



BASIC ELEMENT

Down to Basics

How do you manage 250,000 employees in 23 countries on six continents working in six industries, all still emerging from the Soviet mould?

Basic Element is basic in the way the Earth is basic: it's everywhere. At least in Russia. It employs more than 250,000 people. It operates more than 100 companies in six industries, including the world's largest aluminum manufacturer, RUSAL, listed on the Hong Kong Stock Exchange since 2010, with an IPO which raised US\$2.2-billion.

Companies of this size in Russia have not been built up from scratch since the collapse of the Berlin Wall. They generally have been cobbled together in various manoeuvres combining political and financial pull with other kinds of muscle in the rough-and-ready years following the collapse of the USSR, when state ownership of Soviet industries was dismantled and put into private hands.

Basic Element is an inheritor of those times, put together by an ambitious, entrepreneurial, science graduate of Lomonosov Moscow State University and the Plekhanov Russian Academy of Economics (in 1993 and 1996, respectively). By 1997, Oleg Deripaska - whom biographers say supported himself as a metals trader while in school - owned 20% of Siberian Aluminium, and established the investment group which forms the core of what is today Basic Element. Today, the 45-year-old Deripaska is ranked 131 in the world and ranked 16 in Russia in the 2013 Forbes World's Billionaires List, reckoning his net worth at US\$8.5-billion.

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If these former Soviet industries were in need of repair, so was the work force that came with them. Deripaska found he had also inherited the Communist tradition, in which every person had a job... though whether or not every person with a job actually worked at that job has been the subject of many jokes over the years.

Modernising legacy industries and workers

It's a scenario that would send shivers down the spine of most human resources professionals. Not **Victoria Petrova**, whose title is deputy CEO in charge of human resources for Basic Element. Yes, the whole company. What is her biggest challenge in all this?

"My biggest challenge is to introduce change," Petrova told INSEAD Knowledge in an interview at her offices in Moscow recently. "Out of our 250,000 employees, 240,000 work in Russia. But we have operations and production facilities in Latin America, in the United States, in Western Europe, in Asia, Africa, Australia... so you can imagine how difficult it is: you have to communicate with people, you have to set goals, you have to bring on board the corporate culture which is introduced by the head office. So change management represents a significant challenge."

The most significant changes Petrova has introduced thus far came about at the height of the financial crisis in 2008, when Basic Element was on the brink of collapse amidst margin calls on leveraged investment and billions of dollars of debt. Deripaska himself negotiated with government officials, banks and other investors to restructure the company's debt and stay afloat. It fell to Petrova to execute drastic changes among the rank and file.

"We had to decrease expenses dramatically," she remembers, "and one of the ways to do that is to decrease personnel and salaries." Petrova managed to reduce costs at RUSAL - where she was head of HR - by 70 percent. "We didn't know then what the market situation would be, and we had to be responsible - we had to help our people adapt to this new situation."

Corporate life everywhere is precarious these days; what would she do if tough times were to re-emerge?

"I would act quicker," she says without hesitating. "We know now how to recognise the slightest indicators of unfavourable market conditions, and we know we shouldn't wait and hope things may improve by themselves. We have to act very quickly, we have to be pro-active, and we have to write maybe not just one version of the business plan but maybe two or three - from the best which we can achieve to the Doomsday scenario."

Creating New Jobs

Despite all this, Basic Element says it will create tens of thousands of new jobs between today and 2025 - that's on top of the 15,000 new jobs it claims to have created in the fifteen years of its existence. This was done by streamlining outdated Soviet-style production facilities, retraining redundant workers for other jobs ("We had a huge, excessive number of people when I joined in 2001, and we had to deal with that," Petrova remembers) and in some cases building new plants. Some 5,000 people are employed at the relatively new electro-aluminium amalgamation plant in the Krasnoyarsk region of Siberia, for example.

Aside from retraining existing workers, finding the talent for the rest of these projected new jobs will be challenging. Petrova is not impressed with the Russian talent pool. "I can tell you, we have a very strange situation with regards to the talent pool in Russia today. I participate in many competitions where people elect the best professional in the field of HR or production systems or finance, PR, whatever. Over the past ten years I see the same faces. Even me: I was the champion in several competitions like that, but what does this say? It says we have no new faces, no new people. The new generation doesn't come to us [Basic Element] as

quickly as we would like. It seems as though most young people in Russia tend to be self-employed; they tend to be entrepreneurs." This, despite working for a self-styled entrepreneur.

Petrova is finding it challenging to entice young workers to what are essentially old industries bundled into a huge conglomerate. Basic. There are no high tech companies in Basic Element; just energy, manufacturing, financial services, agriculture, construction, and airport industries. But the company makes its mark in the business world: aside from RUSAL, there is the GAZ autos unit, one of the biggest in Russia, and in airports: Basic Element has a joint venture with Singapore's Changi airport to enhance efficiency and quality of service at Basel Aero's airport.

This geographic and industrial reach is part of the lure Basic Element uses to interest young people in joining the company, and it starts with in-school programmes about business aimed at younger children. Those who end up joining the company can find their place on the fast track. "We have a special programme for young professionals who want to develop their careers within Basic Element," she explains. "Routinely we move people from enterprise to enterprise, so they're not tied to one place. We can provide them with lots of opportunities within the group. But I can tell you, our talent pool is not increasing."

Why not? What happens to this post-Communist generation? "I really don't know," she admits. "Maybe they go abroad. There's a genuine interest to go somewhere, to be educated abroad, to get some new experience. But my wish is that we will have more talented and ambitious young people coming to companies like ours."

Management Development

Petrova is a big believer in training - Basic Element says it's run more than 100,000 employees through various programmes. Petrova herself attended INSEAD's Management of People Executive Development Programme in 2003. "It structured my knowledge and experience," she says. "The class gave me a lot of insights and ideas which I implemented when I returned to the workplace. I travel a lot, I work a lot... I have to learn from the experience of others."

One person from whom she claims to have learned a lot is her boss, Deripaska himself. The two have worked together for a dozen years, starting when he hired her to work at RUSAL; two years ago he brought her to her current post at headquarters, still working under his direction. Deripaska has come under public scrutiny from time to time. Petrova takes only the good stuff on board.

"He's a very interesting person," she recounts. "Three things I learned from him I would like to emphasise. First, you have to be productive, you have to work hard. You have to develop, acquire new experiences, do what you can, do your best. He personally reads four hundred pages a day: not fiction, but economics, legal and technical books. The second thing is, be nice and be loyal to your people. Don't be selfish, don't concentrate your efforts only on what you need. Think how your actions will affect others. And the third thing is... he loves Russia. He is a patriot and I follow him 100 percent on that."

Victoria Petrova has a job that would make many men in her shoes cringe. What is the secret, then, of her success?

"I worked hard," she says. "I worked a lot. I tried to be honest. I'm convinced in what I'm doing. I try to bring the organisation to the peak of its efficiency, and each person in the organisation to the peak of his or her effectiveness."

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