

CASE 6.2
WHEN IN ROME DO AS THE ROMANS DO:
USEFUL TIPS FOR THOSE WHO DO BUSINESS IN RUSSIA
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Instructor Notes

This case provides some useful guidelines on how to do business in one of the BRIC countries. Russia, after decades of economic stagnation, has emerged as one of the most dynamic economies. With its abundance of natural resources, the utilization of such resources has resulted in economic clout, which in turn has led to political power.

Certainly, to be prudent, one should not underestimate the difficulties of doing business in Russia. Infrastructure, long neglected, is improving, but a great deal more is needed. Bribery is a common occurrence. Regulations can be cumbersome and not transparent. Politics and business cannot be easily separated, and both economic and political uncertainties remain.

As a market, Russia is very attractive, with the population exceeding 141 million people. The country's median age is 38.2 years. Factors of production (e.g., land, labor force of 75 million people, etc.) are readily available. The amount of capital, another factor of production, has been steadily increasing. Fixed capital investments have increased by more than 10% a year for the last 6 years. FDI has jumped from \$14.6 billion in 2003 to \$45 billion in 2007. Russian consumers are gaining confidence in their economic future, and they probably will spur further consumption of consumer products. As noted by The World Factbook, "Russia ended 2007 with its ninth straight year of growth, averaging 7% annually."

It is reasonable to expect Russia and its neighbors (republics that were parts of the Soviet Union) to share many social customs. On the other hand, some exceptions and tensions have to be expected. As an example, Ukraine and Georgia have turned toward the West, and they have made it clear that they would like to join NATO, something that Russia strongly opposes.

The instructor should critically evaluate the social and business practices found in Russia and determine whether such practices are unique to Russia. Conceivably, many of these practices could be found in many countries in Eastern Europe and Central Europe.

As a matter of fact, Russia and China may have much more in common than first thought. Economically, both of them are capitalism in transition. The social and business etiquettes of both countries may be similar. Personal and business relationships are highly related, and businesspeople in both countries care about relationships. When having dinner, making toasts in honor of guests is a common practice. Chinese and Russian citizens are also likely to have their own interpretations of democracy and human rights, and their interpretations do not necessarily correspond to those of the West.

On the other hand, it should be apparent that Russians and Americans are markedly different. American expectations and practices can be really out of place in Russia. In general, Americans emphasize individualism, achievement orientation, efficiency, and profit

maximization. Americans are also less formal and put less emphasis on family orientation as well as group orientation. Furthermore, for better or for worse, there is a clear distinction between business relationship and personal relationship. American businesspeople will socialize only after business discussion has gone well, while Russian and Chinese prefer to build personal relationship and trust first. In many countries, the U.S. traits of being direct and time conscious, coupled with the failure to appreciate certain formalities, are not positive attributes.