



SpenglerFox Invest in Russia

HIGHLIGHTS FROM WHITE PAPER ON THE VALUE OF DOING BUSINESS IN THE RUSSIAN FEDERATION

DEC. 2017

Why read this White Paper?

- ▶ Get arguments to convince your CEO or board members why Russia deserves a second look.
- ▶ Broaden your knowledge of what the Russian market has to offer.
- ▶ Use as guidance for planning a CEO or board visit to the Russian Federation to explore business opportunities (travel to both Moscow and regional capitals).
- ▶ Gather insight on the value provided by top Russian talent and how talent sourcing and search should be done.

RUSSIAN FEDERATION COUNTRY OVERVIEW – FAST FACTS

Population: 146.8 million

Urban Areas: 15 major cities with more than 1 mil. inhabitants, including capital Moscow with 12.5 residents

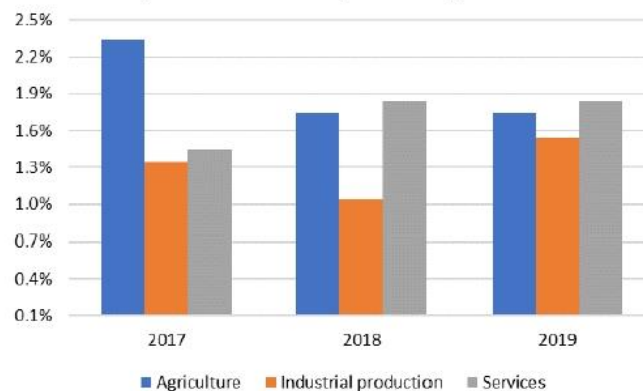
Ave. Monthly Wage: 500 EUR (country-wide); 1,300 EUR (Moscow)

Min. Living Wage: 160 EUR

Pension Allowance: 122 EUR (official retirement age = 55 for women; 60 for men)

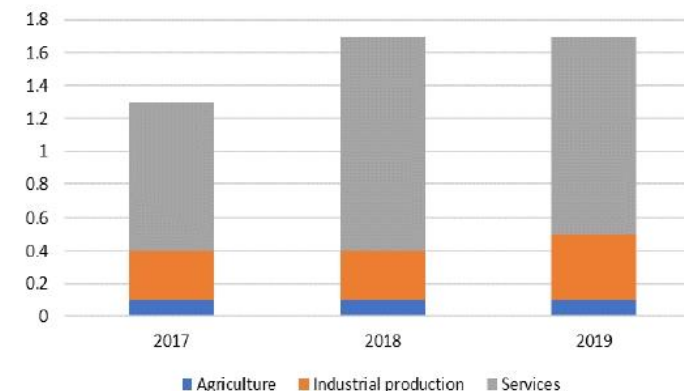
Income Tax Rates: 13% paid by employees (the rate is also applied for foreigners who stay 183 days in Russia); annual ave. of 22.3% paid by employers

Projected Growth by Sector, percent



Source: WB staff calculations.

Contribution to GDP, pp



Source: World Bank

RUSSIAN ECONOMY – TIMELINE (CURRENT FIGURES AND OUTLOOK)

HISTORY

Difficult export situation due to sanctions

Double-dip economic collapse (in 2008-09 during Great Recession; in 2014-15)

Weak ruble (two key drops against EUR/USD)

Stagnation in market reform processes

CURRENT STATE

Rapid growth in specific industries brought on by sanctions: agriculture (breeding, agro feeds and meat/products processing); pharmaceuticals and localization of production processes

Slow down in non-luxury automotive sectors and retail

Vulnerability due to reliance on oil/natural gas exports

OUTLOOK

Innovation and growth in govt.-supported industries: ICT, digital technologies and nanotechnologies

Foreign investor interest in joint mining projects

Tax-free services heading to local market (i.e. Global Blue to launch operations)

HR TRENDS ON RUSSIAN MARKET

Start careers young (22-23 yo)	Achieve top managerial roles by 30-35 yo	Limited access to international work experience
Gen Y very ambitious	Strong interest in work for SMBs	Remote and home office increasingly used by corps.
Intense restructuring and reorganization	Competition between experienced professionals and ambitious Gen Y newcomers	New opportunities for employment in financial services

OUTLOOK - INDUSTRY SECTOR

Key Trends: Digitization,
Innovation, Localization and
Diversification

Background Summary: The Industry Sector suffered badly from the 2014-16 recession. Analysts expect the sector to return to growth thanks to govt. Investment and spending by large companies like Gazprom and Rosneft. The upcoming FIFA World Cup is also driving growth, as infrastructure projects put on hold are now coming to fruition.

TRENDS & GROWTH DRIVERS – INDUSTRY SECTOR

LOCALIZED MANUFACTURING	OPTIMIZED SUPPLY CHAINS	SUPPLY CHAIN DIVERSIFICATION
CHEM, OIL, GAS SECTOR UP	IT SECTOR LIMITATIONS	NEW MINING PROJECTS (CA, AUS)
AUTOMOTIVE SECTOR RECOVERY	GEN. POSITIVE OUTLOOK	GOVT. IMPORT SUBSTITUTION

TESTIMONIAL INDUSTRY SECTOR



ELMIRA HADIEVA

HR Director, Inchcape

EXPERT Q/A

HIRE/FIRE? We're doing both. Recruiting very strong talent and firing under-performers.

HOME OFFICE? We don't have this option. Currently, we offer employees flexible hours.

OUTSOURCING/PAYROLLING: NEW TREND? We're a low margin business and have a large number of employees. So an in-house solution is best for us.

HOW DO YOU RETAIN THE BEST TALENT? We have a good Long-Term Incentive (LTI) program in place. We offer career development opportunities.

WHAT ARE THE SOLUTIONS YOUR COMPANY WANTS MOST? Assessment services. We need this as it's important for us to define our high-po pool.

OUTLOOK - CONSUMER SECTOR

Key Trends: Discounts, E-Commerce (Food vs. Non-Food Retail)

Background Summary:

The consumer sector suffered due to the economy slowdown over the past 3 years. A doubling of the FX currency rate has impacted consumer purchasing power. People have begun to buy cheaper things.

Small- and mid-size businesses are expanding their roles as product manufacturers.

TRENDS & GROWTH DRIVERS – CONSUMER SECTOR

DISCOUNT RETAIL	LOCALIZED MANUFACTURING	NON-FOOD E-COMMERCE BOOMING
SALES OF BEAUTY PRODUCTS GROWING	ALCOHOL/ TOBACCO INDUSTRIES IMPACTED BY GOVT. RESTRICTIONS	FOODSTUFFS E-COMMERCE IS GROWING

TESTIMONIAL CONSUMER SECTOR



DENIS MOSKVIN

Country Manager, MCM
Klosterfrau Healthcare

EXPERT Q/A

HIRE/FIRE? This is not a black-and-white issue. Due to the economic crisis, some companies have laid off workers as part of consolidation. In our case, we continuously bring onboard new talent to hire stronger experts and fill skills gaps.

HOME OFFICE? Am fully supportive of this concept, but it must be used intelligently.

OUTSOURCING/PAYROLLING: NEW TREND? Outsourcing will only increase as businesses face greater pressure to achieve efficiencies. Part of companies' efforts to harmonize processes across markets.

HOW DO YOU RETAIN THE BEST TALENT? We address this on both rational and emotional levels. On the rational level, we use proven incentive programs. At the emotional level, we work on fostering a strong corporate culture. We focus on developing employee commitment and retaining quality staff.

WHAT ARE THE SOLUTIONS YOUR COMPANY WANTS MOST? Currently assessment and development center services. Market and talent mapping in the medium-term.

OUTLOOK – LIFE SCIENCES SECTOR

Key Trends: Production
Localization, Govt.
Investment, Registration Issues,
Change in Talent Interests

Background Summary:
Growth in the Life Sciences
sector is impacted by talent
needs and profiles. Salary
packages for top talent have
grown and companies
increasingly offer package
deals (cars, insurance, bonus
schemes). Market has to deal
with peripheral issues of wage
costs (businesses opt for Gen
Y recruits to avoid higher price
of experienced talent).

TRENDS & GROWTH DRIVERS – LIFE SCIENCES SECTOR

ENHANCED LOCAL OPERATIONS	LOCALIZED PRODUCTION	INCREASED INVESTMENT
PROCUREMENT RULES	GOVT. SUPPORT FOR LOCAL PRODUCERS	LEGAL CHANGES IN PRODUCT REGISTRATION
COMMS DEPARTMENTS REDUNDANT DUE TO KAMs	SMBs ATTRACTIVE EMPLOYERS	

TESTIMONIAL LIFE SCIENCES SECTOR



OXANA GRIGORIEVA

HR Director, Allergan

EXPERT Q/A

HIRE / FIRE? Many people in the industry are now hiring. There are a couple of issues impacting labor markets right now: people are not willing to relocate to work and, despite more available talent due to staff reductions, candidate quality is not high. We see Gen Y talent taking on more and more roles. Companies currently prefer to make a younger hire and pay twice less the standard salary, as opposed to taking on an experienced manager/director. We see many companies closing certain departments; specifically, their commercial ones, while they move to a key account management (KAMs) approach.

HOME OFFICE? We find this interesting and have begun to implement it in some areas. It always depends on the role and work required.

HOW DO YOU RETAIN THE BEST TALENT? We just implemented a new retention tool related to our pension program. This helps with our long-term planning and cultivating relations to key talent.

SPENGLERFOX IN RUSSIA

Summary: Russia is a crucial market for many businesses: both due to its size and to relations with and influence on neighboring countries in the CIS region. Doing business in the Russian Federation requires careful planning and detailed knowledge of the regulatory framework for the local labor market.

Through its Moscow office SpenglerFox helps its clients take on these challenges and access and employ the top talent the market has to offer.

SPENGLERFOX PROFESSIONAL SERVICES

EXECUTIVE SEARCH (top + middle management; unique profi placements)	TALENT MAPPING + MARKET MONITORING	MARKET INTELLIGENCE/ BENCHMARKING (SURVEYS)
TEMPORARY STAFF PROVISION	HUMAN CAPITAL SOLUTIONS (assessment and development centers; staffing)	INTERIM MANAGEMENT BOARD SOLUTIONS

PRIVATE AGENCY EMPLOYMENT SERVICES

Summary: SpenglerFox is licensed to provide temporary staffing services for its clients . The service is ideal for businesses who wish to enter the Russian market but do not have an established legal entity. Alternatively, this service is also available for businesses who may wish to run temporary projects or have, for some reason, to leave the country, but wish to maintain a minimal functioning staff.

Temporary staff provision (outsourcing)

KEY SERVICE BENEFITS

OPERATIONAL
AND/OR COST
CENTER EFFICIENCY

LEGAL COMPLIANCE

REDUCED LEGAL RISK

FULLY CONFIDENTIAL
DATA PROCESSING

Feel free to reach out to a member of our team below.



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Spengler FOXTM

Talent, found.