

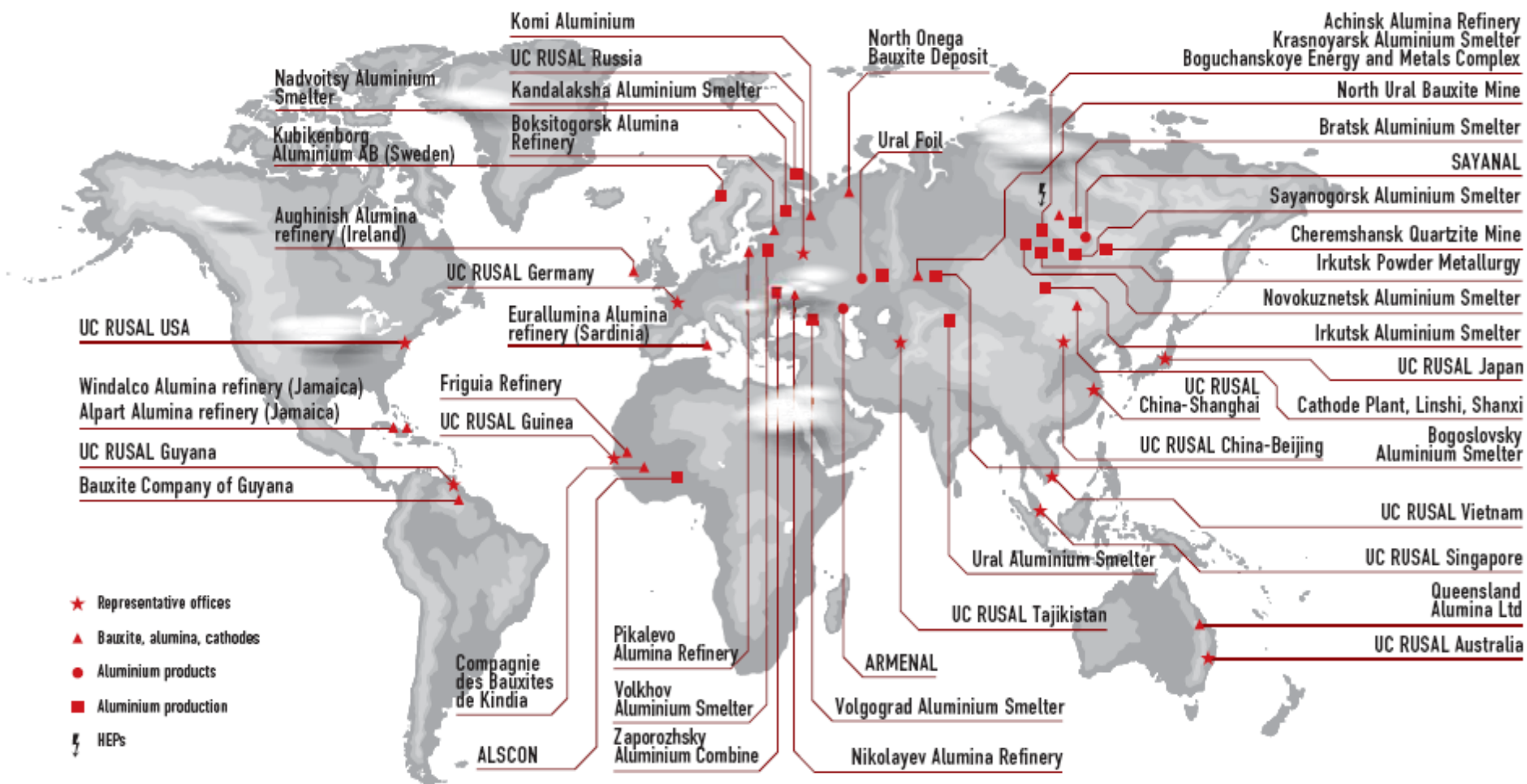


United Company RUSAL: balancing between importing foreign HR practices and developing culturally-specific approach

**Human Resources management as a means
to re-engineer a Russian industrial giant**

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UC RUSAL is a multinational Company operating in 19 countries on 5 continents



• 71 300 employees with different cultural, educational and religious background,²
57 100 of them work in Russia

United Company RUSAL – some facts

- established in 2000;
 - world's largest producer of primary aluminum;
 - produces 4,4 mln tons of aluminium - almost 12% of entire global output of aluminum and 11,3 tons of alumina (15% of the world's production);
 - public company - IPO in HongKong in January 2010;
 - employs people in Russia, UK (Ireland), Italy, Jamaica, Australia, Armenia, USA, Ukraine, Nigeria, China, ...
 - People management has complex policies and practices, based on various cultural, educational and confessional backgrounds and attitudes of employees
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RUSAL's Strategy

RUSAL aims to continue to develop as a global, diversified energy and metals corporation, focused on expanding market leadership in a whole range of new businesses in raw materials and metals production.

Expansion strategy aims to:

- increase activity in the Asian region;
- achieve production and technology excellence;
- maximize self-sufficiency in all raw materials;

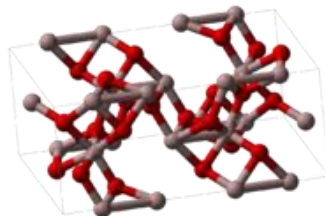
RUSAL's priority projects today are construction of

- new smelters, bauxite and alumina complexes;
 - Boguchanskaya Hydropower Plant (Siberia);
 - upgrade of existing smelters
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What is HR Scope in this Business?

COST STRUCTURE OF ALUMINUM PRODUCTION

alumina – 33-40%



power – 26-28%



carbon – 9-10%



labor force 7-10%



TECHNOLOGY INNOVATIONS...

- Technologic modernization: purchase and installation of new equipment
- Development of new technologies RA-300 & RA-400 (ecologically safe and less energy consuming)
- Working conditions improvement, labor consumption amelioration
- Introduction of modern production systems

are costly but easy to implement



What RUSAL faced in 2000

- employees' mindset inherited from the Soviet Era:

“Work is not a wolf, it won't run into the woods”

“The slower you go, the further you'll get”

“Task accomplished, disport bravely”

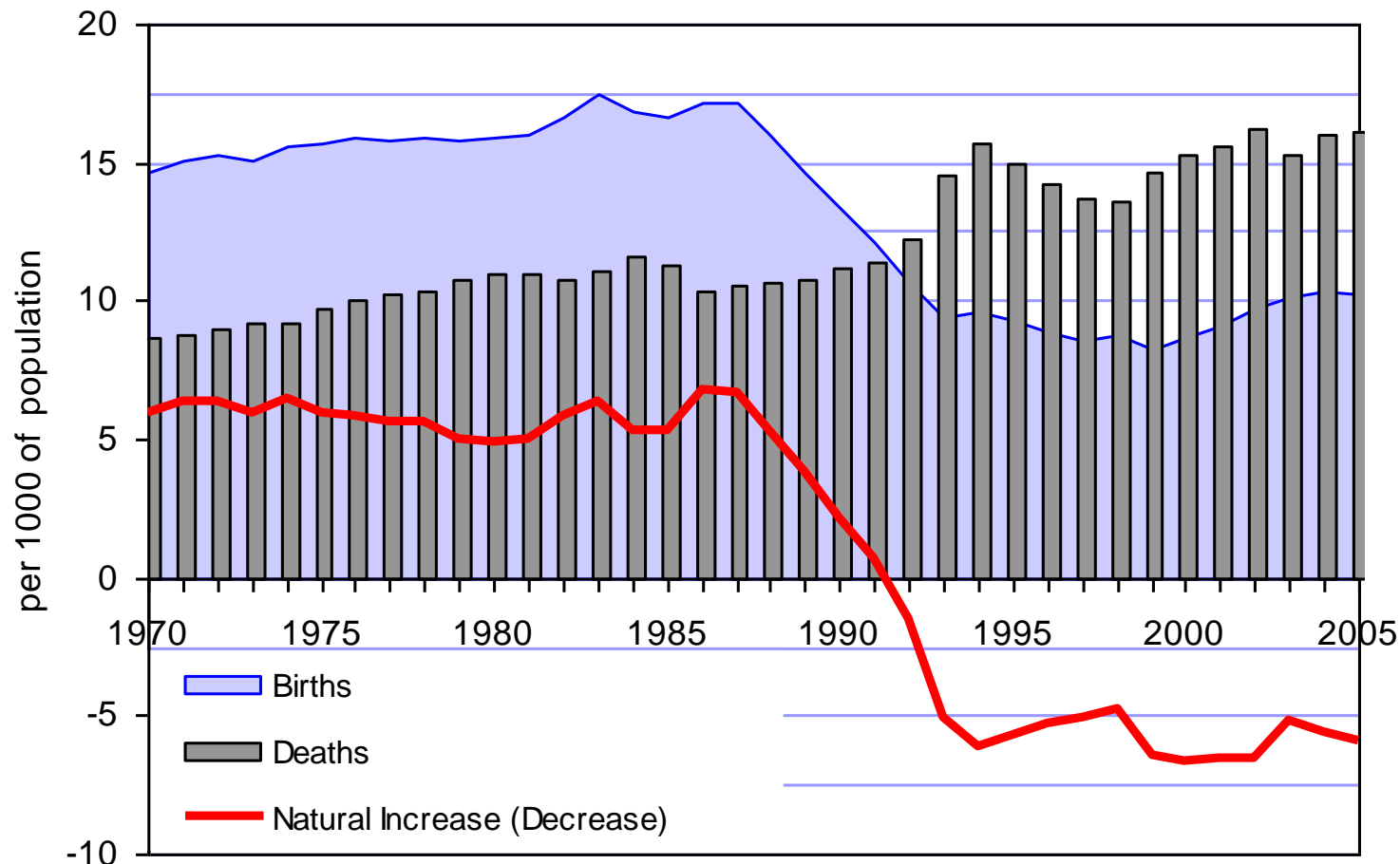
- little or no motivation at all
- low moral and responsibility, especially among so called “lost generation”
- resistance to technological innovations
- generally low level of education and expertise and outdated knowledge & skills
- devaluation of physical work



Economic and Social Outlook

- rapid business and industry development;
- poor development of small and family-owned business;
- high concentration of labor markets in traditionally industrial regions (Moscow, St.Petersburg, Nizhny Novgorod, Togliatti, etc.);
- low mobility between the regions - unavailable housing;
- generally high level of education and theoretical knowledge, outdated managerial skills;
- rampant overstaffing yet deficit of qualified work force

Demographic Outlook



Way to success: Technology and HR Innovations

HR INNOVATIONS... are less “costly” but very hard to implement

- Introduction of Management by Objectives principles – involvement of employees into production excellence discussions and KPIs development;
 - Knowledge & Skills gap liquidation – creation of Corporate University, development of modular training programs for workers, raising of managerial awareness and skills;
 - Career development – succession management and career development programs were introduced to stimulate best people to stay with the organization and to share their experience;
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Way to success: Technology and HR Innovations - 2

HR INNOVATIONS...

- Development of a new corporate culture and ethics code – identification of shared values, putting them into practical Code of Ethics, creation of corporate ombudsmen group;
 - Development of a new remuneration & motivation system – liaison of compensation to the results of work, to achievements and/or project completion;
 - Creation of social opportunities – support of long-existing social infrastructure in the regions where UC RUSAL operates – sports and cultural facilities, medical assistance, sponsorship of educational programs for youth of the region
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Results of UC RUSAL's HR Policy

Dynamic
Motivated
Loyal



Result-oriented
Ecologically thinking
Willing and able to
learn employees



Productivity increased 2,7 times
Employee satisfaction rose by 19%