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Recruitment strategies in transition economies

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Abstract:

This study is concentrated in recruitment strategies and finding the right competence for firms, establishing in transition economies. The study is conducted with six Swedish companies operating in Russia and the Baltic States. Thus, this is a qualitative study in order to identify the different strategies used by the companies and why or why not they have been successful. Furthermore this study is based on in-depth interviews that provide us the dimensions we need to solve the issue of recruitment in transition economies. In conclusion the study shows us that major companies have issues when recruiting personnel in Russia and also a guidance what should be done in order to be as successful as possible in process of recruitment.

Keywords:

Transition economies, Recruitment strategies, Russia, Mismatching, Competence, Cultural differences

Introduction

In today's business world the instruments of increasing competitiveness is a dominant idea for most of the international companies. To achieve competitiveness, human resources are one of the key instruments that have gained legitimacy and attention (Kase & Zupan, 2005). According to Buck, Filatotchev, Demina and Wright (2004) potential investors and researchers need to understand HRM strategies of target firms, since human resources are arguably their most valuable assets. As Rozenzweig and Nohria (1994) recognized HRM in general as the area of management most likely to subject of national differences, and activities such as recruitment in specific vary in between the different multinational subsidiaries (Marchan-Piekkari *et al.*, 1999, Harris *et al.*, 2003). Furthermore, staffing, recruiting and selecting people in positions where they can perform effectively is one of the primary goals for organizations around the world, because a mismatch between jobs and people substantially reduces other human resource activities (Bernardin and Russel, 1998; Dowling *et al.*, 1999; Florkowski and Shuler, 1994). For example, In Russia, effective HRM policies were reported as one of the key instruments to the success of the foreign firms (Björkman, Engström and Fey, 1999). HRM practices in foreign subsidiaries are often associated with three factors which are, external, economic and social realities of the global and local environment, in the context of the need for companies to increase their internal efficiency (Barlett and Ghoshal, 1989). Subsidiaries global strategy is closely linked to HRM practices, it can be implemented by the organization and them working there (Yip, 1995).

Most of the literature is concentrated on the US and the UK rather than transition economies such as east European block of countries or countries of BRICS. Therefore, it is important to study the development in these countries in order to make a comparison with Russia in their transition to a market economy (e.g. Wright and McMahan, 1992; Wright *et al.*, 1994, 2001; Huselid, 1995; MacDuffie, 1995; Becker and Gerhart, 1996; Delery and Doty, 1996; Youndt *et al.*, 1996; Huselid *et al.*, 1997; Wright and Snell, 1998; Delery, 1998; Lepak and Snell, 1999, 2002). The knowledge of HRM in these countries is important due to the several reasons. Such reasons are that companies in transition economies and their HRM operate in specific external and internal environment because of the transition process that includes a shift of wealth and innovative capacity. For the past years the BRICS countries try to build global partnerships for long-term development, sustainability and have also been investing in

knowledge-based projects for many years. Hence, these countries believe that growth requires knowledge (Kolachi & Shah, 2013). Thus, general HRM models may not have the same sufficient explanatory power (Kase & Zupan, 2005). It is also important to emphasize, that for example European enterprises in a different contextual setting which has a major involvement of the state and trade unions as well as public sector enterprises, different cultures and traditions (e.g. Guest, 1990, 1991; Brewster, 1995). When analyzing literature on the HRM in transition economies we come to a conclusion, that most of the literature is concentrated on the general HRM practices, and not particular on the recruitment & staffing strategies (Björkman, Engström & Fey, 1999; Farley, Hoenig, Yang, 2004, Buck et al., 2002). Furthermore, through a review of journal publication and books it is appeared to be that relatively limited research is dedicated to HRM in the region of Russia (Michailova *et al.*, 2009, p7). Therefore, the aim of this study is to contribute to this topic. However, we are not going to look at all HRM policies and practices together, rather we are exploring recruitment and staffing strategies in foreign firms operating in the Russian market and if they are different to those in the West. We believe that Understanding about such instruments of HRM as recruitment and stuffing in ETE's would thus also contribute to the development of more effective business ventures.

With help of the contingency model (Beer, 1985) and push and pull model we look at the different aspects that force foreign firms to apply contextual specific recruitment strategies and then we analyze them before comparing to the western ones. A contingency view of the organizations suggests that business firms whose organizational qualities match best the demands of the external environment will be the best at its adaption. Therefore, the environment in which the firm operates in is important to the choice of the firms organizing. There are different environmental conditions such as economic, political, legal, institutional, labor market conditions, cultural differences and historical legacy that could be linked and be determine to developing successful HRM practices in foreign subsidiaries (Barlett and Ghoshal, 1989). Therefore, these environmental conditions could push firms to adapt to the local management practices and policies (Hofstede, 1983,1994; England, 1983; Rozenweig and Singh, 1991).

Thus, our research question is, How recruitment & staffing strategies are executed in transition economy on the example of Russia and what are the forces that possibly make them different from the western ones?

Literature review

An introduction of HRM & Recruitment

HRM

Reviewing the literature we have found that the meaning of HRM is far from clear, and a definition is far from established within this field. Different authorities state different definitions and have different evidence of HRM (Brewster, 1994). Even though the difficulties of identifying HRM there are definitions or should we say attempts on classifying the area that covers HRM. In Brewster's research a classic text is mentioned where HRM is divided into a four-fold typology, according to Beer *et al.* (1985) HRM is divided into; Employee influence, human resource flow, reward system and work system. Three years after this comparison of HRM, DeCenzo and Robbins (1988) identify four different areas, which are: the acquisition, maintenance, motivation and development of human resource.

Human resource management emerged in North America where it is also originated from. This combined with exclusion of trade unions opened the way for a new era in the market economy. Initially the concept of HRM was developed in the 1960s and since then been adopted around the world, originating from the US (Brewster, 1994). Already by this point US had a common view and perspective of HRM (Brewster, 1995; Henry & Pettigrew, 1990; Nordhaug 1993). As a reaction to this, some ten years later Brewster's European model of HRM emerged. This model was based within the Cranet research network (Gooderham & Nordhaug, 2010).

Gooderham & Nordhaug (2010) stated in the early stage of their research that the case of "Europe" is different in comparison to US. European firms do not have the same output because they operate in a restricted autonomy and being restricted by different culture, legislation, trade union involvement and consultative arrangements. Furthermore, a reason to this conclusion is the limitation of treating Europe as one single entity. Furthermore a paper written by Chris Brewster in 1994 state that there is only limited acceptance in Europe of the organizational autonomy upon which the concept is based on. In the case of Europe as one entity different approaches to the notion of HRM are required (Brewster, 1994)

Brewster (1995:16) therefore came up with a developed model, which stated that in Europe HRM should be embedded and therefore constrained by the EU legislation, national level factors including culture and national legislation (Gooderham & Nordhaug, 2010). Concluding this part Brewster stated that HRM essentially was an original concept in North America and the US HRM should not be seen as universally applicable. Furthermore investigating in HRM regarding transition economies is a fairly untouched subject with a grey area. In order to understand HRM in the transition economies each country or specific region should be researched individually. Furthermore an example could be made were the collapse of a communism society gave rise to an emerging HR practice in Croatia which was one of the countries in the central and Eastern Europe (CEE) whom escaped the planned economy (Taylor & Walley, 2002). Therefore, this study is concentrated on the Russian social economic and cultural context onto HRM practices such as recruitment and selection.

Recruitment strategy

Placing people in positions where they perform effectively is a universal goal for companies and organizations. A simple mismatch between jobs and people can be the cause to reduce effectiveness and sustainability (J. Dowling & Zhu, 2002). The dominant staffing issues of the 1990s were downsizing, resizing or rightsizing. The affect of sustained growth results in business needing to develop and communicate a supportive human resource strategy in order to support the growth of the company.

HRM is a new way of thinking how people should be managed as employees in the workplace. Furthermore HRM is a very broad subject, which includes such things as learning, competence development, employee motivation, reward system, recruitment, and selection. Recruitment and selection is viewed as a process by which organizations try to accurately match the individual to the job (McCourt and Eldrige, 2003).

According to Louw G (2013) the western point of view of recruitment and staffing strategies are developed methods in order to generate a pool of capable candidates for employment. The selection of related workforce should be accurate in order to avoid high cost of recruitments that does not perform well in the company. In western companies organizations attract candidates by several factors such as: Identifying, evaluating and using most appropriate source of applicants (Mayo and Zaffane, 1994). In most cases the recruitment starts with advertising existing vacancies. The external forces are of interest in this study and therefore

those sources should be of importance. Hence, the company should also implement anti-nepotism policies in order to prevent close relatives having an advantage of employment. A large source of applicants can be obtained by mail or by individuals applying in person but the usefulness of direct applicants can depend of the image a company has in the business community (Azzam and Jaradat, 2014). Moreover other effective recruitment sources can be personal contacts, walk-ins, university and school campus recruitment, career fairs, recruitment agencies, newspaper advertising and direct mail to possible candidates (Mayo and Zeffane, 1994). These mentioned strategies could be categorized as more traditional source of recruitment whilst e-recruitment is seen as a more recent source being used. E-recruitment consists of job postings on company webpage and CV uploads to the homepage. However, twitter and cell phone recruitment will soon surpass e-recruitment as a major new way of recruiting according to some researchers. Either way both methods are increasing because of its cost-effectiveness (Zhu and J.Dowling, 2002; Louw G, 2013; Mayo and Zeffane, 1994; Azzam and A.Jaradat, 2014). The lack of research done on social media as a recruitment strategy is a fact. Furthermore, Media (2011) state that companies or people should not ignore the involvement of social media because the risk of being left behind in the development. Therefore social media such as Linked in, Facebook and Twitter should be a part of t future recruiting process of today's companies. In her research she proves social media of being a successful channel providing personnel to companies such as AT&T, Hyatt Hotels & resort and us department of state. In early 2011 more than 10.000 recruiters used twitter as a recruitment channel.

History of Russian Human Resource management

As Russia's transformation to a market economy depends heavily on its people, the new era of the Russian HRM begun with reforms in the early 1990s. The history of the Russian HRM takes place in the Soviet era, when the typical Russian human resource departments performed primarily personnel administration or record-keeping functions and were often headed by retired Soviet army officers using bureaucratic, often exploitative, militaristic approaches to personnel management (Overmann, 1991). According to Ruth, May and Ledgerwood (1998) such HRM instruments as recruitment and selection, training and development, workplace health and safety, compensation and benefits, and labor/management relations were either passed down from the state ministries by official order or were relegated

to other departmental areas within Soviet organizations. Thus, wage and salary policies for all Soviet enterprises were issued by the State Labor Committee and workplace health and safety issues came under the jurisdiction of the chief engineer of the enterprise. Furthermore, training and development for oil and gas enterprises was centrally administrated at the industry level through institutes rather than at the individual level. Therefore, Russian human resource managers were developing a much closer perspective of the functional scope of HRM as compared to the western colleagues in free market systems. So when the Soviet broke up in 1991, Russian organizations were faced with the challenge of creating extensive and contemporary HR departments to be able to function without centralized guidelines and to become competitive in the new profit-driven global environment firm level. However, many foreign firms when entering today's Russian market encountered a problem with the acquired employees not understanding new market conditions. Björkman, Engström and Fey (1999) stated that there should be change in mentality in order to facilitate the customer focus needed for success in today's Russia. For example, many Russians were surprised how much attention is given to the personnel management in Western firms. HRM practices are critical for assisting in phasing out the old culture and replacing it with a new one. To be flexible and willing to adapt to the Russian environment has been found to be a key success factor for operating in Russia.

For example Cadbury, when entered Russian market set up very strict recruiting policies, requiring two year's experience in a foreign company and specific education. However, the company quickly realized that this strategy was too strict and thus Cadbury became more flexible. Additionally, Björkman, Engström and Fey (1999) in their study mentioned that many foreign firms while operating in Russia felt that their HRM practices were more similar to their parent firm's HRM practices than to HRM practices of local Russian firms.

Recruitment in transition

There is still a little empirical information about the recruitment in transition economies. However, a study made about China indicated that acceleration of economic reforms, recruitment and staffing practices are gradually changing from a politicized and highly centralized labor allocation process to an economy-focused and market-directed recruitment and selection process (Zhu & Dowling, 2002). This paper also indicated that China's HRM practices to some point has been converged with the western ones, but still they have their

own distinct features and characteristics. For example, this could be seen from staffing practices in different types of enterprises, which also indicate the impact of the ownership on HR practices. Comparing SOEs and other types of ownership, SOEs have continued more traditional employment practices, such as adding weight to political background in their selection process and had more permanent employees. Due to the government control China's SOEs have more formal HR practices than the other types of enterprises (Zhao, 1994). The research has also four major points. The first is emphasis placed by enterprises on personal competency as a major selection criterion, rather than political background and personal file information. The second is that weight is given to employment tests rather than personal interviews as a selection tool. The third is that the external labor market and advertising have been used by some enterprises, especially FIEs. The last is the decentralization of staffing down to the business unit may become more prevalent in the future (Zhu & Dowling, 2002).

Another study about Chinese MNEs concluded that strategies overseas turnings towards the host country's HRM policies. Furthermore, it appears to be that recruitment and selection in the case of Chinese MNEs is more progressive than domestic Chinese HRM. However, in some aspects the approach to recruitment and selection in the case of Chinese MNEs were found different from the prevailing policies and practices in American and most Western European MNEs (Shen and Edwards, 2004).

Therefore, one could argue that the analogical process is ongoing on the Russian market. However, we must take into consideration that Russia and China are two different countries, with two different cultures, traditions, values and political environment. Within the next chapter we discuss what the literature has to say about the Russian environment of the human resource management and how it looked like under the soviet era and the development through the 90s.

A contingency model

The contingency view of organization is based upon the idea of fit. According to Lawrence and Lorsch (1967) business firms whose internal organization features best match demands of their external environments will be the best in its adaptation. Galbraith (1973) outlines three major elements of a contingency perspective. First one states that there is no “one best way” to organize. Secondly, different ways of organizing are not equally effective therefore not

attractive for organizations. The last one, is the best way to organize depends on the nature of the environment within which the organization operates.

This view suggests that different environmental conditions, such as economic, political, legal and institutional factors, demographic characteristics such as labor market conditions and organizational features such as firm's age and size, historical legacy, administrative heritage (Barlett and Ghoshal, 1989), global strategies, structure and corporate culture could be linked and be detrimental to developing successful HRM practices in foreign subsidiaries. Furthermore, Beer (1985) developed this framework by outlining how HRM policies are influenced by two major sets of factors: stakeholder and situation-related. On one side HRM policies have to meet stakeholder interests, in combination with situational constraints, to achieve long-term effectiveness. Furthermore, stakeholder interests coming out from shareholders, management employees, governments and communities, with actions rotating around economic and profit-motivated concerns. Situational factors concern forces such as law and societal values, labor market conditions, unions, work force characteristics, cultural contexts, business strategies, management philosophy (Farley, Hoenig & Yang, 2004). Thus, a formation of HRM practices can be influenced by these factors. Additionally, if a firm changes its global strategies, its HRM practices are likely to be changes as well (Edstrom and Lorange, 1984).

Based on this idea of contingency and push/pull forces which we are going to describe further on we are going to look at how Swedish firms perceive the different specific country's context and how does their perception influence their recruitment strategies in a host country.

Push and Pull forces

In situations when the subsidiary and parent firm do not match the similar forms of economic, political, cultural contingencies, conflicts between the two optimal configurations for management practices may occur. In case of Russia and Sweden we could argue that there are economical political and cultural differences. In the literature it is clear that the parent firm may push for adoption of human resource policies that reflect headquarters home country. Furthermore, social values, corporate culture, strategic imperatives and CEO philosophies may also be adapted in the host country (DiMaggio and Powell, 1983; Rosenzweig and Singh, 1991). However, the obstacles in form of host country's political, economic, demographic, legal, social and cultural environments may also affect on MNC global business subsidiaries.

Thus, this may force foreign firms to adapt to the local management practices and policies (Hofstede, 1983,1994; England, 1983; Rozenweig and Singh, 1991). Consequently, multinational companies often have to modify their management practices and policies and develop a hybrid HRM system. According to Rozenweig and Singh (1991) subsidiaries are pulled to achieve isomorphism with the local institutional environment. Additionally, numerous examples have also shown that on a large scale adoption of parent-firm management practices in foreign subsidiaries may not be appropriate or advantageous due to societal beliefs, values and cultural norms of the host-country environment (Shenkar and Von Glinow,1994).

Political

While Russia moved from planned economy to a market based, it still has an influence on business from the formal institutions and from the state (McCarthy, Puffer, & Naumov, 2000). Influence by the state makes companies to prioritize the state's interests and in this turn this affects business environment. Furthermore, the lack of clear direction and instability has created an unstable environment for managers, which is lead by corrupt law enforcement and judicial systems, weak capital market institutions and poor protection of private property rights. Therefore, one could argue that to some degree political environment could also influence recruitment strategies of the firm.

Economic

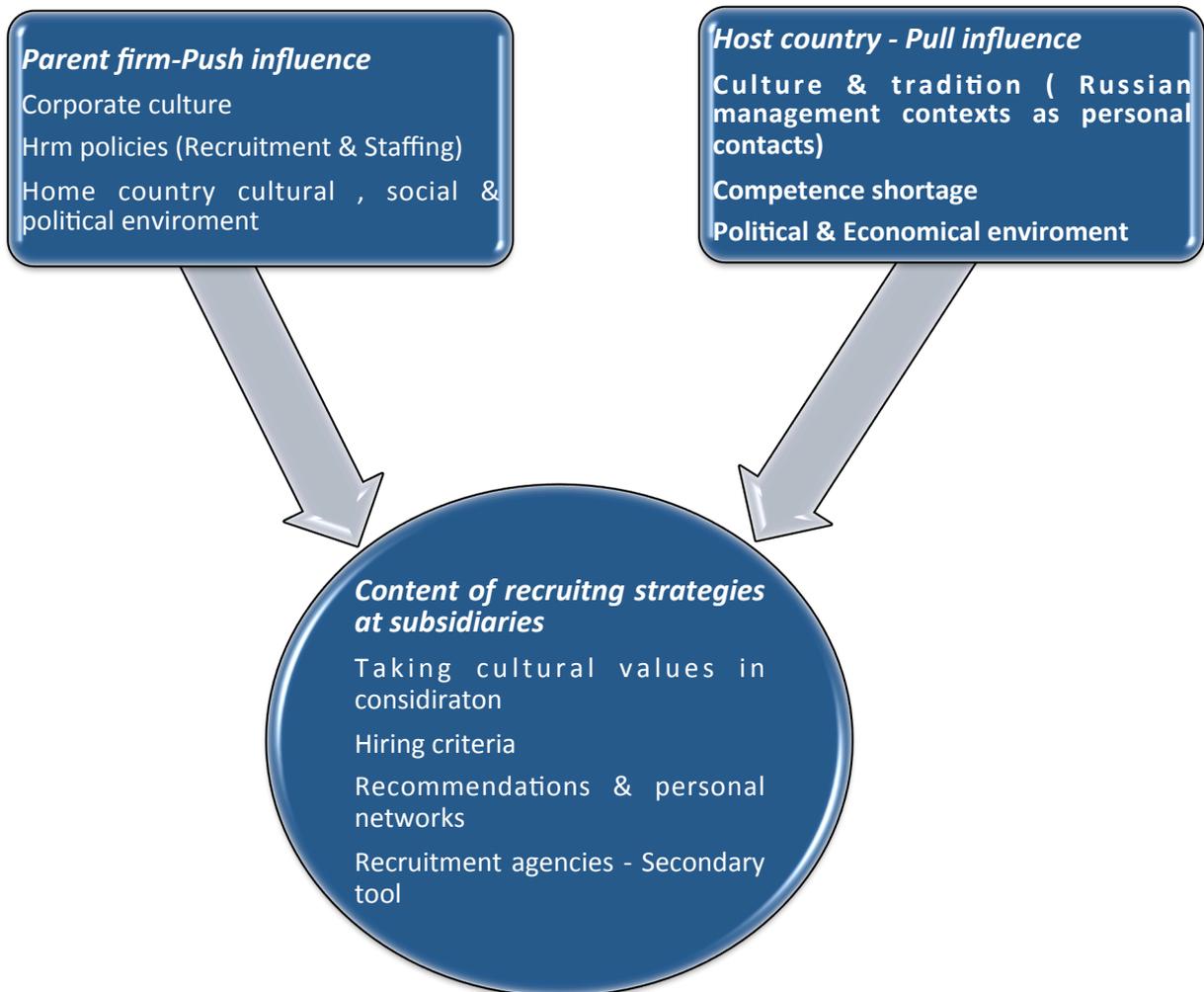
Economic considerations are important in encouraging multinational subsidiaries to develop efficient HRM policies, which in turn help to gain maximum financial return. For example, if the parent firm meets the same conditions as its subsidiaries, then some HRM practices would more likely to converge to a similar form, which is based on a common need of achieving maximum financial return. The role of economic impact was broadly discussed for the corporate setting after 1960s as it was given that different economic systems and management practices (capitalism, centrally planned socialism) would eventually converged and stipulate optimal settings of configurations (Webber, 1969; Rojek, 1986). Since then, many economic factors rushed this trend, including better communication infrastructure, freer market trading between countries and significant reduction of government control important in transition economies such as Russia, China and India (Deshpande and Farley,2000). Furthermore, an economic impact may be related with subsidiary's development of a competitive culture and formulation of recruiting practices based on job qualification (Farley, Hoenig &Yang, 2002).

Therefore, we could argue that company's economical situation and the perception of the host country's economical environment could be one of the arguments in choice of the recruitment strategy.

Cultural and Societal

A person's behavior is based on a variety of factors which are, commonly shared cultural system of value, beliefs, ethics and attitudes of a given society. Therefore it is important to recognize the pull from cultural imperatives abroad and make necessary changes and adjustments in attitudes (Phatak, 1992). For example, in observation of various cross-national practices it is noted that even with experienced international companies, many well-intended "universal" applications of management theory have turned out badly (Trompenaars, 1993). It is a fact that the culture and society in Russia differs from the one in Sweden. Here is the important to discuss the culture of Russian business environment. McCarthy and Puffer (2011) presented clearly that the informal cultural-cognitive institutions drive Russian business. Most of the culturally behaviors are addressed through the social networks (connections), a practice embedded in traditional Russian culture in centuries (Ledeneva, 1998; Michailova & Worm, 2003; Puffer, McCarthy,& Boisot, 2010). The use of networks is one of the reasons for the corruption that plagues Russian business and society. Therefore, Russians continue to be strongly influenced by the country's Soviet past, and manifest many cultural influences from those periods such as collectivism, paternalism, admiration of strong leaders, fear of responsibility, mistrust of outsiders , and reliance on one's own networks. Therefore, we could argue that the recruitment strategy is basically relied on the personnel networks and recommendations and that this one of the most general tool in finding the competence.

Push & Pull model



Method

The research design of this study was qualitative as the interviews were conducted in order to collect data. The selection of the qualitative approach was justified by the exploratory nature of the study. There are several options when collecting qualitative data. Depending on the research one can use in-depth interviews, case study, focus groups, observations and several other options. Hence, choosing interviews was the most suitable approach for us. Doing a case study could also be interesting but we were not allowed such insight into either company that we interviewed. Focus grouping and observations was also impossible due to geographical limitations. Furthermore the aim of this study is to understand what factors and why these factors are pushing subsidiaries to implement different recruitment strategies in a host country, the interviews are applicable in order to do a deeper analysis. Since we are not studying the link between the recruitment strategy and for example firm's performance there is no need in quantitative data. Quantitative data does not give us the underlying causes of the recruitment issues in Russia. Furthermore this type of data does not allow us to do an in depth analysis. In order to do a more in depth analysis we need to extract from qualitative data, which we will receive from the interviews. Therefore we apply the qualitative approach that gives researchers an opportunity to understand what actually lies behind the strategic choices of the recruiters, how do they think and what factors force them to do like they do. As Buckley and Chapman (1996) stated, qualitative research goes beyond the measurement of observable behavior and seeks to understand the meanings and beliefs of the actions. Additionally, qualitative data are rich in nature and therefore it allows the researcher to capture more meaningful results about relationships between core factors (Marchan-Piekkari and Welch, 2004). From the literature we found that there are many factors that could affect Human resource management, and therefore recruitment strategies as a part of it. So in order to gain a better understanding what makes subsidiaries to possibly change their strategies and how do these strategies look like in case of social, economic and cultural context, qualitative approach is needed. Moreover, due to the limited research in HRM and economies like Russia and due to the bad transparency of the Russian firms, a qualitative research gives a better understanding of the different country's contextual settings and in which way do they affect recruitment strategies.

Interviews were conducted with two HR specialists and four CEO's in Swedish SME's, which have their subsidiaries in Russia. We started to contact the companies by mail and contacting

them from a list that we received from Business Sweden (Business Sweden, 2014). This list contained around 500 companies, which we randomly contacted. However, the response was very little due to the lack of time and available resources of the firms. Even though, we got in contact with six important companies having subsidiaries in Russia and the Baltic States. The interviews took about 30 to 50 minutes each and were enough to answer our questions. Furthermore after receiving emails from companies, which were interested in our research we were given a specific number to call in order to conduct the interview. Our interviews were carried out by telephone and also recorded in order for us to analyze them more deeply. The interview questions are provided in Appendix 1. Also one should take in account that during the interview a dialogue was created where further questioning occurred.

The interview questions were constructed to fit the model and the questions were based upon the model made by Farley, Hoenig and Young (2002) and then we adjusted this model. Their research was based on the quantitative approach with help of collecting data through the surveys. We based our interview questions according to the survey guide and then adjusted them to our topic. Questions were approved by our Supervisor and then were sent in advance to our contact persons. By this we increased preparedness and the quality of answers. Furthermore we will present the companies in a comparative matrix where each company should be given a letter to present them rather than stating the actual company name in order to prevent conflict of interest. So easily the different companies will be presented as company A, B and so on.

The first question in our research is in order to see the organizational structure in the companies interviewed. Secondly we grasp the size of the subsidiaries, which in our case varies. In the following two questions we try to identify the recruitment strategy that is used by the firm. What strategies are of main importance and why or why not they have succeeded? Also the following questions we identify the differences in recruitment strategies that are used in Sweden and those used in host country. Ending the questions we identify what challenges the different companies have faced when recruiting in transition economy and what reasons that is based on (Madia, 2011). For instance one of the firms stated the lack of knowledge was a main issue. Also it is of importance to ask what corporate values are important in the Swedish host company and how they try to implement them in Russia. Furthermore we also gave the respondent the chance to express further thought and opinions

of recruitment in a transition economy and how they would of done it if having one more chance, what would they do differently.

Analysis

Company A

The corporate culture in this company differs in the way of working in Sweden and Russia. The Swedish employees tend to work more freely and independent which in order leads to creativity. In the Russian subsidiary the employees tend to work from without orders and having more attachment to the hierarchy. Furthermore they tend to wait for orders rather than to take own initiative. This leads to less effectiveness of the subsidiary. The recruitment strategy has to be changed in order to attract personnel that work more freely and independent. Furthermore the explanation to this phenomenon lays in cultural differences and traditions in Russia were the hierarchy system is more implemented then in Sweden. A key factor in order to solve this is optimizing headhunting and understanding of cultural differences and way of working.

Company B

A difference here from the first company is the implementation of headhunting and understanding of cultural differences. When company B was first introduced to the Russian market they suffered from the same issues as the company above. Finding the right people with the desired competence was a hard task. They solved this problem by dismissing personnel, which was acquired before and starting to headhunt. They used a person in the Russian market with great social networking in order to attract suitable people for the firm. This has shown to be a successful strategy for the firm.

Company C

This company differs from the others because the parent firm has less employees then host firm. This due to that this company does not have production in Sweden and only on the Russian market were they also operate even though the firm originality is Swedish. Hence, this company found the best way of recruiting was through social networking and

recommendations. Company B and C are in the similar stage of development and has been active on the Russian market for a longer time period which in order gives greater understanding of the market and differences in cultural aspects.

Company D

What differs this company from the others is the internal recruitment strategy. For instance if there is a job opening in Russia they try to find someone with Russia background working in Sweden or another market. Furthermore they are dealing with an issue of high skilled specialists emigrating from the country, which makes it hard to attract a skilled top management team. They have tried to solve this issue by recruiting directly from the universities in order to prevent specialists moving out from the market. Also emphasizing in internal education and practice has been a major tool.

Company E

Company E is facing recruiting issues and has bad experiences hiring recruitment companies which does not deliver what promised. Also here an important criterion is sharing corporate values and organizational structure. The main point for this company is sharing the same values in home and hos country. The best way to recruit in their case have been through internal recruitment and recommendations

Company F

This company invests heavily in the Russian market by overtaking already existing companies that are already established deeply in the market. Furthermore having this strategy makes it easier to find right competence. Hence, the issue has not been attracting employees because of their recognized brand name but they have faced an issue of attracting right competence. Another issue has been adding the top management team with right competence. Having a global code of conduct makes it easier to have same way of working in both markets. They use instrument in order to eliminate such problems that could occur because of cultural differences, economical or political. A strong brand and certain tools make it easier for this company to attract people but there are still difficulties due to cultural differences.

Differences in recruitment strategies

After conducting the interviews it is clear that strategies Swedish firms use in Sweden are not likely to have the same success in Russia. For example, the CEO of company A:

In Sweden we use help of the recruitment companies, however this type of source did not help in Russia. The CEO that turned to help from the recruitment companies was not satisfied and thus we turned to our internal resources. Our CEO of Baltic region was fit for the job perfectly, because of his Russian market knowledge and a huge social network.

As stated in the literature by Farley, Hoenig and Yang (2004) when subsidiary and parent firm do not face similar forms of economic, political, cultural contingencies, conflicts between two optimal configurations for management may occur. Our respondents related to this matter facing this issue.

Having difficulties in recruiting through recruitment companies is a fact from all our respondents. This is one of the signs that Swedish firms experience problems when finding competence on the Russian market and that they need to adopt different strategies in order to recruit. Furthermore the CEO of company B states that:

The main differences with Sweden and Russian process is that here we announce the position in the local magazines or Internet and then do the recruitment through our HR. But in Russia this is shown not to be good and we only use Head Hunting as a recruitment strategy. Our Russian CEO is responsible for this as he has a great network and very good knowledge of how Russia works.

Moreover, respondent and CEO of company B answered: *"If for instance we are a need of a professional such as a director we would probably receive help from the Swedish trade council in Moscow".*

By this firms try to perceive strategy that gives them opportunity to find an individual who has already built a reputation for his skills in a specific industry, which can fill the particular position. Additionally, HR specialist of company D made an interesting conclusion when she compared a post soviet Baltic States to Russia:

In the Baltic States there has been a development to a more Western way of working. It is the whole society that has adapted not only business. And in Russia not only our company but also many others have underestimated the differences in doing business in Russia.

Furthermore, the way of finding these persons is adapted to the local one and that the main criterion for the applicants is experience and recommendations from someone already working there. The CEO of company B states:

The CEO that we have in Russia has a great social network and he deals with the recruitment process itself, from the start to the end. Using recruitment companies in Russia has not been successful therefore we have not done this lately but mainly used connections, recommendations and networking. This has proven to be much more effective.

It is clearly seen that foreign firms push for adoption of recruitment policies in the subsidiary, which reflect, headquarters home country and corporate culture, social values and strategic imperatives. However, they also adapt to the local recruitment practices as well. Furthermore the subsidiaries tend to modify their practices and policies to develop a hybrid system including both local and parent practices (Rosenzweig and Singh, 1991).

Cultural aspects

In our model culture and traditions of the host country is a pull influence for the subsidiary. Our respondents verify these two factors influencing subsidiaries recruitment strategies: HR specialist of company F states:

We have not quite understood the meaning of having social networking and using it as a recruitment strategy. We underestimated the cultural differences when entering Russia.

One of the challenges when recruiting in Russia is the cultural difference.

Another cultural aspect is related to the push influence of the parent firm. There are differences in the way of working in Sweden and Russia. While Swedes tend to work independently and have more freedom on the workplace, Russians are stricter on their workplace and work from commands rather than independently: CEO of Company A states:

In Sweden people work more freely and have more responsibility of creating their own work. This in turn led to more creativity and effectiveness. In Russia it is more do this, do that and so on. If they are not told to do something they rather do not do it at all.

There are major differences in the corporate value. We here work more effectively and we have more ongoing processes. Furthermore I believe that it is a question of democracy, we are more adapted to that than in Russia. I would say that in Sweden we appreciate and encourage creativity but in Russia the CEO and CEO's in all want to rule. This in order is a cause why the creativity is limited in the Russian branch

I would say that in Sweden we appreciate and encourage creativity but in Russia the CEO and TMT in all want to rule. This in order is a cause why the creativity is limited in the Russian branch.

Thus, this links to the literature where history of Russian HRM shows that its roots come from soviet army officers using bureaucratic, often exploitative militaristic approaches to personnel management (Overmann, 1991)

Furthermore, the Swedish corporate and organizational culture functions as push force of the parent firm. Results show that the potential employees who share the corporate values of the firm and its organizational culture are the targets, HR specialist of company F states:

Even though the language and cultural differences it is of essence to find people that understand our "Swedish" way of working and doing business. Having similar ethics in the workplace as we have in Sweden is important for us.

The HRM specialist of company D commented in a similar way: *"The cultural aspect are essential, we want someone who understands the way we work".*

Economical aspects

According to the model economical situation of the host country is a pull influence in formation of the recruitment strategies. Data shows that to some degree this factor is indeed influencing strategy, however in much narrower perspective. According to respondents lack of resources is one of the main economical issues for the subsidiaries. CEO of company E stated:

Well, there is a problem of resources, we do not possess the same amount of resources in Russia as we do it in Sweden, and this could be a part of the problem why we have not found desired personnel. Our experience is that many people have a nice education in Russia but we have neither the knowledge nor the resources to evaluate them and that is also why we have a hard time finding the right competence.

This means that parent and host subsidiaries do not meet the same economical conditions and therefore their strategies could not be converted to a similar form as the literature reported (Farley, Hoenig and Young, 2004). HRM specialist of company D stated:

For sure, economic issues affect a lot. If economic goes up here, then it is harder to find a good employee, because there could be a lack of them.

Meaning that even if economical situation becomes better there it is still a competence shortage on the market, because good specialists are already employed. Additionally, it is a problem of resources for the firms to be able to evaluate applicant's education for example. The knowledge of different universities and programs in Russian market is poor. The CEO of company E stated:

Our experience is that many people have a nice education in Russia but we have neither the knowledge nor the resources to evaluate them and that is also why we have a hard time finding the right competence.

Therefore one could argue that companies are forced to seek different ways in order to find the desired competence and trying different recruitment strategies.

Political environment

These two aspects of pull forces of the host country were grasped slightly while interviewing respondents. It showed that these two factors influencing rather business itself then recruitment strategies. CEO of company C stated that:

To me it is clear that there is a lack of experience of the international business affairs. As Russia moved from planned economy and Soviet government, it is still in transition in terms of seeing and doing business.

CEO of company A commented on the following:

The current political problems make it harder to do business and business becomes less attractive. Sanctions have not affected us as much but we have periodically problems at the Russian border with material from Ukraine and Lithuania. Legislations should be changed and even though Russia is in WTO it takes time to adapt even if it is better now than before

This confirms the results of the study on Russian business and management (McCarthy, Puffer & Naumov, 2000).

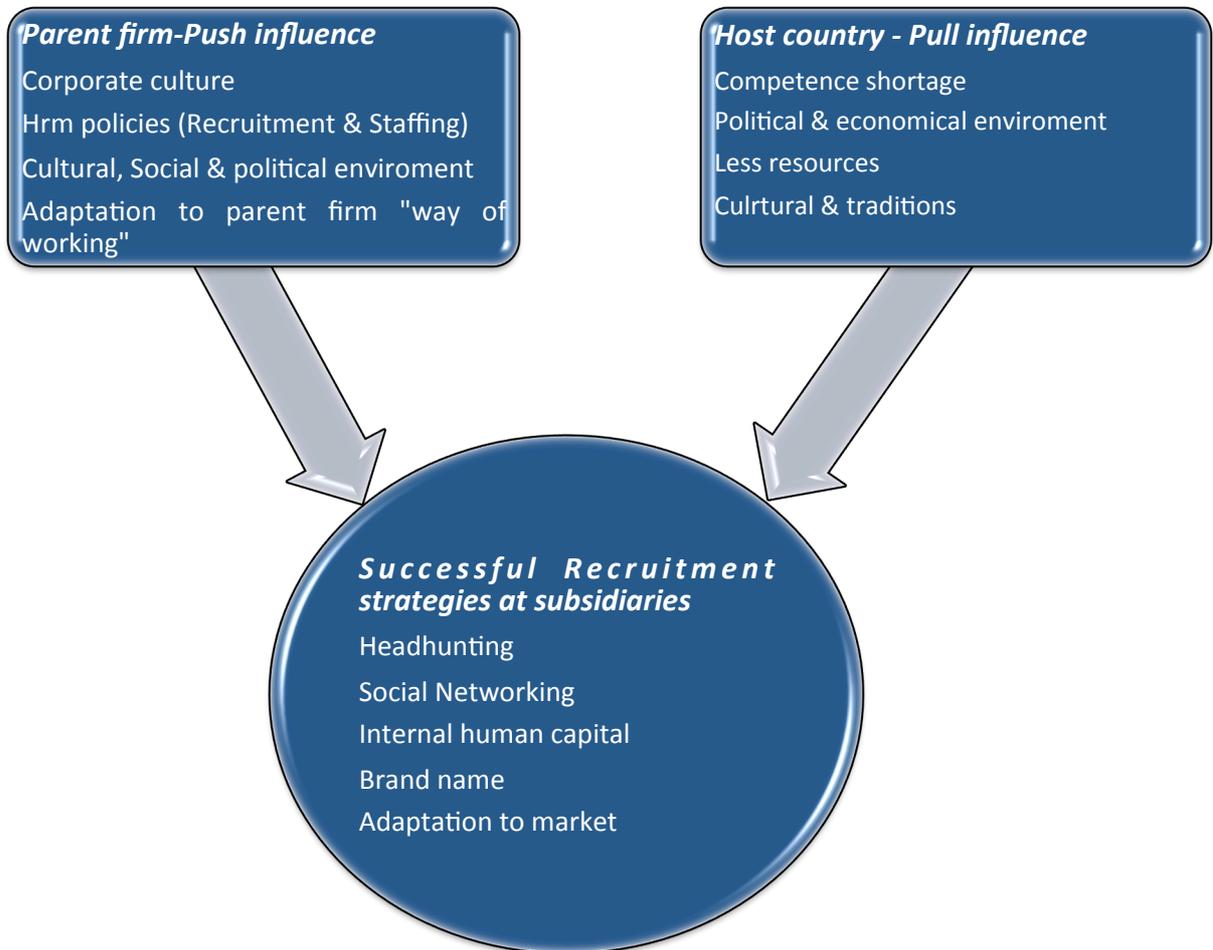
Comparative Matrix

“Swedish companies with Russian subsidiaries “

<i>Company</i>	<i>Branch</i>	<i>Respondent/Number of employees</i>	<i>Key Issues</i>	<i>How to solve?</i>
Company: A	Industry/Plumbing	CEO/ 500 employees in Sweden & 7 in Russia.	Bad networking, cultural differences, recruitment companies. Also Swedish way of working from without orders. Working independently.	Better understanding of Russian cultural differences and optimizing headhunting.
Company: B	Household Products	CEO/60 employees in Sweden & 35 in Russia	Cultural aspects and the Swedish way of working.	Headhunting is major recruitment strategy and is successful.
Company: C	Industrial Infrastructure	CEO/ 5 employees in Sweden & 50 in Russia.	Finding stable recruitment companies with right network	Recommendations and contacts. Social networking.
Company: D	Industrial Rubber manufacturing products	HR expert/15.825 employees' globally/ 1.383 In Sweden & 49 in Latvia, Baltic.	Specialists emigrating from the country, economical aspects, Hard to attract TMT because they already have good position salary etc.	Recruitment directly in universities in order to prevent specialists moving out of the country. Also internal education and practice in order to create specialists.
Company: E	Communications	CEO/ 220 employees in Sweden & 20 employees in Russia, Moscow.	Fewer resources in subsidiary, recruitment agencies not performing and having less knowledge of Russian market. Cultural differences.	Internal recruitment, Social networking & recommendations.
Company: F	Industrial manufacturing/ Paint and specialty chemicals & Adhesives systems.	HR Business Partner/ 3600 employees in Sweden & 737 in Russia.	Understanding the differences in condition & culture. Finding the right competence, mismatching. Issues with customs. To implement the Swedish code of conduct in the Russian market. Not negotiable to bypass the code of conduct and only finding employees who understands this.	Headhunting has shown to be effective. Strive to hire Russians who has experience and study abroad in EU or USA. Stating the importance of code of conduct. They already have a strong brand and are well known on Russian market. Adaption to Russian culture

New model emerging

From the comparative matrix and analysis a new model is emerging where possible solutions are presented. After collecting data from our interviews of several companies we have come up to some factors, which can help recruiters and companies establishing in Russia. A main point for companies should be to understand the Russian market and cultural differences. Furthermore another important factor is optimizing headhunting that is an important tool for recruiters in Russia. In order to be successfully headhunting right personnel one should have good social networking in Russia, which also can be reached by recommendations and contacts. As in many other markets a strong brand name is also a factor that gives a positive affect on recruiting employees.



Discussion

To begin our discussion, it is important to note that the problem of competence shortage exists as it was expected in our pre study. Finding desired competence is a key aspect in order to be successful. Therefore it is important for international companies that establish themselves in a transition economy to find employees with right competence in the beginning. In Björkman Engströms, and Frey's early study in year (1999) they stated that having effective human resource policies is a must in order to succeed in the Russian market. Therefore, the way companies perceive the importance of these policies proves to be the important part of the success. Furthermore, based on our model with pull and push forces we revealed how these forces influence recruitment strategies and to which degree. It appeared to be that perception of the cultural factor of the host country affects the formation of the recruitment strategy. The success lies in estimating this particular factor. Our results showed that cultural aspects push subsidiaries for adoption of the local recruitment practices.

Through the interviews with our respondents we find out that the knowledge of the specific market context and willingness to recognize its importance affects the formation of the recruitment strategies. We also found that respondents recognize there are differences between Swedish and Russian way of finding competence on the market. However, it seems to be that our respondents did not follow a particular strategy in the beginning when entering the market. Neither, had they any knowledge about it.

One of the firms used Swedish trade council in order to find a suitable CEO for the position. To mention this strategy gave good results and the firm was satisfied by professionalism of CEO and his social network, which in turn helped them finding suitable personnel for the firm. Therefore, our research goes align with the literature and suggests that one of the successful methods to find the desired competence is through the personnel contacts, because in the market economies, production activities are not coordinated through the "invisible hand", but through relationships between business actors (Axelsson and Easton, 1992; Ford, 2002; Håkansson and Snehota, 1995; Mattsson, 2004).

It showed that recruitment companies could not cope with this phenomenon as for instance in Sweden recruitment companies play a major role in finding suitable personnel. Additionally, some firms try to solve problems internally. This is what we found that differs from the

literature, thus firms try do adapt to the Russian realities. For example, as one of the firms was not satisfied with the CEO that was delivered through the recruitment agencies in Russia, the firm searched its own internal resources on the Baltic similar market. The result of it was that the firm appointed a CEO from the subsidiary from the Baltic States. He had knowledge of the Russian market with good social networking, he knew the language and he shared the similar culture, since Baltic States is a former Soviet republic the cultural differences were minimal. Furthermore, the aspect of culture and perception of culture from the Swedish firms is essential. Those Swedish firms, which underestimate the cultural differences, will face problems in finding the desired competence in their Russian subsidiaries. This is applicable in transition economies as one unity. All companies differ in size and operations in the Russian market and the Baltic's. Therefore, a conclusion could already be drawn here that recruitment problems does not occur because only one specific firm or branch but it is a problem that all companies face more or less in transition economies. This part could be linked to Gooderham and Nordhaugs article (2010) that HRM should be embedded and factors including cultural and national legislation should be of essence when entering a new market, especially one whom is in transition and is not very researched about. Furthermore through our research we have seen a mismatch when hiring people for respective positions in their subsidiaries. Repeating the theory were a simple mismatch between jobs and people can be the cause to reduce effectiveness and sustainability (J. Dowling & Zhu, 2002). One of our respondents agreed that their subsidiary would of been more effective if they did not have as much mismatching in their recruitment strategies. The same CEO also stated that the branch in Russia could be more effective than it is today but due to lack of knowledge of the Russian market it has not been that effective. Solving this problem they believed that one should have great networking and good connections in order to find the desired people, which in turn would lead to a more effective subsidiary. Also this would have an effect on transformation of the Russian market, as the bigger involvement and greater networking of the non-Russian firms would overcome the culturally inherited distrust in Russia against outsiders (Batjargal, 2008).

Conclusion

To conclude this paper in this section we will discuss different aspects of our study and what we have come up with. The focus of this paper was to investigate the formation of the recruitment strategies in transition economies. Our main focus was the Russian market due to its rising importance on the world economy. Meanwhile attention of the HRM research is relatively small (Michailova *et al.*, 2009). Furthermore during our research we also had one Swedish company operating in Latvia as one of their market in order to have a small comparison with Russian transition economy and a Baltic state, smaller economy but also an important one.

Through our research and literature review we learned that Russian market has special context regarding cultural, economical and social environment (Björkman, Engström and Fey, 1999; 2001). We also learned that standard HRM policies could differ due to these contexts. Furthermore, we learned about history of Russian Human resource and its realities (McCarthy, Puffer & Naumov, 2000). On the principle of the contingency model and push and pull forces we investigated how our respondents perceive these different context within the Russian market and what is the effect of it.

A questionnaire with 10 questions was constructed specially for our study and then interviews were conducted. We conducted 6 in depth interviews with Swedish companies having subsidiaries in transition economies. Four CEOs were interviewed and all of them having operations in the Russian market. The D and F (Company) interview was with HR expert from Swedish MNC Company, D and F that was the two largest companies in terms of employees and operation in our research.

This research reveals three important issues. The first one is the existing problem of competence on the Russian market, finding the right person for the right position. Foreign firms have big issues with finding the desired competence. The second one, there are differences in finding competence for subsidiaries. While Swedish firms work closely with different recruitment agencies, their subsidiaries in Russia use help of contacts and recommendations. Working with recruitment agencies in Russia has shown to be ineffective and the results are very poor in finding the right competence and people. Often the result is that the subsidiaries have to remove the personnel and recruit internally or through personal connections and social networking. However, due to the pushing and pulling forces, which we

discussed from without the model, firms try to build a hybrid of the best practices and combining them with the local ones.

Additionally, the parent firms try to find competence internally for its subsidiary like in case of Company A and D. Furthermore these companies often have small fluctuation in terms of employees leaving the company. Many of the people working there have done it for several years and will probably still work there for a long time ahead. Company B used another method, this company hired through the Swedish Trade Council, which helped them in finding their CEO, which in turn had great social network. This was very effective and successful. The CEO had many contacts and there was no problem in finding the desired competence. The third one is that cultural and economical context influences the formation of strategy. Our respondents revealed that underestimation of cultural aspect on the Russian market causes troubles in finding competence. As for economical aspect it is influenced by the amount of resources that a subsidiary possess, if the subsidiary and the parent firm have mismatch in resources, the recruitment strategy will not convert to a similar one. Furthermore, if a countries economy is on the rise it is harder for the companies to find people, because they already have a job. While we found an influence by cultural and economical aspects on recruitment strategy, we also found that political aspect rather influencing business of the firm itself than a recruitment strategy of the firm.

Concluding it is worth mentioning that company F states several times the importance of finding desired personnel that understands the Swedish code of conduct and how company F follows it. Thus, this company rather loses a deal with a large customer than bypass the code of conduct. Also this way of thinking is encouraged by the company and they always try fining employees that have experience and education abroad but are Russian in order to have a more western way of thinking.

Limitations and future research

As many studies, ours is not without limitations. This study should be viewed as explanatory. Further, while we only conducted interviews with heads of the Swedish offices and therefore this study evaluated their perceptions about recruitment strategies, it is important to evaluate what their Russian colleagues would say about the recruitment strategies. Hence the study could be made from another point of view which would lead to a better understanding of

Russian realities and what the differences of Russian and Swedish recruiters and their strategies. Additionally, it would be interesting to look at the big firms and how they cope with the problem because bigger firms have better resources and opportunities.

Furthermore, it would be of greater importance to improve questionnaire in order to have a better grasp from the respondent's answers. One could also say that a similar quantitative study would be great to do in order to improve and confirm our results. Also, a comparison of Russia with other transition and emerging economies could provide an interesting pattern of similarities and country specific differences. This is something one could do if having more time for research and better insight at firms. Due to limitation in time our study is more limited in numbers of companies researched and persons interviewed. Even though this is the case we believe that the credibility in our research is good and it is proven that companies establishing in Russian market have issues in finding desired personnel.

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Appendix

Research questions

1. How are your subsidiaries handled in the Baltics and Russia? How does the organizational structure look like? Who reports to whom? Do you report to Sweden?
2. How does the recruitment process look like in the Baltics/Russia? Do you feel that you need to adapt your recruitment strategy for the specific market (e.g.: Ads, email ads, recommendations, contacts, recruitment companies, social media and so on)
3. How do you find the right person for a particular job? What are the key strategies to find suitable staff? Are you aware that the recruitment strategies differ from Swedish and Baltics/Russian market, if so, how? What makes you adapt the strategies for recruitment?
4. What are the most important criteria when you are hiring an expert, professional in one area (e.g. Sales manager for a new market)

(Example given of criteria: Experience, skills, potential leadership, recommendations or college/university ranking)
5. Describe the main differences between your recruitment process and the Swedish one?
6. How do you think the social, economic and cultural issues affect your recruitment strategies in the Baltics/Russia and how do they affect your way of recruiting?
7. What are the main challenges when recruiting in Baltics/Russia?
8. What, according to your opinion causes these challenges above?
9. Which are the main corporate values of your company? Are there differences of values in Sweden and Baltics/Russia? (e.g. Maximize efficiency, strive for superior quality, encourage creativity, respect for the individual)
10. What background does the colleagues have in the Baltics/Russia in terms of ethnicity (e.g. Swedes who moved to Latvia for employment, Russian citizens, etc.)
11. Do you believe your recruitment strategies are successful? And why or why not do you believe your strategies are successful?