurred

mostly because of the case-companies status – large MNCs with united policies for all countries. After careful analysis of various HRM policies it is with stating, that to some extent the assumption about some practices being more culture-bound than the others is true. For example, the managers' answers did reveal the variety of means of recruitment processes in Finland and Russia, and we strongly believe, that training sessions are organized in different ways as well. The last but not the least, the existing tendency nowadays in Finnish literature about promotional internal rotations within one company ceases to exist and was explained "business-wise".

The research question in the beginning of the research was stated as follows: *to what extent the institutional environment and the cultural differences existing in the home- and host-country make the HRM practices different in Finland and Russia.* The answer to this question cannot be stated in one sentence, as certain complications appeared considering the fact that HRM practices in this research were observed in the frame of MNCs with strong corporate culture and ties to the HQ even when implementing multidomestic strategies. However, we state that the way the practices are implemented does differ in strong accordance with the institutional and cultural theories' frameworks and multiple examples proving the statement were provided in the research.

Going back to the research objectives, that were stated in the beginning of the research conduction, all of them were implemented into practice: two theories and their possible implications for the research were examined, theoretical similarities and differences for the HRM practices based on them were presented, and later tested on the real case examples during the interviews with the managers. Therefore, we state that the research found its purpose and ceased the right to exist.

## 7.2. CONCLUSIONS AND MANAGERIAL IMPLICATIONS

The model created in this study comprised two very important theoretical lenses, and the fact, that they simultaneously influence HRM practice in MNCs and their subsidiaries was proved. The author supposes, that it is very important to understand why those two theoretical lenses have to be examined only together, as the relationship between each one of them and the subject of interest

was found to be strong. That is why the author assumes, that as those two theories found interrelation in the current study, they have to be observed more together to later evaluate their full impact on the HR processes within international companies. Often studies conducted before focused more on either of the two theories, and the final picture was not as clear.

One more issue regarding the previous researches conducted became clear after this research was completed: the influence from institutional theory or cultural dimensions' theory and their aspects cannot be examined one-dimensionally, meaning either their "negative influence" or "positive attitude". It became apparent after the interviews that even from the most negative institutional or cultural features the managers could find some profitability and common sense, depending on which angle those were observed.

The study provides a few useful guidelines for the managers and makes certain important contributions to the field of HRM research in MNCs. Firstly, it generally considers a rather undeveloped area: HRM practices and MNCs subsidiaries performance (especially taking into account the transitional economy taken as a case-example – Russia). It is worth stating, that before scholars mostly concentrated on other BRICS markets, for example, China or Brazil; moreover, they looked at the question of influence factors only from the angle of either of two theories taken for the model for this research. The vivid examples of four HRM practices and their difference in two various markets help to understand whether and how HRM practices are transferred from the parent-units to the subsidiaries abroad. It was proven, that HRM practices' improvement in its turn improves the whole performance indexes of the subsidiary and contributes to the image and brand of the MNC.

Results of the study also prove, that different HRM techniques are important in different countries, because of cultural and institutional differences existing. As follows, for instance, communication and experience sharing are important for facilitating employee motivation in low power-distance Finland and not as important for the Russian market, used to authoritarian leadership and division of power. Training sessions were proved to be of great importance for the Russian subsidiaries, as the employees lacked training in the sufficient areas. The classification of cultural dimensions versus HRM practices might be helpful for companies in designing their HRM systems. The main

output and conclusion is the fact, that cultural and institutional differences in different countries result in different HRM practices being more effective or vice versa for certain environments. One more important implication for the future research is the fact that in the author's opinion HRM practices have to be observed separately, rather than in groups, as they occurred in the multiple researches. Of course, the final set of practices depends on the specifics of the MNCs mostly, however, general implications can still be given.

What concerns the Russian side in particular, that author believes, that this research can contribute a lot to the work of HR managers in Russia, as it provides several insights into the "Finnish world" as well as implementing certain key issues from the Russian side as well. It was hypothesized from the very beginning, that if the managers possessed a richer base of knowledge about the way of doing business in Europe – in this research namely HRM in Finland - more cooperation could have already occurred between the countries. As stated, the current situation existing in the world economy does not contribute a lot to the development of any relationships, parent unit-subsidary practices or improvements in the cooperation. Therefore, we assume that greater knowledge in the sphere (to cover institutional and cultural distance between two countries) could help the managers to follow the right direction and improve (or establish) relationships. Moreover, the rather small geographical distance between Finland and Russia contributes to their potential work together as well. Besides the Russian side, this research could possibly be useful for those Finnish companies, who have not yet established their HR units in Russia or suffer from the institutional cultural distance, as it reveals some rules and assumptions that Russians usually follow in their working process.

### 7.3. LIMITATIONS

The research provided has certain limitations. To begin with, the sample size was not large due to the qualitative character of the research as well as due to the limitations of the resources and timing, therefore the answers should not be taken as the common rule. The author would be aiming at finding more managers from both Finnish and Russian sides of the companies, however, due to

the reasons of managers' availability the research had to take place with those accessible. Secondly, the study focused on the answers of people coming from one country – Finland – and operating in only one other market – Russia, hence, we predict that the situation regarding the links between the theories and HRM practices in other MNCs and other markets could be different. Furthermore, even though all the interviewees for this research corresponded to the main “requirements” (Finnish or Russian HR managers with experience in either of the markets or both of them), they have been working in various positions for various amount of time that is why their experiences could have varied, which on the one hand provided a broader picture for the research in general, however, constrained in to a certain extent. For the reasons mentioned above, the generalization of the research findings and any interpretation of results should be performed with great consideration. However, the main aim of the research was to explore a certain sphere rather than provide accurate statistical data on phenomena, therefore the author assumes, that the study played it role.

Certain amount of limitations can be related to the fact, that limited research exists on the role of the HR department of the overseas subsidiary and its influence on the HRM practices adopted. Therefore, the author claims that some assumptions made in the theoretical part and later applied in the empirical part could have been subjective to a certain extent. Even though all arguments presented in terms of both theoretical and cultural dimensions' theories were solidly based on the existing research in the literature, certain links might have been abstract due to their implementation in the author's opinion. What concerns Hofstede's dimensions in particular, their interrelations between each other and with managerial practices might have been rather idiosyncratic as well, as the author strongly believes, that it is hard to generalize all HR managers or all employees from the Finnish or Russian side according to the dimensions provided in theory, as in this regard people's age, level of international experience and personal values matter.

In terms of specifications regarding institutional factors, one of particular importance could also be stated. Even though the Russian managers gave their opinions on the bureaucracy and its amount in the daily working processes, it is relatively hard for them as originally being Russians to measure the real extent of this phenomena, as they have been operating and working in this bureaucratic environment for a long time, and it is hard to compare such aspects in case they have

worked in the Russian market only. The same limitation occurs in terms of corruption, which was stated to influence HRM to some extent. This phenomenon has existed for such a long time and has penetrated the minds deeply, and occasionally it is hard to overestimate its scale in the real scale.

In terms of managers' desirability to share information, some limitations also exist. The author of the thesis would expect more openness especially in regard with the answers about HR practices themselves. Due to the fact, that certain information was named 'confidential', the real picture turned out to be vague at times, therefore in order to write the empirical part the author had to make certain assumptions based on personal perceptions of the answers given.

Due to some limitations in time from the author's side, this study most probably did not include all of the aspects covered in the previous studies in the field of HRM, institutional and cultural dimensions' theories. Therefore the results provided do not reflect the complete undeniable picture, yet, provide future opportunities for the researchers. Future studies in the field will confidently comprise the information gathered from the current research and provide a broader view on the topic of interest.

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## APPENDIX 1 (INTERVIEWS)

Manager 1 (2015). Talent acquisition manager, Finland, ABB. Interview 20. April, Vaasa.

Manager 2 (2015). HR manager, Finland, Wärtsilä. Interview 22. April, Vaasa.

Manager 3 (2015). HR manager - Recruitment specialist, Russia, ABB. Interview 23. April, Vaasa.

Manager 4 (2015). HR manager - SVP (Metsä Forest HR & Russia), Finland-Russia, Metsä Wood.  
Interview 4. May, Limassol.

Manager 5 (2015). HR Director, Russia, Wärtsilä Vostok. Interview 6. May, Limassol.

Manager 6 (2015). HR Development Director, Finland, Vacon Group. Interview 7. May, Limassol.

Manager 7 (2015). HR Director, Russia, KONE. Interview 8. May, Limassol.

## APPENDIX 2 (Interview questions in English)

Interviewee name, position, date.

1. Do you mind if I record this interview?
2. Can your name and the company name be mentioned in my thesis or would you rather prefer to stay anonymous?

*Part 1. Introduction*

1. If you could first say a couple of words about yourself. For how long have you been working in the company? Have you worked in HR department in Finland only or abroad as well? Which specific sphere of HRM do you deal with every day?
2. Do you personally deal with HRM in Russia and the Russian subsidiary of the company? If you have done it for quite a long time, do you see any positive/negative differences / tendencies within years?
3. What is (generally) the educational / professional background of HR managers in Finland and in Russia?

*Part 2. The role of institutions*

4. Do you personally think that the institutional environment of the home (host) country have an influence on the practices you perform in the HR department?
5. Talking about Russia, can you come up with any life-examples when *COMPANY NAME* faced any problems (governmental, legal etc.) in the host country?
6. As Russia is a large country, do you see any differences between the working styles of Russians in different parts?
7. Coming back to the institutional environment, do you believe that the level of corruption in Russia influences the way employees work? Do you think all your HR managers understand and are ready to deal with challenges deriving from the “institutional distance” between Finland and Russia?
8. Do you think the government plays a great role in the company’s performance in Russia (or Finland)? Is the way you implement HR practices in Russia sort of “copied” from Finland or is there a different strategy for this emerging market?

*Part 3. The role of culture*

9. Do you believe that HR practices are totally transferrable across the nations which are rather different (like Finland & Russia)?
10. Division of power and authority in the HR departments in Finland / Russia.
11. Russia is believed to be one of the most bureaucratic countries in the world. Does this fact influence the work of HR department?
12. Would you call your way of working more goal-oriented or means-oriented?
13. How do you believe new comers feel in your teams (both in Russia and in Finland)?

*Part 4. HRM practices in relation with institutional theory/cultural perspective*

14. Do you have any idea when the model you follow in HR department in Finland was formed? What could have influenced the main strategic points?
15. Is your Code of conduct different in Finland and Russia? Do you believe you take into consideration differences in mentality between Russia and Finland?
16. When some innovations are implemented in HR strategy, do you believe employees in Finland and Russia perceive them the same way?
17. *Recruitment*: what are the principal differences between the recruitment policy in Finland and Russia, if any? What is more important for you as a manager when recruiting new employees (in both Finland and Russia): connections or job-related knowledge?
18. *Compensation*: what are your compensation packages based on? Assessments? Appraisals' results?
19. *Performance appraisal*: examples from Finland and Russia. Do you think that money is a good motivator for employees?
20. *Training*: how often do the training sessions occur in both countries? Who is hired for trainings (external or internal staff)?

What is the ratio between expatriates and local employees in your foreign subsidiaries? Do you believe the answer to this question is to some extent dependent on the fact, that locals usually feel the culture and the institutional atmosphere better?

Thank you very much for your time and assistance in conducting this research.

## APPENDIX 3 (Interview questions in Russian)

*Часть 1. Введение, общие вопросы*

1. Не могли бы Вы в двух словах рассказать о себе, как давно Вы в компании, какой конкретно сферой управления персоналом занимаетесь? Вы работали только в России (Москве / Санкт-Петербурге) или же в каких-то еще отделах *КОМПАНИИ*?
2. Я правильно понимаю, что российский юнит подотчетен Финляндии? Общаетесь ли Вы с финскими коллегами на постоянной основе или же работа протекает исключительно на российском рынке?
3. Скажите, пожалуйста, как Вы считаете, практики работы в *КОМПАНИИ* в России и Финляндии отличаются?
4. Давно ли существует HR отдел в России? Заметили ли Вы какие-либо изменения в технологиях работы, возможно, какие-то инновации и нововведения в HR политике со времени образования?
5. Сколько HR менеджеров сейчас работает в *КОМПАНИИ* в России? Скажите, пожалуйста, какой (в среднем) уровень образования у работников HR отдела? Каковы Ваши основные требования к потенциальным кандидатам?

*Часть 2. Роль институциональной среды*

6. Скажите, пожалуйста, считаете ли Вы, что институциональная среда и ее факторы влияют на работу HR отделов? Под институциональной средой понимаем законы, стиль управления в государстве. Представляя разницу институциональной среды в России и Финляндии, кажется ли Вам, что подобная разница сказывается конкретно на Вашей работе?
7. Если юнит в России имеет несколько подразделений, отличается ли HR «стиль» в каждом из них, или же все работают по единой схеме?
8. Является ли стиль управления персоналом в российских подразделениях «калькой» с Финляндии или же у российской *КОМПАНИИ* свой «HR стиль»?

*Часть 3. Роль культуры*

9. Как распределяется работа в HR отделе? Структура. Ваши топ-менеджеры – русские или же представители других государств?
10. Наша страна достаточно бюрократична, сказывается ли это на Вашей повседневной работе?
11. Как бы Вы больше описали свой подход в работе: ориентированность на результат или же ориентированность на *процесс* его достижения?
12. Несколько слов о «новичках». Как Вы считаете, люди, приходящие в компанию, начинают чувствовать себя комфортно с первых дней? Существует ли какая-либо программа тренингов и адаптации «новичков»?

*Часть 4. HR практики*

13. Скажите, пожалуйста, какой страной издан Кодекс поведения для России? Он идет из Финляндии? Единый ли он для всех подразделений по миру? Как Вы считаете, учел ли Ваш главный юнит разницы менталитетов и работников разных подразделений при составлении этого Кодекса?
14. *Набор персонала:* Скажите, пожалуйста, что для Вас главнее при наборе персонала, рекомендации и личные знакомства или же резюме и конкретные навыки претендента?
15. *Компенсации:* на чем базируются компенсации в компании? Различные эссесменты? Тесты? Личное мнение менеджера?
16. *Аттестации:* Как Вы считаете, являются ли деньги (повышения в зарплате, квартальные бонусы) хорошим мотиватором для людей в России? Что еще повышает мотивацию Ваших сотрудников?
17. *Тренинги:* Как часто компания проводит тренинги? Для всех ли уровней персонала? Скажите, пожалуйста, кто проводит эти тренинги: работники из компании или же приглашенные специалисты?

Скажите, пожалуйста, много ли у Вас в российских офисах зарубежных коллег и экспатов?

Большое спасибо за Ваши ответы и содействие в проведении этого исследования!