



Doing Business in Russia

What images does a mention of Russia evoke in your mind? President Vladimir Putin, trying hard to position his country as a still-powerful world player? A picturesque Red Square in the middle of a snowstorm? A group of “*Na zdorovje*”-shouting, vodka-downing peasants? The movie “From Russia with Love,” with a heroic James Bond fighting a bunch of mean-looking Soviet agents?

For most of us, facts about this country tend to be overlaid by layers of stereotyping. Russia has always been complex and hard to understand. Today, this may be truer than ever. You can find vast cultural differences within this pluralistic country. Not only does the Russian Far East include a broad mix of cultural influences, but also there are notable differences between the western European region, with St. Petersburg as its most influential city, and the eastern European part around Moscow. Moreover, the dynamic political and economic changes of the past twenty years have brought about a wide range of acceptable behaviors, in business as well as in social settings.

When doing business in Russia, expect the unexpected. You may find some of the following information useful before engaging with Russian businesspeople:

Previously the leading state of the USSR, Russia became a separate country in 1991. Most businesspeople and officials in the country have little experience with other cultures except for its neighboring countries. There is still a widespread lack of free-market knowledge. It may be necessary to discuss and seek agreement over the definition of concepts such as fair play, good will, profit and loss, turnover, individual accountability, proprietary rights, and so forth. Even when you do, people’s expectation may frequently be that things are done ‘their way.’

Building lasting and trusting relationships is very important and can be crucial for your business success. If Russians engage in business without first establishing personal relationships, proceed with great caution. They may be looking to take unfair advantage of you if they get a chance. Generally, it is best to give your counterparts time to become comfortable with you. This includes letting them see your personal side, as Russians often mistrust people who are ‘all business.’ Relationship building is normally a slow process here, since people dislike being rushed or having to follow the fast-paced western approach. Patience is therefore critical in this country.

You may be able to establish trust by emphasizing common ground. For example, express your own distrust of authority or bureaucracy whenever there is an opportunity for it. However, refrain from praising or rewarding anyone in public. Unlike in many other cultures, doing so may raise suspicion about your motives. Choosing a local intermediary who can leverage existing relationships to make the initial contact is useful. Assuming you identified someone who is respectable and trustworthy, this person will help bridge the gap between cultures, allowing you to conduct business with greater effectiveness. In

addition, the person’s help in getting things organized can be very important in Russia’s sometimes-chaotic business environment.

In Russia’s business culture, the respect a person enjoys depends primarily on his or her rank and status. Be careful never to come across as patronizing a senior Russian manager, no matter how old he or she is. Age and education are less important than in most other countries. Admired personal traits include firmness, sincerity, and dependability.

Not many Russian businesspeople, especially outside of Moscow and St. Petersburg, speak English fluently. Complicating matters further, Russians may insist that they understand everything you say even when this is not really the case. Ask beforehand whether an interpreter should be present at a meeting. However, keep in mind that even some interpreters may not speak and understand English at a fully proficient level. It may be in your best interest to bring your own interpreter, rather than depending on one provided by the Russians, to ensure an unbiased translation. When communicating in English, speak in short, simple sentences and avoid using slang and jargon. It will help people with a limited command of English if you speak slowly, summarize your key points often, and pause frequently to allow for interpretation.

Communicating with Russians can be anything from very direct to rather indirect. On one hand, they may say *nyet* (no) frequently and you will have to figure out ways to get past that. In contrast, people may say things they think you want to hear as a way to lure you into a business deal.

Russians tend to keep physical contact infrequent, even though people generally converse while standing only around two to three feet apart. While several gestures may be used, be careful to control your own. The American ‘OK’ (thumb and index finger forming a circle) and ‘V’ signs are obscene gestures in Russia. Slapping the open hand over a fist can also be a vulgar gesture. Eye contact should be frequent, almost to the point of staring, as this conveys sincerity and helps build trust. Conservative attire is important when doing business here. Male business visitors should wear suits on most occasions. While you do not want to appear ‘over-dressed,’ make sure shoes and suit are in good condition. Standing with your hands in your pockets may be considered rude.

If possible, schedule meetings at least two to three weeks in advance. Since Russians want to know whom they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. It is unlikely that you will meet the top executive of an organization at the first meeting, so be prepared to deal with subordinates; they may have significant influence over the final decision. Confirm your meeting several times, and be prepared for your counterparts to cancel or postpone meetings with little or no notice. Unless you are sure that your counterparts are sufficiently fluent in English, keeping your correspondence in Russian is strongly advisable.



While meetings may start considerably late, Russians expect foreign visitors to be punctual. Being late by more than 10 to 15 minutes without having a valid and plausible excuse can be an offense. This is also true for social gatherings. Do not show signs of impatience if you are made to wait, even if the other side is an hour or more late.

Russian names are normally given in the order of first name, middle name (derived from the father's first name, for instance 'Ivanovich' = 'son of Ivan'), family name. In formal situations, the order may revert to family name, first name, middle name. People may sometimes be addressed with all three names. Otherwise, use 'Mr./Ms.' plus the family name. If a person has an academic or professional title, it is very important to use it instead, followed by the family name. Before calling Russians by their first name, wait until they offer it. In that case, use a combination of first name and middle name, for example 'Vladimir Ivanovich.' Introductions are accompanied by firm handshakes.

The exchange of business cards is an essential step when meeting someone for the first time, so bring more than you need. You may not always get one in return. It is beneficial to use cards with one side in English and the other in Russian. Show doctorate degrees on your card and make sure that it clearly states your professional title, especially if you have the seniority to make decisions. When

presenting your card, ensure that the Russian side is facing the recipient. Smile and keep eye contact while accepting someone else's card, then take a few moments to look at it. Next, place the card on the table in front of you or into your card case.

Meetings usually start with small talk, which may range from short to extensive. Let your counterparts set the pace. The Russian side's primary objective for the initial meeting is to feel you out and assess your and your company's credibility. Remain firm and dignified without being distant, and avoid any patronizing or aggressive behavior. Business may be discussed, but do not try to hurry along with your agenda. It is unrealistic to expect initial meetings to lead to straight decisions.

Presentations should be short and concise. Making a good first impression is at least as important as coming with a compelling proposal. It is characteristic of Russians to be pessimistic, so a lack of enthusiastic responses should not discourage you. Your presentation materials should be attractive, with good and clear visuals. Use diagrams and pictures wherever feasible, cut down on words, and avoid complicated expressions. Russians may expect to discuss many details, so bring enough background information. Having your handout materials translated to Russian is not a must, but it helps in getting your messages across.

When negotiating, Russian buyers may view themselves in a strongly favorable position, pushing the responsibility to reach agreement to the seller. Given the country's relatively unstable political and economic situation, negotiators are likely to focus on the near-term benefits of any business deal. The primary negotiation style in the country is very competitive and people may become outright adversarial. Information is rarely shared freely, since Russians believe that privileged information creates bargaining advantages. Most Russians view negotiating a zero-sum game in which one side's gain equals the other side's loss. Negotiations may become more personable and at least a little more cooperative if strong relationships have been established between the parties.

Expect negotiations to be very slow and protracted. Especially during the early bargaining stages you may feel that you are making little progress; discussions often stay high-level for quite some time, until your counterparts eventually decide to get down to the details

of the deal. Success may require enormous patience in this country. Russians can be extremely patient, persistent, and stubborn negotiators. It can be very difficult to obtain concessions from them. It is not advisable to make significant early concessions, since your counterparts expect further ones as the bargaining continues. They often view compromise as a sign of weakness, and may frequently refuse to change their position unless the other side offers sufficient concessions or shows exceptional firmness. Similarly, they may make minor concessions while asking for major ones in return. Negotiating with Russians inevitably includes much posturing and maneuvering. The best approach is to be polite but remain tough throughout the bargaining process.

Should a dispute arise at any stage of a negotiation, it is advantageous first to let some time pass to allow things to blow over. Then, you might be able to reach resolution through logical argument, presenting lots of supporting information, or making a different, though not necessarily better proposal. What you offer may be more valuable to your counterparts than is apparent from their behaviors. Russians love technology, have great respect for western expertise, and are easily impressed by size and numbers. Do not underestimate the strength of your negotiating position.

Russian negotiators may be telling lies and sending fake non-verbal messages, pretending to be disinterested in the whole deal or in single concessions, misrepresenting an item's value, or making false demands and concessions. Some may try to convince you that they have the background and experience required to be successful, exaggerating their capabilities or making questionable promises in order to maintain foreign contacts. Others may play stupid or otherwise attempt to mislead you in order to obtain bargaining advantages. Lies may be easy to see through; otherwise, verify information received from the local side through other channels. Similarly, they treat 'outside' information with caution.

Negotiations in the country often include strong confrontational elements. Negotiators may make direct threats and warnings, openly display anger or lose their temper, or they may walk out of the room, even several times in a row. While it is okay, and can be quite helpful, to respond in kind, you should be careful not to outdo your counterparts. While maintaining a strong and firm position is respected, it is advantageous to insist at various points that the negotiations emphasize mutual benefits and needs.

In extreme cases, confrontations could escalate into official problems and possible harassment. In Russia's still-shaky political and economic environment, company decisions are rarely independent of outside

influences. Never underestimate the role of government officials and bureaucrats, who may have to support and approve company decisions. Similarly, crime groups have gained significant influence across many industries. It is important to come prepared to deal with these outside forces. In extreme cases, you might be well-advised to withdraw from a negotiation should you feel personally threatened. It can be advantageous to indicate to the Russian side that threats would only motivate you to look for other markets and partners.

In general, Russian companies tend to be very hierarchical, and people expect to work within clearly established lines of authority. Openly disagreeing with or criticizing superiors is unacceptable. Decision makers are usually senior executives who consider the

best interest of the group or organization. They will likely consult with others before making the call. Subordinates may be reluctant to accept responsibility. Decision makers also rarely delegate their authority, so it is important to deal with senior executives directly. Decisions can take a long time and require patience.

When making decisions, businesspeople usually consider the specific situation rather than follow universal principles, weighing personal feelings and experiences more strongly than empirical evidence and other objective facts. Russians are often reluctant to take risks. If you expect them to support a risky decision, you may need to find ways for them to become comfortable with it first. You are much more likely to succeed if the relationship with your counterparts is strong and you have managed to win their trust.

Capturing and exchanging written understandings after meetings and at key negotiation stages is useful, since oral statements are

not always dependable. The Russian side may insist on having a *'protokol'* (meeting minutes) signed by both parties at the end of a meeting. It serves to record what was discussed, is not a contract, and should not be mistaken for a final agreement. Any part of an agreement may still change significantly before both parties sign the final contract.

Written contracts should be clear and concise, without too many detailed terms and conditions. Signing the contract is important not only from a legal perspective, but also as a strong confirmation of your Russian partners' commitment. Including an arbitration clause in a neutral country, for instance Sweden, is wise.

After signing the contract, invite your counterparts to a lunch or dinner to celebrate the beginning of a long-lasting personal and business relationship. This will help your local partners to see you not only as a business partner, but also as a trustworthy contact. In any case, bear in mind that contracts alone are not dependable. Russians may continue to press for a better deal even after a contract has been signed, or they may ignore some of its terms. Your best chance to ensure that your partners follow through on their commitments is to stay in regular contact and nurture the relationship throughout your business engagement.

Business lunches and dinners are very common, and evening entertainment can be lavish. These events frequently include heavy alcohol consumption and may also extend to visits to the *'banya'* (Russian sauna). They are very important, as they help advance the vital process of building relationships. Refusing to participate in these activities may be taken as a clear signal that you are not seriously





interested in doing business with your counterparts. Having a drink with your Russian partners is an easy way to establish good will. However, realize that they may use the opportunity to continue negotiating. Some may even pretend to be more drunk than they really are if they can use this act to their advantage.

Most Russians are very proud of their country. It would be a serious mistake to belittle its accomplishments or to refer to it as a 'loser' of the Cold War. Attitudes about others can be surprisingly strong: you may hear very harsh comments about U.S. policies, or remarks about some of the Asian citizens of Russia that are borderline racist. All such comments are best ignored.

As the country is moving from a socialist country to a free-market economy, corruption and bribery have become quite common in Russia's public and private sectors. Personal benefits may be requested openly as part of a deal. It is important to prepare for this up-front. Keep in mind that people may draw the line differently, viewing minor payments as rewards for getting a job done rather than as bribes. Also, consider that there is a fine line between giving gifts and bribing. What you may consider a bribe, a Russian may view as only a nice gift. It may help if you introduce and explain your company's policies early on, but be careful not to moralize or appear to imply that local customs are unethical.

At all times, never forget that Russia is a high-crime country. International visitors potentially face mugging, burglary, and even kidnapping. It is strongly advisable to dress inconspicuously and leave status symbols such as expensive watches or briefcases at home. **N**

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