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**SENIOR MANAGEMENT LABOR MARKET:
FROM ECONOMIC GROWTH TO CRISIS.
THE CASE OF RUSSIA**^{2,3}

This paper presents an analysis of changes in senior management labor market in Russia during the 2000s. The original data consists of information on the appointments of 5771 senior managers in Russia from late 1999 until 2009. The study focuses on mobility between economic sectors, and managerial positions, human capital, including education and experience and the proportion of women and expats in the senior management market. We found that the Russian labor market of top-level managers can be described as a relatively closed market, where professional executives dominate. During the period of economic growth Russian companies preferred to hire outsiders partly due to the lack of appropriate internal candidates. The typical senior manager in Russia is a 30-40 years old man with a degree in economics, engineering, or science, who moves every 2-3 years to their next executive position. The most significant changes, noted during the crisis, were the increase of the firms' demand for senior managers' specific human capital and the decrease of demand for general human capital.

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1. Introduction

After a severe economic crisis of 1998, the Russian economy experienced a decade of economic growth (1999-2008). The annual rate of GDP growth reached 10% in 2000 with an average of 7%.⁴ The economic development stimulated by the post-crisis recovery and rocketing oil prices promoted the growth of Russian companies and the opening of trans-national companies' (TNC) subsidiaries in Russia. During the 2000s, owners and managers of Russian companies considerably improved the quality of corporate governance by implementing up-to-date management practices⁵. One of the reasons for better government was that some companies made initial public offerings (IPO) and issued bonds abroad (at the London Stock Exchange (LSE), New York Stock Exchange (NYSE), and other stock exchanges), as well as received loans from foreign banks. Moreover, new businesses in Russia were established, existing companies expanded their product range and entered new regional markets. As a result, there was a rising demand for senior managers with the required competences. Companies aggressively hired new top-level managers, often using head-hunting services or attracting expatriate senior managers.

The new crisis - started in the fall 2008 - concluded a decade of economic growth and set a new agenda for Russian companies. Russian GDP fell by 7.8% in 2009. Enterprises faced a decline in demand, and some firms experienced "margin calls" or had other financial troubles. Companies turned from expansion to crisis management, thereby changing the demand for senior managers. The new tasks were cost cutting, organizational and financial restructuring, and bankruptcy (in the worst case scenario).

This article is devoted to the analysis of changes in the senior management labor market in Russia during the 2000s. The study focuses on senior managerial mobility, human capital, including education and experience, and the share of women and expats on the senior management market. In comparison with previous researches on senior management market that mainly analyzed companies in Russia we concentrated on managers. Also we studied the changes which occurred from the beginning of the economic crisis in Russian economy.

The rest of the paper is organized in the following way: section 2 discusses research background; section 3 presents the data used for analysis; section 4 introduces theoretical framework and our hypotheses; section 5 presents results of the empirical analysis; and section 6 shows the concluding remarks.

⁴ World Development Indicators, available at databank.worldbank.org.

⁵ More information about corporate governance in Russia is available article by Lazareva, Rachinsky and Stepanov (2008).

2. Background

This paper is based on several streams of research. First, we complement the wide set of corporate management analyses in developed economies. Second, we extend the literature on corporate governance in Russia. Third, we follow human capital theory applications for corporate governance analysis. In this section, we briefly discuss each of the related areas of research.

Various issues of corporate governance and top-level executives' turnover in developed economies have been studied over the last few decades.⁶ One of the most popular issues was analysis of factors that determined a choice of internal or external candidate for senior managers' positions. One of the earliest papers (Shetty and Peery, 1976) on senior executives' appointments compares the pros and cons of internal and outside candidates. Agrawal, Knoeber and Tsoulouhas (2006) estimated the probability of selecting an outside CEO using a data on CEO succession during the period 1974-1995. Frydman (2006) analyzed changes in the CEO market from 1936 to 2003, including the growth of outside CEOs since the 1970s; she explained this growth by the rising importance of general skills. Murphy and Zbojnik (2007) also used the theory of general and specific human capital to argue that there has been an increase of outside candidates.

The other important issue in corporate governance studies is the relationship between firm performance and a CEO's succession and remuneration. Murphy (1985), Bertrand and Mullainathan (2001), and Holstrom (2005) presented various approaches to analyses of senior managers' pay and a firm's performance. Denis and McConnell (2003), Gibson (2003), and Kato and Long (2006) estimated the relationship between firm performance and the probability of CEO dismissal. Kaplan, Klebanov and Sorensen (2012) highlighted the role of individual characteristics of a CEO in firm performance.

The impact of economic growth and crisis on corporate governance and CEO succession is less examined and findings are contradictory. Gilson (1990) recorded the significant rise of senior managers' resignation in companies undergoing bankruptcy. Karlsson and Neilson (2009) stated that little has changed in CEO labor market during the 2008; moreover, in North America and Europe, the CEO turnover rate has decreased. OECD report (2009) declared problems with the corporate remuneration/incentive systems in OECD countries. Contrariwise, Fahlenbrach and

⁶ Extensive reviews of corporate governance research are provided by Shleifer and Vishny (1997), and Cannella, Daily, and Dalton (2003).

Stulz (2011) found a lack of correlation between U.S. banks' CEO incentives and banks performance during the credit crisis of 2008.

Gender issues remain on the research and political agenda for a long time due to persisting gender wage gap and low share of female senior managers. Bertrand and Hallock (2001) estimated the gender gap during 1992-97 in the U.S. top corporate jobs to be about 45%, the main part of which was explained by smaller companies' size and lower positions of women. Similar findings on the gender gap for the U.S. companies during 1992-2003 were presented by Bell (2005), who also noted that the gender gap in women-led firms is 10-20% smaller. Farrell and Herschb (2005) showed that corporate boards' appointments were not gender neutral, and the likelihood of women appointment was negatively affected by the number of existing female directors.

The globalization of economy and TNCs expansion promoted attention to the role of expatriate senior managers. Sakho (1999) analyzed the reason why companies preferred to appoint expatriate managers to their subsidiaries, finding it to be the more valuable skills and competence of expatriate managers. Harvey and Moeller (2009) described the stages and the main problems of expatriate appointments. Blonigen and Wooster (2003) revealed a significant correlation between an appointment of an expatriate CEO and expansions into the foreign markets for the respective company.

Corporate governance in Russia became a focus of research in the early 2000s. Yakov Pappe, a Russian economist, stated that «during the 1990s, there was no attitude of good corporate governance in Russian business; only from the 2000s the situation has changed and good corporate governance has become in demand»⁷ (Pappe, 2012: 1481). The growing interest in the corporate governance in Russia could be explained by IPOs and bond issues, expansion to new markets and regions, as well as owners' withdrawal from business; therefore, the demand for senior managers with the required competences increased.

The most articles on the corporate governance in Russian firms describe it as poor quality, though there are several papers with positive assessments. Lazareva, Rachinsky and Stepanov (2008) found the low but rising level of corporate government quality in the largest Russian companies. Dolgopyatova, Iwasaki and Yakovlev (2009) did not find a correlation between companies' performance and managerial turnover that was typical for low level of corporate governance. Gurkov (2009a) analyzed the corporate strategy process and also spoke

⁷ Translation from Russian to English by S.Solntsev.

about weak corporate governance in Russian companies. Rachinsky (2002) examined senior managers' turnover from 1997 to 2001 and noted that internal corporate governance mechanisms did not work properly. Guriev et al. (2004) found the significant variation in the quality of corporate governance and that the concentration of ownership positively correlated with the good corporate governance. Moreover, Kuznecovs and Pal (2012) showed that improvement of corporate governance in Russian firms did not lead to growth of firm performance.

Contrariwise, Dyomina and Kapelyushnikov (2005) analyzed the replacement of CEOs and chairmen of the board of directors in 1997-2003, and considered that despite many problems "the Russian system of corporate governance is doing what it has to do, helping to select the more competent managers and to enhance effectiveness of their work." Murvyev (2003) presented the negative correlation between firms' productivity and CEOs' replacement probability. Dolgopyatova (2012) indicated that the model of corporate governance in Russia was moving towards better practices.

The reaction of the Russian firms to the economic crisis of 2008 was studied mostly from the companies' point of view while, changes on the senior executives labor market were not analyzed in detail. Danilov, Simachev and Yakovlev (2010) compared the strategy of Russian large and medium-sized enterprises, and declared that medium firms took more efficient anti-crisis management while large companies relied more on the government support. Golikova et al. (2011) also said that Russian middle-sized companies coped with the economic recession better than large-sized ones. Gurkov (2009b) found that during economic crisis owners of many medium-sized Russian companies returned to operational management.

3. Data and Socio-Demographic Portrait of Senior Managers in Russia

In order to study the senior management labor market in Russia, we used original data on the appointments of 5771 senior managers in Russia from late 1999 till 2009. This period consists of the 1999-2008 economic growth and the economic crisis which started in late 2008 (fig. 1).

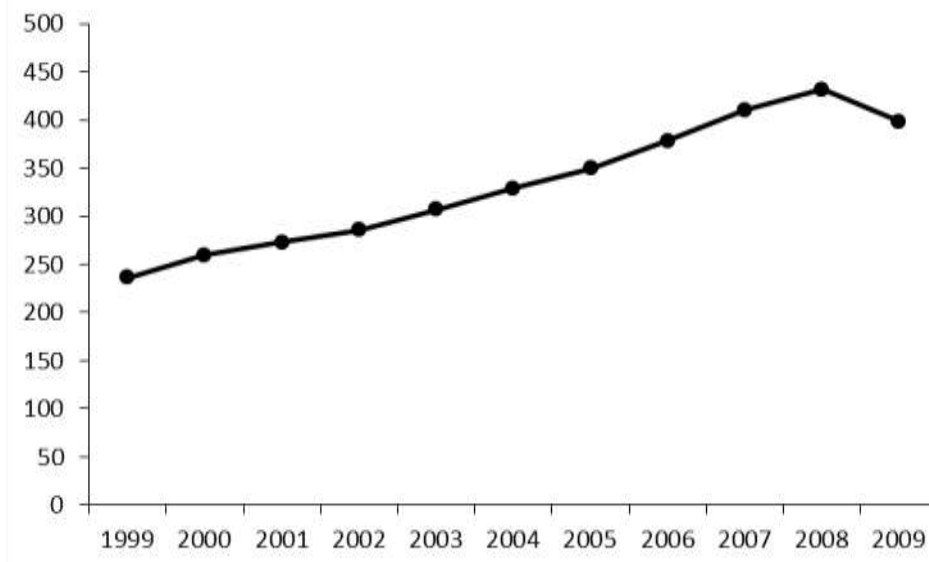


Fig. 1. Gross domestic product (GDP) of Russian Federation, constant 2000 bln US\$

Source: World Development Indicators

We collected information on personal details of senior managers (such as gender, age, nationality⁸, education, work experience), as well as companies' details (economic sector, Russian firm or TNC subsidiaries in Russia).⁹ Our database is based on the information collected from articles about senior manager appointments in Russia published in Vedomosti newspaper¹⁰. In certain cases, we supplemented this data with information obtained from company websites. Constructing our data, we followed the principles widely used in papers on corporate governance, e.g., Lauterbach and Weisberg (1994), Agrawal, Knoeber and Tsoulouhas (2006), and others. In the database, we included only the senior managers' appointments in the large and

⁸ We indicated nationality of senior managers: before 2004 – only Russian or non Russian, after 2004 – particular country.

⁹ See Table A1.1 in Appendix with a list of variables and Table A1.2 in Appendix with correlations of variables.

¹⁰ Vedomosti is a Russian business daily newspaper published in cooperation with Financial Times and The Wall Street Journal since 1999. Once or twice a week Vedomosti publishes section "Resignations and Appointments" with information on senior management resignations and appointments in Russia.

medium-sized companies operating in Russia. Appointments in the small firms and in the state organizations were excluded.¹¹

The data consists of 5771 appointments made of 5018 senior managers: most of them (4385) were included in our database once, 539 managers – 2 times (appointments), 74 managers - 3 times, 20 managers – 4-6 times. All companies in our sample were divided into two groups: Russian firms (68% of observations) and TNC subsidiaries in Russia (32%).

The sample included companies from various sectors of the Russian economy, including agriculture, industry, and services (table A1 of the Appendix). The largest share of the sample is occupied by banks (21% of observations), financial (12%), and insurance (7%) companies. The energy sector (including oil, gas, coal, and electrical power industries) have 4.3% of observations; machinery, 4.8%; metallurgy, 3.4%. Industrial companies make up 16% of observations, while the agriculture sector (including food industries) - 5%. Accounting and consulting companies account for 7.5%; legal services, 2.6%; the advertising agency, 1.6%. The distinctive feature of our data is the presence of companies from all sectors of the Russian economy: agriculture, industry, and services, while the majority of articles on the corporate governance in Russia concentrated on industrial companies (see Guriev et al. (2004), Dyomina and Kapelyushnikov (2005) and others).

According to our data, the Russian senior managers labor market is the ‘man’s world’ – the share of female managers is only 15.6% of all appointments. The share of women among CEOs is less than half of that, 7.2%.¹² Russian companies were less inclined to appoint female senior managers than TNC subsidiaries (14.7% and 18.5% respectively). The share of women (fig. 2) grew during 2000-2007 and flattened out in 2008-2009. This growth could be explained by an increase in the demand for top-level managers during the economic boom in Russia, which caused a deficit of qualified male managers. The crisis in 2008-2009 decreased the demand for all senior managers including female managers.

¹¹ We follow the practice of the previous research mentioned above. The reason for excluding small firms is that they have different management practice where number of managers is limited and the owner usually acts as a head of the company. The state organizations excluded because there is a significant influence of political factors on senior managers’ appointments.

¹² This figures are similar to European ones – according to German Institute for Economic Research (DIW Berlin) publication, about 10% of the members of the highest decision-making bodies in the top European publicly quoted companies are, varying from 2% in Italy to 22% in Slovenia and Latvia (Holst E., Schimeta J. 2011).

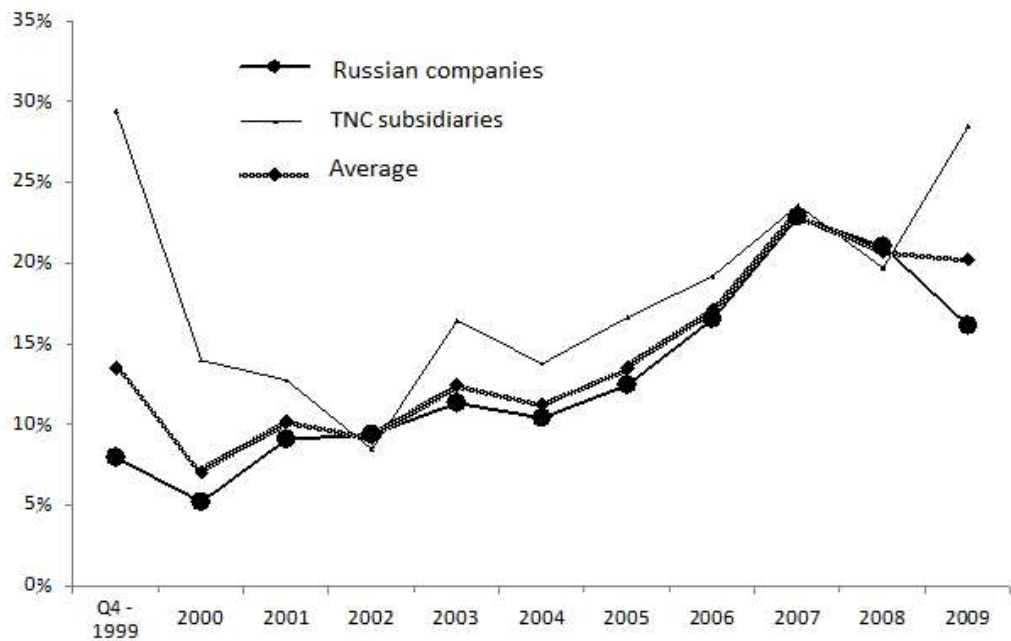


Fig. 2. Share of female senior managers, by years.

The sectors of the Russian economy which had highest percentage of women managers were services, such as recruiting, advertisement, insurance, accounting, consulting, and law. Agriculture, gas oil, coal, machinery, energy, metallurgy had the lowest percentage of women managers. Female managers in Russia used internal promotions to avoid the “glass ceiling” because their employer had more information on the real abilities and skills of female managers and did not rely on gender stereotypes (more about internal and external appointments see section 5a).

The age structure of top-level managers in Russia presented in Fig. 3. Most senior managers are 30-40 years old, with mean age of 38.8. Female managers are 2 years younger than male, partly due to the earlier retirement age (55 and 60). The shapes of graphs are similar except that the female graph is less skewed to the right (younger ages).

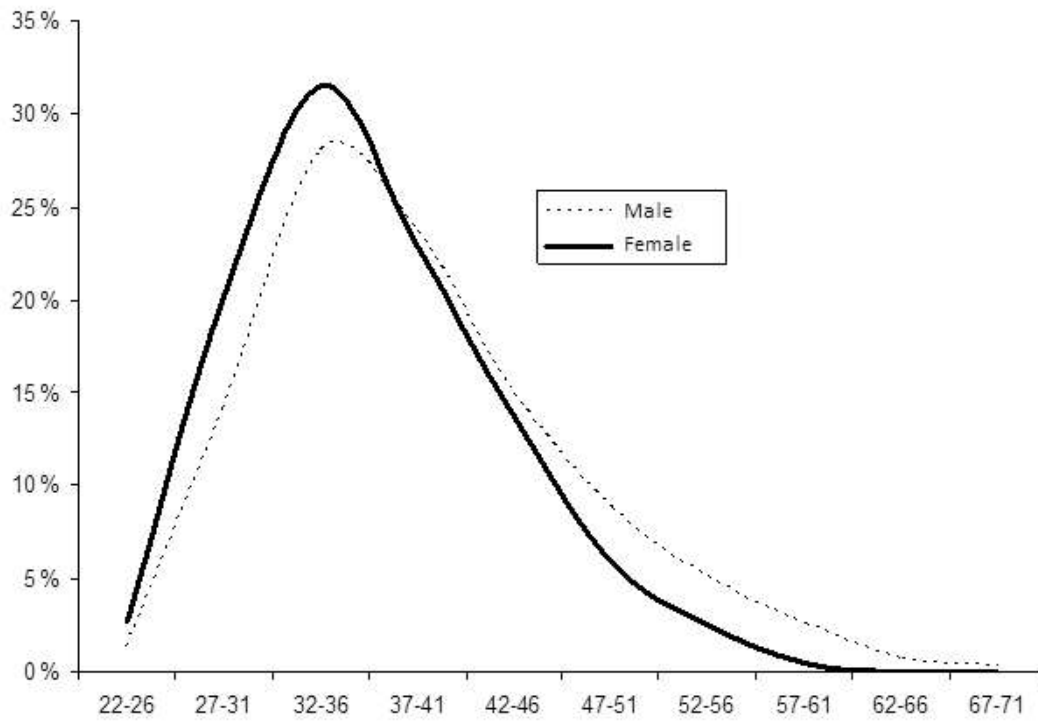


Fig. 3. Age structure of male and female senior managers in Russia, smoothed.

4. Hypotheses

Our analysis is based on the approach proposed by Hambrick and Mason (1984), which suggests to use senior managers' background observable characteristics to predict organizational outcomes. It was also advocated that "the demographic characteristics of executives can be used as valid, albeit incomplete and imprecise, proxies of executives' cognitive frames" (Hambrick, 2007: 335). We suppose that companies' decisions to hire particular senior managers can be analyzed through their observable characteristics that should meet companies' demand for certain executives skills.

We broadly use Becker's human capital theory (Becker, 1964) of the general knowledge and specific skills. This approach was used for analyses of top-level managers labor market by Murphy and Zabochnik (2007), Frydman (2006) and others. The theory suggests that executive's competences can be divided into two groups: (1) general knowledge (which are transferable across companies) and (2) specific skills (which are valuable only within the organization or certain sector/profession). General knowledge can be acquired via formal education, whereas specific skills are obtained by work experience in given organization, sector, profession. We use information on senior managers (such as their education, work experience, etc.) as proxies variables for their knowledge and skills.

Our three hypotheses are based on the theoretical concepts and empirical outcomes on Russian and Western labor market for senior managers that were discussed above. Also we take into consideration the particularity of empirical data which we use to test these hypotheses.

Hypothesis 1. A share of external candidates is procyclical; it increases during the economic growth and decreases during the crisis.

We suppose that during the economic growth, companies expand their activities and need more senior managers (as well as other employees) to run them. Due to a limited number of appropriate internal candidates companies more often decide to hire external candidates. Owing to expansion to new markets and region a value of the firm-specific skills is declined that favour external candidates. Moreover, during economic growth companies have softer financial constraints and are able to pay higher salaries to external candidates.

During the crisis, companies cut down production and expenses, so they more often decide to hire internal candidates. A necessity for restructuring in some companies increases demand for the firm-specific skills and internal candidate.

Hypothesis 2. A share of expatriate candidates is procyclical, it increases during the economic growth and decreases during the crisis.

The reasons for the demand of the Russian companies for expatriate senior managers differed from those of the TNC subsidiaries reasons. Advantages of expatriate senior managers for Russian companies were their up-to-date management and professional skills, their business connections at the foreign markets, and a wider choice of potential candidates. Expatriate managers' experience on Western financial market was a plus for Russian companies which made IPOs, issued bonds abroad, or received loans from foreign banks. TNCs could appoint expatriate managers in their Russian subsidiaries to spread the corporate culture and to control financial and organizational issues. During the economic growth companies expand their activities and attract more managers including expatriate managers.

However, there are certain disadvantages of the appointment of expatriate managers. First, they are more expensive (in terms of the hiring costs, salary, and housing costs). Second, a language problem could occur, as well as culture differences. Third, expatriate managers tend to resign and return to their native country more frequently. Fourth, they lack Russian connections. During the economic crisis companies reduce their production and cut costs that decrease demand for expatriate senior managers.

Hypothesis 3. The share of external candidates is lower in sectors with a low competition and higher in more competitive sectors.

We suppose that demand for general knowledge and specific skills varies among sectors. Sectors with lower competence, higher state influence (ownership and regulation) and more ex-USSR companies¹³ are less dynamic; their senior managers prefer to compete within company than with other companies and relies mainly on internal promotion in companies' human resource management. Thus, their demand for specific skills is higher than for general knowledge. In Russian economy such companies concentrate in industry, including energy, manufacturing and others.¹⁴

¹³ Companies which were established before 1992 in a Soviet era.

¹⁴ More information on Russian industry presented in the book by Dolgopyatova, Iwasaki and Yakovlev (2009).

5. Empirical Analysis

This section organized in the following way. First, frequencies of internal promotions of managers and outside recruitment are analyzed. Second, Russian and expatriate managers are compared. Third, the importance of general and specific skills is studied. Our empirical analysis is based on original data on the appointments of top-level managers in Russia which were described in section 3.

5a. Insiders vs. Outsiders

Each company chooses between internal promotions and outside recruitment, and every employee also chooses between a career in one company and an intercompany career. The observable result of these decisions is the appointment of insiders or outsiders. Internal promotion allows companies to avoid hiring costs, preserve specific capital and promote internal competition (tournament) for top-level positions. External recruitment provides a wider range of candidates, fresh perspective and new skills.

The Russian senior management labor market is characterized by the dominance of external recruitment (55.8% of all appointments). The dynamics of the share of outside candidates is shown in fig. 4. External recruitment grew from 38.8% in Q4 1999 (to 65.1% in 2007, with a drop in 2003¹⁵). During the economic growth of 1999-2007, Russian companies received financial resources from abroad at lower interest rates (via bank credits and bond issues), as well as the IPOs. Furthermore, Russian companies expanded their product range, entered new regional markets, and new businesses in Russia were established. TNCs opened new subsidiaries in Russia and developed previously opened ones. As a result, there was a rising demand for senior managers with the required competences, which could not be fulfilled by internal candidates. Therefore, companies hired outside senior managers, often using head-hunting services, or attracted expatriate managers (see section 5b). The significant decline of the share of outside candidates in 2008-2009 (to 54.0%) could have been due to the economic crisis. The output decline during the crisis lowered the demand for senior management, so companies preferred to promote internal candidates rather than hire outsiders.

¹⁵ The causes of decline in 2003 in the share of outside candidates could be explained by the growth of state interference in the economy and the decline in property rights protection; but, this is an issue for a future research.

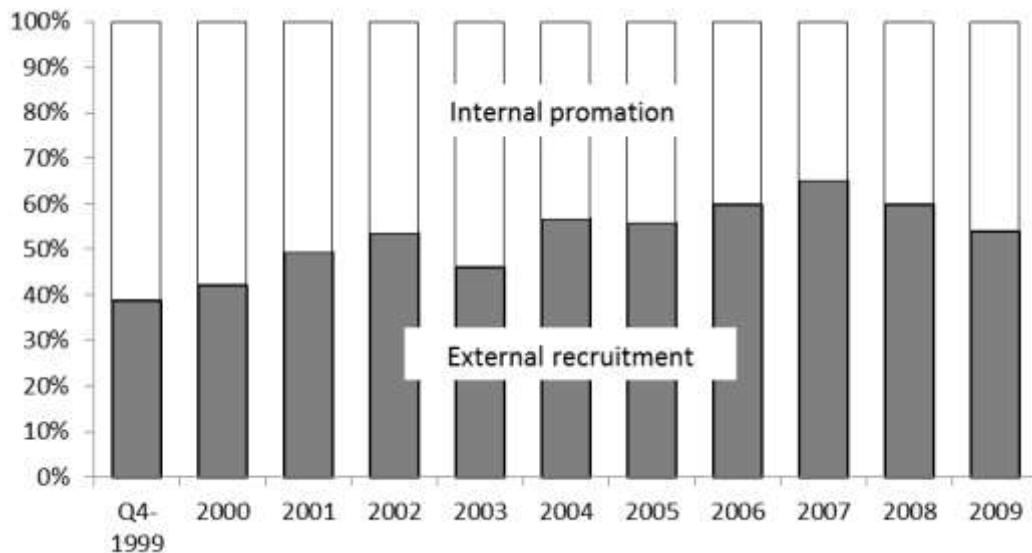


Fig. 4. Share of internal promotion and external recruitment in all appointments, by years.

The correlation between share of external appointments and the period of work at previous position is U-shaped (fig. 5). Senior managers prefer internal promotion during the first and second year of work at one position. Therefore, companies should provide internal promotion for their senior managers every one to two years in order to keep them and decrease the probability of the senior managers' dismissals.

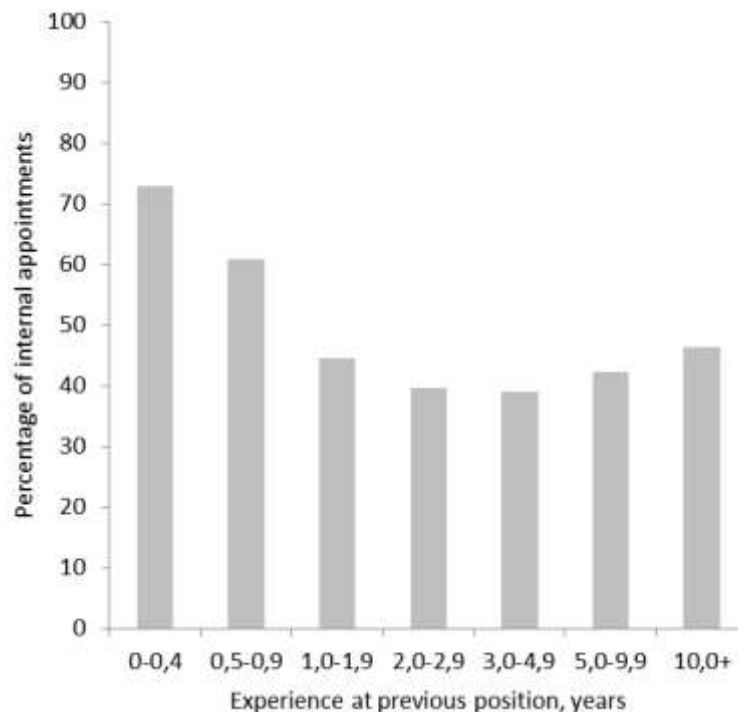


Fig. 5. Percentage of internal appointments and experience at previous position.

There is a substantial difference in outsiders' share among various sectors of the Russian economy. The most insiders-oriented sectors are gas (only 13.0% of outside appointments), nonferrous metallurgy (38.6%), timber (39.4%), and oil industries (40.4%). These sectors are dominated by the large USSR-established firms with the significant government stakes. The financial companies (70.4% of outside appointments), as well as insurance companies (66.6%) and advertising agencies (62.4%) are the sectors with the largest share of outside recruitment. These sectors are characterized by a large number of companies and the considerable level of competition.

Russian labor market for senior managers is highly closed, i.e. had a very small "inflows" (appointments of middle-level managers) - the share of them was only 7%. Taking account of the large share of outside appointments, the market can be described as market for professional senior managers which migrated from one firm to another.¹⁶ We suppose that many companies preferred to hire experienced senior managers and did not want to train and promote appropriate candidates inside the company.

In order to test hypotheses 1 and 3, five models of probit regressions of the external promotion probability were estimated (see Table A2 in Appendix). The independent variables were senior managers' personal details (gender, age, nationality, as well as education and work experience), companies' details (sector, Russian company or TNC subsidiary), and year of appointment.

It was found that all years' variables were significant, growing from 2000 to 2008 (except 2003 which was described earlier) and declining in 2009, which supports hypothesis 1. All variables for economic sectors were significant. Industrial firm tended to promote insiders, while banks, financial, and insurance companies, and IT firms preferred to hire outsiders that partly backs hypothesis 3.

These regressions also shows that the female managers had 4-6 percentage points (pp.) larger probability of internal promotion than the male managers. People with degree in humanities and social sciences were more inclined to accept outside appointments (by about 14 pp.). The senior managers with less than 1 year experience at the current position were more likely to be promoted internally (by 23-24 pp.). TNC subsidiaries used internal promotion more often than the Russian companies (by 7-11 pp.).

¹⁶ The increase of external appointment of "professional" senior managers in the USA from 1970 to 2000 was documented by Murphy and Zabochnik (2007).

5b. Russian vs. Expatriate managers

A share of expatriate senior managers was 13.3%. However, the share in TNC subsidiaries (31.6%) was four times larger than in Russian companies (7.4%). TNC subsidiaries had more opportunities (they can use internal manager promotion of their senior-managers from the headquarter office and subsidiaries in other countries) and more incentives (better control of the TNC subsidiary in Russia) to appoint expatriate senior manager than Russian firms. The expatriate managers' share variation is shown in fig. 5. There was a significant drop in the share of expatriate managers in TNC subsidiaries during second half of 2000s, from 37.6% in 2005 to 25.7% in 2009. This decline could be explained by the growing number of Russian senior managers with required competences.

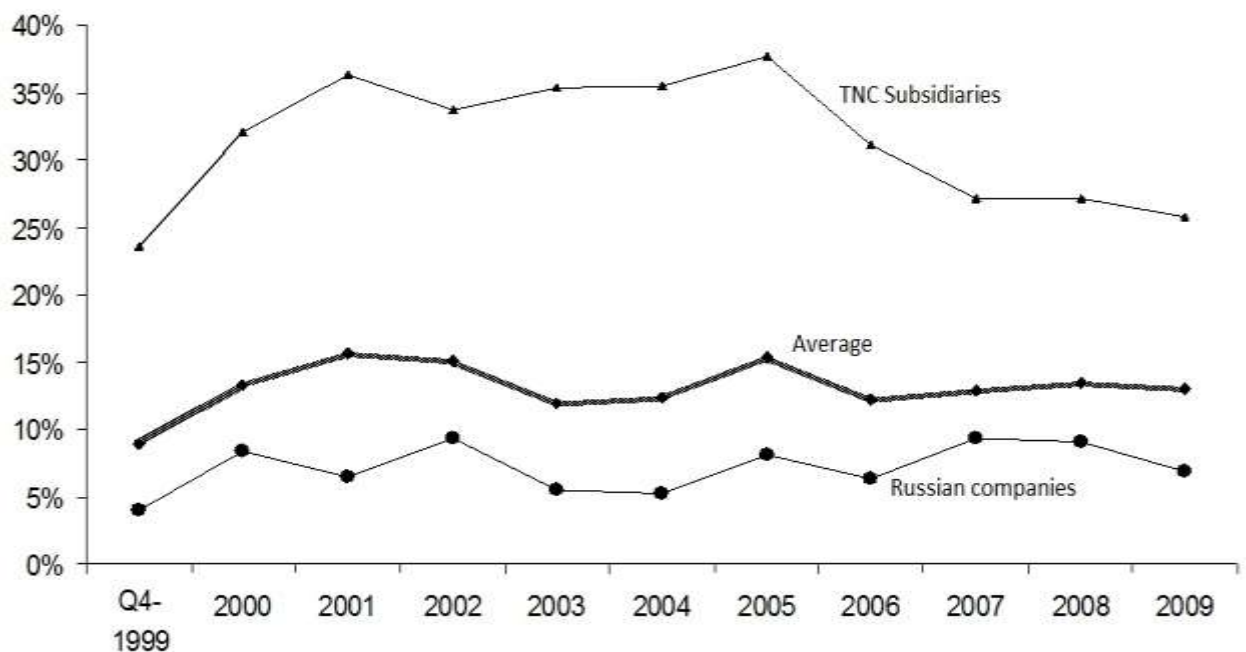


Fig. 5. Share of expatriate senior managers, by years.

Expatriate managers are four years older than Russian. The percentage of female expatriate managers is only 7% (17% of women are among Russian managers), because there are double barriers: a “glass ceiling” (see section 3) and a smaller migration opportunities for women. Expatriate managers changed their jobs not as often as Russian. Economics sectors with the largest percentage of expatriate managers were accounting and consulting (30%), oil (27%), and law services (22%).

To test the hypothesis 3 probit regressions was estimated. Five specifications of probit regressions (similar with the regression in section 5a) with different sets of the independent variables were used (see tab. A3 in Appendix). These estimates show that among expatriates, there are more men, holders of degrees in economics, and older managers. TNC subsidiaries appointed expatriate managers more often than Russian firms (by 19-24 pp.). Industrial companies relatively more often appointed Russian managers (by 2.5 pp.), as IT companies (by 4-6 pp.), banks, insurance, and financial companies (by 2-3 pp.). In the most specifications, the variables representing years were not significant that the hypothesis 3 should be declined.

5c. General Knowledge vs. Specific Skills

Conventionally, university degree and work experience are examined as general and specific human capital (see sections 2 and 3 for background discussion). 99.6% of Russian senior managers had university degrees. About 65% of senior managers had one degree, including 31% in engineering and science, 27% in economics, 7% in humanities and social science¹⁷, 5% in law. 35% of Russian senior managers had two or more degrees; among them 11% of managers had degrees in engineering or science and in economics. The system of higher education in the USSR was characterized by an emphasis on engineering and science, which aimed to teach students for Soviet industry and the military-industrial complex. Modern Russian higher education partly preserves this emphasis on engineering and technology.

Work experience was analyzed through (1) same position experience, (2) same economic sector experience and (3) same company experience. In Russia, 88% of senior managers had same sector experience, 56% managers had same position experience, 45% managers had same company experience; 23% managers had 3 “experiences.”

During the crisis years (2008-2009), the share of top-level management with economic and legal education increased. Russian companies experienced cutbacks in demand and financial difficulties, so companies were forced to change their policy from expansion to restructuring and cost cutting. Therefore, this increased the demand for holders of economics and law degrees who were skilled in crisis management. At the same time, during the economic crises, companies shifted their demand from general to specific human capital (that also backs hypothesis 1): the share of two-degree holders decreased (from 43% in 2008 to 18% in 2009), while the share of senior managers with work experience increased (with same company experience by 11 p.p., same industry experience by 9 p.p.).

¹⁷ Excluding degree in economics and law.

5. Conclusion

The unique data allowed analyzing the senior managers' mobility in Russian companies during the period from late 1999 to 2009. According to our estimates, the typical senior manager is a 30-40 years old man with a degree in economics, engineering, or science. 35% of managers have two or more university degrees. Sixty-one percent of Russian senior managers graduated from Moscow universities, 16.5% from Saint Petersburg (ex-Leningrad) universities.

During the economic growth in Russia, companies preferred to use external recruitment instead of internal promotion. The percentage of external appointments reached 65% in 2007. The average work period at one position was only 2.7 years. Expatriate managers occupied about 13% of senior management' labor market. TNC subsidiaries appointed expatriate managers four times more frequently than Russian firms. There were significant inter-sectors differences in senior management labor market. Old, large industrial firms preferred internal promotions, while recently established companies in service sector relied on external recruitment.

The main change during the economic crisis in 2008-2009 was a shift in the demand from general to specific human capital and to anti-crisis management competence. Relatively small changes during the economic crisis could be explained by the economic policy of the Russian authorities, which provided loans to the largest Russian holdings, limited massive layoffs and bankruptcies. Thereby, the changes of inefficient companies' owners and management teams were rare.¹⁸

¹⁸ More on the measures taken by the government of the Russian Federation in response to the recent crisis see Gorst et al. (2009).

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Appendix

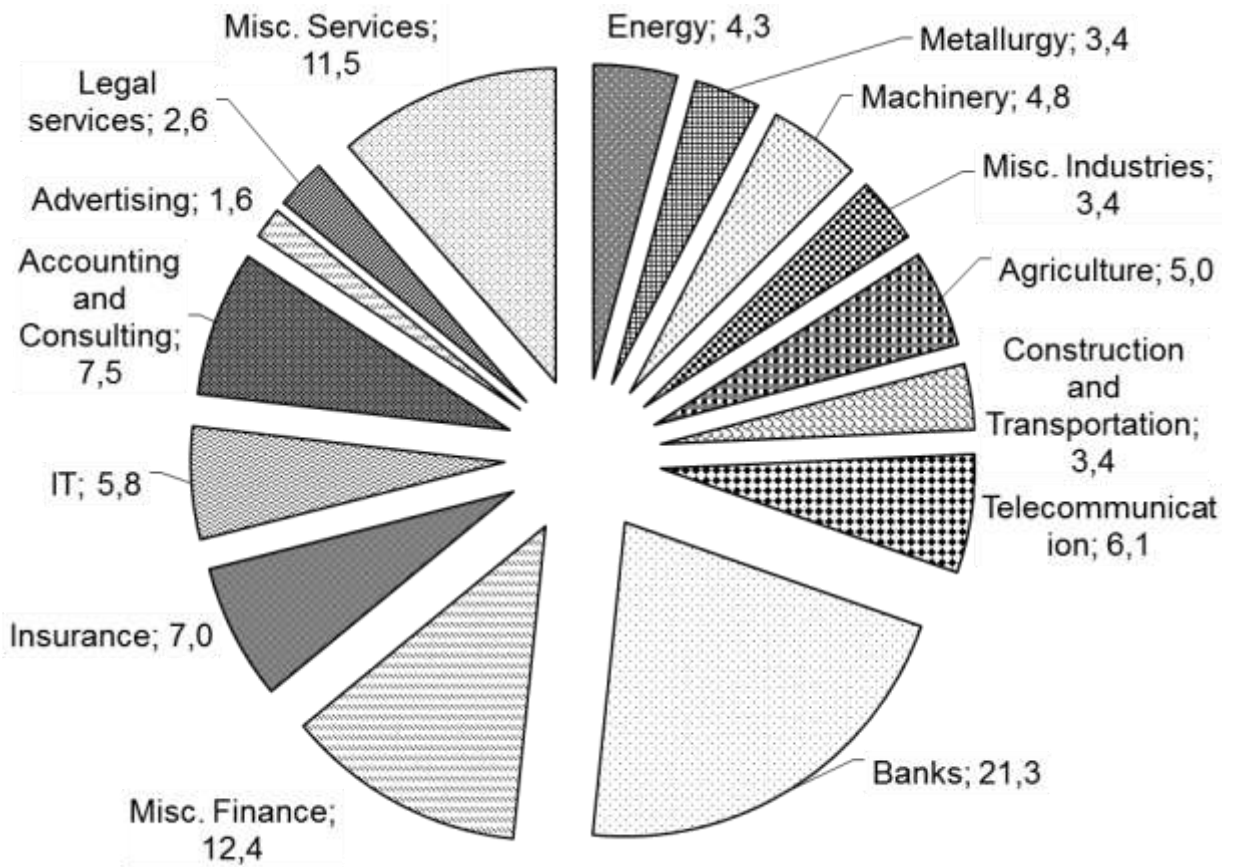


Fig. A1. Sample structure by economic sectors (in percentage points).

Table A1.1. List of variables

Variable	Description
appoint	0 for – internal promotion, 1 for external recruitment
gender – 0	male senior manager, 1 - female
nation_ru_f	0 for Russian citizen, 1 – for others
age_25_less	senior manager is 25 year old or less
age_26_50	senior manager is 26-50 year old
age_51_more	senior manager is 51 year old or more
ed_econ	senior manager has diploma in economics
ed_human	senior manager has diploma in humanities
tenure_1_	senior manager’s tenure at previous position was 1 year or less
tenure_2_9	senior manager’s tenure at previous position was 2-9 year
tenure_10_	senior manager’s tenure at previous position was 10 year or more
pr_ceo	senior manager’s previous position was CEO
pr_tech	senior manager’s previous position was technical director
pr_hr	senior manager’s previous position was HR director
pr_legal	senior manager’s previous position was legal director
pr_reg	senior manager’s previous position was regional director
pr_cou_rf	senior manager’s previous position was in Russia (0) /abroad (1)
ind_agro	senior manager’s previous position was at agricultural company
ind_ind	senior manager’s previous position was at industrial company
ind_fin	senior manager’s previous position was at bank, insurance or financial company
ind_it	senior manager’s previous position was at IT company
ind_oth	senior manager’s previous position was at other sector
y_9900	appointment was in fall 1999-2000
y_2001	appointment was in 2001
y_2002	appointment was in 2002
y_2003	appointment was in 2003
y_2004	appointment was in 2004
y_2005	appointment was in 2005
y_2006	appointment was in 2006
y_2007	appointment was in 2007
y_2008	appointment was in 2008
y_2009	appointment was in 2009

Table A1.2. Correlations of variables

	appoint	gender	Nation_	age_25_	age_26_50	age_51_	ed_ec	ed_hum	ten_1_	ten_2-9	ten_10_	pr_ceo	pr_tech	pr_hr	pr_legal	pr_reg	pr_cou-f
appoint	1.0000																
gender	-0.0179	1.0000															
nation_ru_f	-0.0333*	-0.0947*	1.0000														
age_25_less	-0.0171	0.0228	-0.0287*	1.0000													
age_26_50	0.0278*	0.0746*	-0.0829*	-0.2694*	1.0000												
age_51_more	-0.0236	-0.0844*	0.0949*	-0.0288*	-0.9549*	1.0000											
ed_econ	0.0005	0.0934*	0.1803*	0.0037	0.0752*	-0.0792*	1.0000										
ed_human	0.0678*	0.1374*	-0.0330*	0.0185	0.0274*	-0.0342*	-0.2653*	1.0000									
tenure_1_	-0.1271*	0.0006	-0.0547*	0.0131	-0.0167	0.0131	-0.0065	0.0235	1.0000								
tenure_2_9	0.1199*	0.0075	0.0389*	-0.0057	0.0614*	-0.0622*	0.0136	-0.0199	-0.8905*	1.0000							
tenure_10_	-0.0087	-0.0177	0.0242	-0.0138	-0.1011*	0.1099*	-0.0169	-0.0034	-0.0479*	-0.4119*	1.0000						
pr_ceo	0.0521*	-0.0973*	-0.0087	-0.0283*	-0.0936*	0.1060*	-0.0588*	-0.0289*	-0.0150	-0.0263	0.0874*	1.0000					
pr_tech	-0.0974*	-0.0604*	-0.0033	0.0015	-0.0829*	0.0856*	-0.1043*	-0.0385*	0.0089	-0.0148	0.0147	-0.0570*	1.0000				
pr_hr	0.0651*	0.1439*	-0.0288*	-0.0115	0.0225	-0.0198	-0.0447*	0.1357*	-0.0013	0.0103	-0.0200	-0.0505*	-0.0190	1.0000			
pr_legal	0.0243	-0.0068	-0.0100	-0.0089	0.0262	-0.0244	-0.0536*	-0.0253	-0.0017	0.0085	-0.0153	-0.0383*	-0.0144	-0.0127	1.0000		
pr_reg	-0.0281*	-0.0180	0.0490*	-0.0095	-0.0254	0.0293*	-0.0078	-0.0276*	-0.0389*	0.0161	0.0425*	-0.1111*	-0.0417*	-0.0370*	-0.0280*	1.0000	
pr_cou_rf	0.0159	-0.0795*	0.5593*	-0.0196	-0.0702*	0.0790*	0.1043*	-0.0064	-0.0560*	0.0345*	0.0367*	0.0089	0.0039	-0.0327*	-0.0291*	0.0395*	1.0000
ind_agro	-0.0106	-0.0114	0.0219	0.0249	0.0062	-0.0141	-0.0174	0.0269*	-0.0200	0.0177	0.0011	0.0332*	0.0668*	0.0162	-0.0050	0.0046	0.0443*
ind_ind	-0.1106*	-0.1266*	0.0100	-0.0340*	-0.1284*	0.1438*	-0.1183*	-0.0511*	0.0270	-0.0283	0.0080	0.1141*	0.1749*	0.0175	-0.0117	-0.0073	0.0197
ind_fin	0.1432*	0.0497*	-0.0972*	-0.0027	0.0557*	-0.0570*	0.1930*	-0.0602*	0.0264	-0.0202	-0.0084	-0.0898*	-0.1210*	-0.0336*	-0.0047	0.0223	-0.0585*
ind_it	0.0021	-0.0361*	-0.0434*	-0.0007	0.0115	-0.0117	-0.1355*	0.0246	-0.0248	0.0301*	-0.0162	0.0269*	0.0238	-0.0229	-0.0226	0.0317*	-0.0260
ind_oth	-0.0662*	0.0861*	0.1269*	0.0201	0.0335*	-0.0410*	-0.0027	0.0795*	-0.0232	0.0140	0.0157	-0.0338*	-0.0654*	0.0343*	0.0368*	-0.0480*	0.0489*
y_9900	-0.0687*	-0.0474*	-0.0073	0.0285*	-0.0302*	0.0225	-0.0176	0.0150	-0.0006	0.0075	-0.0152	0.0415*	-0.0060	-0.0307*	-0.0232	0.0291*	-0.0269*
y_2001	-0.0318*	-0.0373*	0.0162	0.0077	-0.0134	0.0115	-0.0216	-0.0042	-0.0062	0.0024	0.0071	0.0520*	-0.0064	0.0139	-0.0066	0.0187	0.0186
y_2002	-0.0121	-0.0492*	0.0139	0.0240	-0.0321*	0.0259	-0.0080	-0.0078	0.0040	-0.0016	-0.0047	0.0398*	0.0269*	-0.0350*	-0.0190	-0.0132	0.0367*
y_2003	-0.0625*	-0.0282*	-0.0136	-0.0153	-0.0024	0.0072	-0.0089	-0.0183	0.0249	-0.0220	-0.0016	0.0256	-0.0019	-0.0111	-0.0115	-0.0034	0.0255
y_2004	0.0061	-0.0433*	-0.0108	-0.0201	-0.0093	0.0158	-0.0216	0.0063	0.0426*	-0.0309*	-0.0175	0.0007	0.0266*	0.0005	0.0078	-0.0087	-0.0161
y_2005	0.0004	-0.0230	0.0229	0.0054	-0.0105	0.0092	0.0032	-0.0099	-0.0241	0.0101	0.0262	-0.0010	-0.0008	-0.0086	-0.0219	-0.0259	0.0144
y_2006	0.0313*	0.0158	-0.0124	-0.0040	0.0354*	-0.0355*	-0.0303*	0.0204	-0.0716*	0.0589*	0.0142	-0.0210	-0.0050	0.0074	0.0198	0.0246	0.0167
y_2007	0.0701*	0.0753*	-0.0048	0.0140	0.0124	-0.0172	-0.0005	0.0057	0.0080	-0.0092	0.0043	-0.0233	0.0109	0.0166	0.0431*	-0.0167	-0.0100
y_2008	0.0342*	0.0569*	0.0012	-0.0149	0.0165	-0.0125	0.0524*	0.0232	0.0210	-0.0093	-0.0216	-0.0446*	-0.0348*	0.0202	-0.0137	0.0151	-0.0325*
y_2009	-0.0106	0.0406*	-0.0028	-0.0088	0.0092	-0.0068	0.0379*	-0.0356*	0.0131	-0.0125	0.0011	-0.0268*	-0.0039	0.0117	0.0130	-0.0098	-0.0194

Table A1.2. Correlations of variables - cont.

	ind_agro	ind_ind	ind_fin	ind_it	ind_oth	y_9900	y_2001	y_2002	y_2003	y_2004	y_2005	y_2006	y_2007	y_2008	y_2009
ind_agro	1.0000														
ind_ind	-0.1006*	1.0000													
ind_fin	-0.1924*	-0.3647*	1.0000												
ind_it	-0.0918*	-0.1740*	-0.3328*	1.0000											
ind_oth	-0.1300*	-0.2464*	-0.4713*	-0.2249*	1.0000										
y_9900	-0.0126	0.0116	-0.0173	0.0645*	-0.0355*	1.0000									
y_2001	0.0381*	0.0438*	-0.0565*	0.0396*	-0.0238	-0.0590*	1.0000								
y_2002	0.0018	0.0375*	0.0091	-0.0208	-0.0268*	-0.0653*	-0.0681*	1.0000							
y_2003	0.0326*	0.0373*	-0.0184	0.0127	-0.0377*	-0.0763*	-0.0795*	-0.0881*	1.0000						
y_2004	0.0385*	0.0422*	-0.0490*	0.0242	-0.0190	-0.0847*	-0.0883*	-0.0979*	-0.1142*	1.0000					
y_2005	0.0078	0.0286*	-0.0616*	0.0143	0.0307*	-0.0923*	-0.0962*	-0.1067*	-0.1245*	-0.1383*	1.0000				
y_2006	0.0066	-0.0322*	0.0449*	0.0001	-0.0275*	-0.0887*	-0.0924*	-0.1024*	-0.1195*	-0.1328*	-0.1447*	1.0000			
y_2007	-0.0143	-0.0493*	0.0732*	-0.0307*	-0.0099	-0.0887*	-0.0925*	-0.1025*	-0.1196*	-0.1329*	-0.1448*	-0.1391*	1.0000		
y_2008	-0.0383*	-0.0291*	0.0372*	-0.0710*	0.0588*	-0.0972*	-0.1013*	-0.1123*	-0.1310*	-0.1456*	-0.1587*	-0.1523*	-0.1525*	1.0000	
y_2009	-0.0519*	-0.0679*	0.0171	-0.0001	0.0651*	-0.0767*	-0.0800*	-0.0886*	-0.1034*	-0.1149*	-0.1253*	-0.1202*	-0.1203*	-0.1318*	1.0000

Table A2. Probit regressions estimating probability of external appointment (marginal effects).

Independent variables	Specification				
	(1)	(2)	(3)	(4)	(5)
Senior manager					
Gender (male – 0, female – 1)	-0,063***	-0,044**	-0,056***	-0,056***	-0,058**
Nationality (RF – 0, nonRF – 1)	-0,012	-0,020	-0,004	0,005	-0,008
Age (26-50)					
25 year and less	-0,109	-0,113	-0,109	-0,101	-0,095
51 years and more	-0,039*	-0,049*	-0,021	-0,045*	-0,037
Degree of Senior Manager					
in Economics	0,033**	0,037**			0,028
in Humanities and Social Science	0,135***	0,137***			0,135***
Previous position					
Chief Executive Officer				0,110***	0,119***
Technology Director				-0,273***	-0,235***
Human Resources Director				0,273***	0,245***
Legal Director				0,113	0,155**
Regional Director				-0,042	-0,029
Experience at previous position (1-9 year)					
Less than 1 year		-0,236***			-0,227***
10 years and more		-0,035			-0,036
Companies' details					
Russian (0) / TNC subsidiary (1)	-0,118***	-0,096***	-0,090***	-0,084***	-0,070***
Sector (Misc. sectors)					
Agricultural company			0,024	0,036	0,051
Industrial company			-0,096***	-0,091***	-0,065**
Bank, insurance or financial company			0,103***	0,115***	0,106***
IT company			0,042*	0,063***	0,057**

Year (Q4-1999, 2000)					
2001	0,096**	0,114**	0,104**	0,081*	0,099*
2002	0,141***	0,084*	0,141***	0,156***	0,101**
2003	0,061	0,039	0,061	0,048	0,040
2004	0,160***	0,162***	0,166***	0,150***	0,165***
2005	0,159***	0,148***	0,169***	0,159***	0,166***
2006	0,194***	0,172***	0,185***	0,181***	0,173***
2007	0,239***	0,239***	0,229***	0,226***	0,235***
2008	0,194***	0,226***	0,188***	0,181***	0,221***
2009	0,161***	0,211***	0,144***	0,138***	0,198***
Number of observations	5584	4400	5527	5222	4232
LR χ^2	181	218	250	338	329
Pseudo R ²	0,024	0,036	0,033	0,047	0,057
Log likelihood	-3738	-2900	-3665	-3421	-2732

Notes:

*** - significant at 1 percent, ** - 5 percent, * - 10 percent.

Prob > $\chi^2 = 0$ for all specifications.

Dependent variable – internal (0) or external (1) appointment.

Miscellaneous sectors include transport, trade, accounting, consulting, recruiting, advertising, legal services.

Table A3. Probit regressions estimating probability of expatriate manager appointment (marginal effects).

Independent variables	Specification				
	(1)	(2)	(3)	(4)	(5)
Senior manager					
Gender (male – 0, female – 1)	-0,081***	-0,066***	-0,082***	-0,077***	-0,061***
Age 51 and more (20-50)	0,147***	0,118***	0,122***	0,126***	0,106***
Degree of Senior Manager					
in Economics	0,127***	0,109***			0,108***
in Humanities and Social Science	0,039**	0,023			0,020
Previous position					
Chief Executive Officer				-0,012	0,002
Technology Director				-0,002	0,061*
Human Resources Director				-0,063*	-0,036
Legal Director				-0,042	0,011
Regional Director				0,026	0,030*
Experience at previous position (1-9 year)					
Less than 1 year		-0,031**			-0,030**
10 years and more		0,010			0,002
Companies' details					
Russian (0) / TNC subsidiary (1)	0,237***	0,208***	0,240***	0,237***	0,186***
Sector (Misc. sectors)					
Agricultural company			-0,007	-0,007	-0,011
Industrial company			-0,024*	-0,026**	-0,015
Bank, insurance or financial company			-0,025**	-0,025**	-0,031***
IT company			-0,057***	-0,057***	-0,041***

Year (Q4-1999, 2000)					
2001	-0,011	-0,038	-0,020	-0,021	-0,042
2002	0,031	0,007	0,025	0,035	-0,011
2003	0,007	-0,010	0,002	0,012	-0,010
2004	0,008	0,048	0,000	0,012	0,046
2005	0,038	0,101***	0,035	0,048*	0,094***
2006	0,025	0,080**	0,013	0,024	0,077**
2007	0,042*	0,113***	0,036	0,052*	0,117***
2008	0,028	0,078**	0,021	0,028	0,064*
2009	0,007	0,063*	0,004	0,016	0,062*
Number of observations	5585	4401	5528	5223	4233
LR χ^2	788	595	603	573	583
Pseudo R ²	0,184	0,192	0,142	0,144	0,197
Log likelihood	-1750	-1256	-1829	-1704	-1188

Notes:

*** - significant at 1 percent, ** - 5 percent, * - 10 percent.

Prob > $\chi^2 = 0$ for all specifications.

Dependent variable – appointment of Russian (0) or expatriate (1) senior manager.

Miscellaneous sectors include transport, trade, accounting, consulting, recruiting, advertising, legal services.

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