



## STORIES FROM THE EDGE ... DOING BUSINESS IN RUSSIA

During my first week in Moscow, a colleague then living there advised me not to spend time analyzing and trying to understand the environment. He said: “Nothing is logical in Russia. It’s just the way things are.” Although it has been over two years since my time in Russia, this notion is still relevant - especially outside Moscow and St. Petersburg.

This article addresses issues which highlight differences between the typical American businessman, and his Russian counterpart. These issues are prevalent in Russians who have lived only in Russia, and less obvious among those who have lived abroad or who are under age 35. However, middle age Russians are the dominant force in the established enterprises and the government.

*Russia cannot be understood with the mind  
Nor can she be measured by a common yard stick  
A special character she has:  
In Russia one can only have faith.*

Fedor Tiuchev  
19th Century Russian Poet

This article may sound sexist, since the references are all male. This observation is unfortunately correct. Although women work side by side with men, and in communist dogma equality exists, there are few women in leadership positions in Russia.

### **English as a business language.**

English is the second language for over 20% of the population. Anyone who has served the former Soviet Union outside of Russia is fluent in English, and probably in another language as well. It’s common to use an interpreter. Knowledge of Russian is less important with the highest-ranking contacts. Russian executives often understand English, and may read English. If you speak slowly to the interpreter, and read the body language of the executive, you will acquire a good understanding of the dialogue. Of course, knowledge of Russian will help to build the relationship with the contacts!

*If a Russian speaks and otherwise communicates well in English, that person was probably KGB.* This is especially true of anyone who lived outside the Soviet Union before 1989. These persons are often secretive and uneasy with the openness with which American executives communicate with each other. They have difficulty abandoning their years of training and discipline.

This is one reason why you must be very clever in asking questions. *Russians will answer the question you ask, not the essence of what you’re asking.* They’re unlikely to volunteer information that is relevant to the question you asked, unless you probe to acquire this information.

Another reason to be clever in asking questions is “*face*”. *This oriental notion is alive and well in Russia.* Although most Westerners think of Russians as Europeans, their culture reflects a strong tie to the orient. If you ask the Director General of a Russian Enterprise about its capability and expertise, he will respond, “We can do anything.” He will admit to no failings, nor seek to identify any specialization. Outside of Moscow, an enterprise is responsible for everything: the task of the enterprise, the schools, the hospitals, the transportation, and the food. Everything.

This notion of “*face*” is responsible for the biggest mistake Americans make when communicating with Russians. The Director General of a Technology Institute in Moscow, who spent 7 years in Vienna, explained this to me. You must *avoid direct confrontation of a Russian.* If a Russian becomes embarrassed by comments you’ve made, he will never forget this.

Russian managers handle confrontation in a circuitous way. If someone makes a proposal he believes to be ill advised, the Russian manager may question whether the proposal was by a subordinate of the presenter. This allows the presenter agree, and to keep “*face*”, while learning that the proposal is not acceptable to his manager. Once offended, it may be impossible to regain the trust of a Russian executive who has been embarrassed by a direct confrontation.

### **Free market economics**

Stated simply, Lenin’s theory values and rewards only production and employment. Education (particularly scientific) is valued, and this was a key to greater income, responsibility, and status in the Soviet Union. There is no value placed on marketing, distribution, or service.

Free market economies value services, and the customer determines the differential between price and cost. If people are willing to pay more for a service than it costs the provider, this is accepted as part of the market system. Older Russians, however, have been taught that there is no value produced in this situation. Thus, many Russians will refer to people who engage in these marketing, distribution, or services as “*thieves*”.

If a Russian were to travel to Kazakhstan to buy rugs or watermelons, and transport them to markets in Moscow, many people would expect him to sell the goods for the price paid in Kazakhstan. If he charged for his services in bringing them to market, many older Russians would call him a “*thief*”. What is simply viewed as the marketplace “*at work*” in Atlanta may be viewed as *thievery* in Moscow.

In spite of the changes in the past 6 years in the former Soviet Union, many of these ideas remain. There is a belief that markets should behave differently in Russia. Even senior officials do not understand that markets are without culture. The value of anything in an efficient market, as we know, is what a knowledgeable buyer is willing to pay a knowledgeable seller. The Russians universally believe that their Ruble is worth more in

hard currency than what is offered. Many Russians believe that prices should be determined in their own culture. Many ignore that market economies exist in different cultures, and the behavior of the market is based on supply and demand.

## **Power**

Power in Russia is personal and based on position, and not based on law or rules. There are few laws, and those that exist are applied inconsistently. There are few audits or enforcement procedures to review compliance. The bureaucrat can overrule laws. Senior people are accustomed to having written contracts ignored when they interpret them differently, or simply change their minds. This is a holdover from the command economy, and there is no infrastructure to discipline this behavior.

This view of power is very important in leading or managing a team of Russians. Defining responsibilities, establishing authority levels, and developing goals will not lead the organization to success. Russians will ignore all of this and simply respond to the whim of the boss, whether or not it is consistent with the rules or the plans.

In any meeting or conversation, comments are directed to the highest-ranking person. Subordinates will take direction from the highest-ranking person, even if that person has no responsibility for the task, and even if it contradicts the directive of the person responsible for the task. One needs to be careful, as a senior manager, not to destroy the organizational integrity of the firm.

Building and exercising personal power motivate the unreconstructed communist bureaucrat. He behaves like an absolute monarch within his organization. Rules are only for subordinates, developed by him, changed at a moment's notice. If a situation becomes stable, he may destabilize it, and use the unstable situation to re-establish his personal power. There is a serious need to instill the concept of a constitutional monarchy, where even the sovereign is limited by the rules. Rules and plans need to be documented and reviewed frequently.

In this culture, people work to build relationships, often with no further objective. Meetings frequently wander without agendas, proposals, minutes, or agreements on issues. They end with no action items or timelines. Often there is no commitment at all, even to meet again. And everyone avoids confronting issues that would cause someone to be embarrassed.

## **Time**

Time has little meaning in Russia. It is not a precious commodity. There's always tomorrow.

This lack of interest in time relates to the uncertainty of tomorrow, and even whether there will be a tomorrow. They live for today, remembering yesterday, and not hoping for

tomorrow. The communists have often destroyed the will to dream and plan for better times.

When time can be saved, but it costs more money, the Russian will opt for the lower cost - even though it may take considerably more time. Money is a much more precious commodity than time. This carries into their business behavior as well, even though the Western business manager might prefer to spend for a more timely solution.

### **Summary**

Doing business in Russia is a major challenge for many reasons known to the American business executive, and an often-overlooked reason is the culture that has evolved over 70 years of communist rule. The absence of knowledge of markets, the pervasive fear during the communist regimes, and the influence of the orient seriously complicate business decisions there. Any executive planning on expansion into Russia should work closely with someone who understands the culture.

And remember, in Russia, everything is more difficult to accomplish than you think.

Albert R. Tetrault  
Atlanta, GA  
December 16, 1995  
e-mail: [tetrault@revenue-growth.com](mailto:tetrault@revenue-growth.com)