

## RUSSIA BUSINESS CULTURE REPORT

This report is designed to support and complement existing cultural information available through the UKTI posts in Russia (see [www.rln-east.com/culture](http://www.rln-east.com/culture)). It adds value in that it provides evidence and information from discussions and interviews with those 'out there in the field' with regard to Russian business culture. Its primary purpose is to help better prepare UK businesses for approaching the Russian market for the first time.

The information contained in this report is based on a number of sources, including the UKTI Russia culture workshop in June 2007 in Histon, the Russia business event in Suffolk in June 2007, notes from UKTI culture pod casts, discussions with both English and Russian businesses and business support agencies in Russia, and a visit by project staff to Russia in August 2007.



The report focuses solely on Russian language and business culture, and has been written in an informal style to reflect the comments made by those we met. To provide a range of views and establish consistency, we have cross-referenced comments from a number of sources as identified above. Much of the report focusses on the business culture of St Petersburg and Moscow. As a first port of call we would recommend the UKTI post in St Petersburg, Moscow and Ekaterinburg ([www.britaininrussia.ru](http://www.britaininrussia.ru)), as well as the Russo-British Chamber of Commerce ([www.rbcc.com](http://www.rbcc.com), [adminspb@rbcc.com](mailto:adminspb@rbcc.com)).

The report addresses 6 main questions:

1. What are the initial impressions companies have of Russia when they first visit?
2. What about the strength of the economy?
3. What are the main barriers which companies may face when coming to Russia for the first time?
4. What negotiating styles are generally used?
5. Which elements of bureaucracy will I come across first?
6. What about the language?

*1. What are the initial impressions companies have of Russia when they first visit?*

Russia is vast - even just the European side of Russia. Allow plenty of time for meetings as most travel will involve flights, including between St Petersburg and Moscow (or alternatively the overnight train). Traffic in St Petersburg and Moscow is very heavy, take the metro if possible, which is clean, cheap and architecturally stunning (in the case of Moscow), but beware of pickpockets.



Most large cities are based in the Western part of Russia, but there are significant cities in Central and Eastern Russia, such as Ekaterinburg, Novosibirsk, Irkutsk and Vladivostok. Rebuilding and modernisation is occurring everywhere. The language appears completely alien as the Cyrillic alphabet is illegible to those who have not studied the language. It is useful to learn the alphabet in order to read the names of the metro station and general signage around town.

'Taxi drivers' is a vague definition, as many private citizens offer lifts to foreign business folk for a fee much below the official rate used by taxis engaged through hotels. The risks inherent with these private taxis are the same as in many other countries, including advice to avoid taxis with more than 2 occupants and those approaching you directly, although this system of lifts is common in Russia and is used by many Russians. The taxi driver will usually tell you the fare as you start off, and do not always expect a meter (in fact, we never saw one).

Some Russians seem to drink heavily. On one factory visit the manager encouraged the drinking of vodka during the social occasion after the official business had been conducted, but a good amount of stodgy food prior to the consumption of spirits helped soften the blow.



Russians tend to be superstitious. For example, shaking hands and giving gifts over a threshold is taboo. Flowers, when given in small quantities, are not given in even numbers, and black cats are seen as a bad sign.

The Russians are extremely proud of their culture. The average Russian will know a lot more about their culture than the average Englishman knows about his. Russians will be impressed if you can demonstrate an appreciation of their art, literature and/or music. Russians tend to love the outdoors and in summer will spend their free time at their dachas (да́ча: country house) or camping, swimming in rivers and picnicking.

At first encounter everyday Russian food can appear to be rather bland and oily. Certainly in the late 90s herbs, spices, sauces and flavourings were fairly alien to the typical Russian family. Soup (the most well-known being borsch) is an everyday starter at home and this is often very tasty, mostly beetroot or cabbage based. Russia is a tea-drinking nation ("chai" in Russian), and is usually drunk black and with sugar/lemon. Fermented milk drinks are popular in Russia. "Kefir" is a drink made from fermented cows' milk that is slightly fizzy, thick and refreshing (and delicious when fruit is added to it). In St Petersburg the array of food on offer in restaurants is comparable to other major cities in Europe, with some restaurants offering a variety of cuisine from different countries.



Beer: the Baltika brand based in St Petersburg (the Russian 'capital' of beer) has 8 different brews (no.2-9), from light lager to dark beer respectively. Vodka: Russians drink this straight and in large measures. They do not normally sip it and they don't usually use liquid chasers, they chase shots with pickles, herrings, bread or anything salty – this finger food is called закуски ("zakooski", snacks). It is traditional to always propose some kind of toast when drinking. Never toast in honor of those who have died or on Easter (for the same reason). Your glass cannot touch the table from the time a toast is proposed to the time you drink. Cheers is "Na zdorovye" (which means "to your health"). It is common to chink glasses, except for funerals or where a toast to remember someone who is dead is pronounced.



The official currency in Russia is a 'ruble' (plural 'rubley'), however, it is very common for businesses to make their calculations in Euros (or US\$). This does not mean that you have to pay in \$ as most of the stores, restaurants, and hotels will only accept rubley. Credit cards are becoming more and more widely accepted, but even in large cities this is not a common way of payment. The majority of

restaurants, large shops and supermarkets will accept credit cards, but ordinary food shops or small cafés may not. Outside large cities credit cards are not common at all, and you may find it difficult even to find an ATM.

## *2. What about the strength of the economy?*

A strong domestic market combined with the demand for its natural oil & gas reserves is driving strong growth. Vladimir Putin is an extremely popular President, re-elected in 2004 with 70% of the vote. He is committed to economic growth and tax reform. However, 80% of Russia's

exports are natural resources leaving them vulnerable to swings in the world prices. Putin has put aside a huge contingency reserve to offset this risk. Russia has seen enormous changes in the last few decades. There has been a stabilisation of the economy and government reforms, and enormous advances in its foreign trade links. Yet Russia remains a very bureaucratic business environment, over which government asserts considerable influence.



Questions about politics, especially senior Russian politicians, are a conversation-stopper, and Russians are keen to give a positive view of their country to help overcome some negative perceptions amongst the general UK population.

A visit to the market would in many cases help dispel some of the generic negative perceptions mentioned above, particularly if combined with meetings with those organisations whose role it is to help UK exporters (such as UKTI and the RBCC).

The people are generally highly educated. There has been a dramatic decrease in the birth rate and a reduction in life expectancy (fuelled considerably by poor health habits) since the fall of communism.

For details on corporate law (Russian legal entities, foreign legal entities, licensing, land ownership), tax system (corporation tax, VAT, customs, excise, property tax etc.), foreign exchange control, fines for infringement of tax legislation and labour arrangements, please see KPMG's online "Doing Business in Russia" brochure (35 pages), which can be found here: [http://www.kpmg.ru/russian/supl/library/taxlegal/Doing\\_business\\_in\\_Russia.pdf](http://www.kpmg.ru/russian/supl/library/taxlegal/Doing_business_in_Russia.pdf) (April 2006).

Russia today is the successor to the USSR which dominated Eastern Europe from 1917-1991. Russia's leading cities are now modern consumer metropolises but there are massive differences in wealth between the cities and the more traditional countryside. 75% of Russia's population live in cities - 10.5 million in Moscow (the capital) and 5 million in St Petersburg. 112 million live in European Russia (The Western borders to the Urals) and 35 million live in Siberia and the Russian Far East. Russia covers eleven time zones, Moscow and St Petersburg are three hours ahead of GMT. Russia's climate varies considerably between the northern tundra and the southern black sea coast. It has a long cold winter from November to April, a brief thaw in April and May and a hot summer from June till September.



*3. What are the main barriers which companies may face when coming to Russia for the first time?*

Understanding the business culture, in particular (a) who are the real opinion-formers (b) who are the real decision makers (c) what are the real motivations behind decisions/opinions? Russians are proud of their country as a world power, and you may be viewed as a privileged guest.



Understanding the role of state actors in the business sphere, specifically remembering that (a) business actors and state actors are often part of the same decision-making group (b) there is a need to understand who is connected to whom, including links to potential competition (c) a need to understand how legislation is used to shape your sphere of business operations (d) a need to understand the role of local tax police, fire inspectors, police, health & safety, local government agencies (e) a need to understand the role of the customs police and how to get goods in and out of Russia quickly and without paying too

much.

Do not assume that execution of business objectives will be completed to Western norms (on time/to budget). The operational environment is more challenging - from unexpected power/water cuts, to internet connectivity problems, general bureaucracy and differing levels of managerial and operational training and best practice. It is worth spending time with your contact in his/her organisation in order to understand how they plan, execute, etc. It may be an advantage to target companies that are owned or managed by young but well connected executives, who have studied and ideally already worked in a Western environment and who also have a track record of success in the Russian business environment.

There is a massive range of managerial competencies and expertise within the Russian business environment – picking a winner depends upon how politically well connected the company is, their access to funds and the competence of the management team: as a general rule, the less they have had direct experience of Western business practices, the harder it will be for you to work effectively with them.

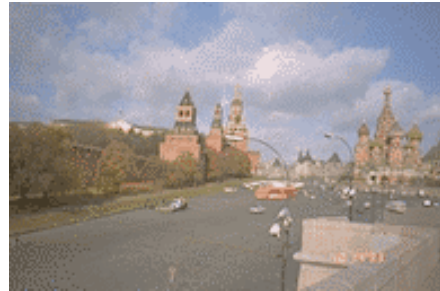


Try to understand the Russian mentality and Russians' attitude to their jobs, especially given the booming jobs market which has made people very self confident and demanding.

#### 4. What negotiating styles are generally used?

Russians can be reserved when you first meet them, but over time become very loyal and generous friends. Russians can be very vocal and expressive in meetings, but always come back to the table. Visiting businesses should not be put off by this, as it is all part of the negotiating technique. Don't be surprised if raised voices are heard at meetings, and people come and go during your presentation. Do not necessarily take this as a sign of disrespect.

Russians may begin formally but they like to do business with friends and a warm relaxed tone is very important in building good relations. People greet each other by shaking hands on arrival and departure. The famous Russian 'bear hug' is rare but Russians are more comfortable standing much closer to each other compared with the British. Unusually for a relationship dominated society they can be very direct. Dress tends to be formal.



Russians enjoy an authoritative but friendly approach. They need to establish the credibility of the speaker in terms of experience, qualifications and knowledge. They enjoy new ideas and appreciate a moderate 'sell' but (and this is important) like presentations to be serious and to include facts and technical details. Avoid words like 'aggressive' and 'compromise'. Use words like 'meeting halfway'.

Many a tense business situation can be diffused by humour. For Russians the relationship is probably (still) more important than a signed contract. Work on the relationship, work to maintain it. Face-to-face contact is vital to establish a good working relationship.



Although it is changing, people need to have patience, flexibility, an open mind, a willingness to get involved and innovative approaches to business.

Combination of years of central power and mentality and approach to life that differs from the British means that business can be a challenge. It is important to take a long-term approach as short sharp ventures will generally not work.

Have a very firm handshake on meeting & greeting. It is common for people to introduce themselves using only their surname. Before meeting your Russian counterpart it is worthwhile finding out if they have any formal title or other form of address. It is courtesy to refer to male counterparts as 'Gaspadin' (equivalent to 'Mr') or 'Gaspadja' (similar to 'Mrs or Miss') plus the surname. The exception may be companies run

with western-style management. It is useful to present your business card with a Russian translation on the back and present it Russian side up.

Don't take offence if your Russian counterpart is not punctual. Initial meetings are more of a formality. A good approach is to be firm and dignified, while maintaining warmth and approachability.

English is very much in its infancy as a dominant second language, but English is more widely spoken than other foreign languages. Most Russians study it at school and university, and there will be fewer language barriers to doing business in English with larger companies, however it is far from being a second language of the country. If your Russian isn't strong enough then do invest in an interpreter, and check with your Russian team colleagues that translations are accurate. A guide to how to best use an interpreter can be found on the UKTI international communications website page <http://www.rln-east.com/resources/how-to-guides.asp>.



Average costs for interpreters in St Petersburg can be \$20-\$30/hr, and this can be two to three times more in Moscow. Both UKTI and RBCC have lists of approved translators and interpreters. They can also act as a source of information and help. The same applies for printed literature – having them in Russian saves time and shows good preparation. It is useful to emphasise your own expertise and professional qualifications, and it is acceptable to put these to the fore and will not necessarily be seen as showing off.



Russians can be confusing communicators. Sometimes they can be careful with what they say, and as a result there can be a great deal of reliance on non-verbal communication. At other times they can be extremely frank. They are tough negotiators and can be somewhat theatrical. Their main aim is to gain concessions, so there may be a lengthy wearing-down process, and caving in early is a sign of weakness. If you do concede, you can ask for the gesture to be reciprocated in some way. Don't be surprised by loss of temper, walkouts and threats to 'end the deal'.

Russian negotiating teams are hierarchical, and only the leader of the team will speak and make decisions. The others will only join in if invited to do so. The 'getting to know you' part is always done over food & drink. Significantly more time in meetings can be spent on relationship building, which means meetings can be longer and involve abstract debates. Russians are hierarchical and the most senior person makes all decisions,

so ensure you are negotiating with the decision maker. Make sure the working process is highly organised and that everyone knows who is responsible for what.

Good personal relationships are important if you want to succeed, so frequent personal contact is important. The Russian negotiation style varies from strong confrontation to extreme patience. Your key strength is never to get upset and exercise patience. Have a number of throwaway concessions to use in negotiation. Show you understand their position and make recommendations rather than direct orders or regulations. Build up trust through clarity of action. Expect money and cash to be king and discussions about money to be frank.

Russia is an Asian culture – ‘face’ and not losing ‘face’ are very important to Russians. Don’t expect to be told bad news directly, especially not in front of others – work at the relationships, so that you provide informal opportunities to be told information that would otherwise be very difficult for a Russian to tell you directly.



Double-check what you assume has been agreed has actually been agreed. Often you can assume ‘yes’ means ‘agreed’ when what it actually means is ‘I don’t want to do this, but I feel I should say yes, because I will feel ashamed if I don’t or if I say my company can’t do this’. You could use words such as ‘have I understood you correctly...?’

Russians often struggle with small talk, and the beginnings of meetings can be awkward. They can be slow to follow up on meetings, so always send an email reminding people what was said and what you’re waiting from, from whom and by what date.



‘Blat’ is the Russian word to describe favours and contacts, a very important part of Russian business. The younger generation, under 40, are relatively untouched by the old Communist system but over 40s may still exhibit some characteristics, such as unwillingness to take responsibility, sticking to rules and needing authorisation. Many older Russians are nostalgic for Communism, not for the political system but for the job and social security. Although Russia is beset by regulations, Russians quite happily ignore them much of the time. The younger generation may refer to ‘good networks’ or ‘good contacts’.

Based on the old village communal system, Russians have a strong communal spirit. They often intervene and comment on behaviour and

give unsolicited advice and are very patriotic (never complain to a Russian about Russia, even if they do!).

Some Russian companies do not disclose the names of relevant people, and to make an appointment within such companies you should first approach its top management (Director General), sending him information about the offer. It is best to approach them by fax rather than e-mail. When a name of a specialist is known it is normal to send him a letter by e-mail. If the address is too general (eg. [info@xyzltd.ru](mailto:info@xyzltd.ru)), it would be better to specify: "attn. Mr Ivanov". Where personal e-mail addresses are disclosed, it would clearly be better to use these e-mails as the first point of contact. Given the slow response of Russians to e-mail (as well as often technical problems), we would recommend back-up contact by fax or by phone via an interpreter.

Usually Russians also expect to have price-lists before meetings. In large companies it will be difficult to make an appointment without providing such information. As Russians are very technically educated, you should expect lots of technical questions about your products.



Another local specific is that Russians often confirm their meetings at the last moment, and despite your best efforts local companies may decline to meet you. In most cases this is because they are not interested in your offer at the moment (but tomorrow everything can change) and in a small number of cases that they are not interested in this at all. Obviously those western businesses who have offices in Russia have the ability to contact Russians regularly and thus to catch the opportune moment when they need particular products.

##### *5. Which elements of bureaucracy will I come across first?*



Allow time and money to obtain both the various papers you need to apply for a Russian visa and to apply for the visa itself. Using a specialist visa company will reduce the chances of your passport getting lost / delays at the consulate. For a tourist visa you will need an application form, one passport size photograph (thick card type photo), an authorisation letter/form & vouchers (from your hotel, travel agent should be

able to arrange this) and your passport to apply. Typical costs of a visa service range from £85-£140 for a single entry visa, and slightly more for a double entry visit.

For business visas you will need an application form, one passport size photograph (thick card type photo), invitation and your passport to apply. When you arrive you will be expected to fill in and sign a declaration of valuables you are bringing into the country, even personal things such as wedding rings. They may check when you leave.

It is worth carrying your passport and visa with you all the time as, unfortunately, Russian police may stop foreigners and ask for "registration" (this will be provided by the hotel) especially in big cities like Moscow and St. Petersburg. Russian police are not like the UK police.

Product registration can take time, particularly where changes of staff within the authorities mean that agents need to build new relationships. Russia remains a country where paperwork can be profuse. On the whole, Russian companies respond more quickly than business deals with the public sector. Often the bureaucracy can appear to hinder rather than help, and can often appear to make no sense.

Russian legislation and traditions of doing business make it difficult for companies based outside Russia to work in Russia directly. Another problem is customs clearance. Long bureaucratic procedures make it very difficult to export to Russia without having a presence there. Documents – everything has to be notarised and licensed and handed in duplicate or triplicate, stamped, or signed by several people.



Traditionally western manufacturers either use Russian distributors (who have established links with Customs and other bodies and know how to approach them) or create an office in Moscow and establish their own links with Russian bureaucracy.

This is an increasingly popular route to market for a number of leading foreign businesses. Despite some extra burden with offices this opens up access to a huge number of smaller distributors, which are usually reluctant to be involved in imports procedures.



The majority of imports trade takes place via Moscow, although the demand in Moscow itself is only less than 20% of the national demand. Moscow-based distributors are bigger and have a network of regional partners. Some Moscow companies might visit the UK relatively frequently.

6. *What about the language?*

If you have time, study the Cyrillic alphabet. This will ensure that you are not completely alienated by the language on arrival. Once you can read words, you will be surprised at how many can be deciphered. For example "PECTOPAHT" is pronounced "restorant" and means "restaurant". This will also help you find your way using maps (beware of English maps, they will not help you read Russian street signs!) and ask for directions. Russian is an inflective language (i.e. the forms change to convey grammatical meaning, like Latin and Polish).

Once you have learned the basics of the alphabet, it is surprising how many words you will be able to read that are phonetically similar to English. The two or three hours spent on learning both the alphabet and a few basic phrases is a valuable investment. Useful phrases can be found on <http://www.rln-east.com/Documents/32/Russia%20Talk%20the%20Talk.pdf> which has an accompanying audio file. More advanced telephone dialogues can be found on [http://www.rln-east.com/materials/receptionist\\_phrases.asp](http://www.rln-east.com/materials/receptionist_phrases.asp) which is a basic language lesson focussing on telephone Russian. Financial support for Russian language training in the East of England is available via the LCIT (Language & Culture for International Trade) programme, which provides a sliding scale of match funding (50% over 24hrs for 5 staff or more down to 50% for 10hrs for 2 staff). For more details see [www.rln-east.com/funding](http://www.rln-east.com/funding) and [www.rln-east.com/lcit](http://www.rln-east.com/lcit).



It is important to translate literature and other promotional material (including key website information) into Russian. Where a translator is sourced from within Russia, remember that before they can access payment via the bank they would need to show a contract to prove they had been commissioned to do the work (this regulation is due to anti money-laundering legislation). The positive impression you will make by learning to speak a few basic Russian phrases cannot be overestimated.

Although many distributors deal with foreign suppliers, fluent English is not widely spoken amongst them. This is because most people in this market have a technical/engineering background, but not commercial. The same problem is with end-users in the engineering sector. Most leading foreign manufacturers have established offices in Russia staffed with local personnel, therefore e-mailing/faxing in English is OK, although most potential partners and clients would prefer to work through an interpreter. In addition to this difficulty, to win real business here face-to-face meetings and friendly relations are essential. All this requires that newcomers first find an interpreter to help them contact local companies.



All Russian verbs have "aspect" and are either perfective or imperfective to describe how one sees or perceives an action (unlike English). They therefore have to be learnt in pairs. Verbs of motion have their own rules (e.g. there are 12 different versions of the verb "to go") according to whether that action has one definite direction or not. There is no article (one cannot therefore distinguish between "a" and "the").

People address each other by their name and patronymic (father's name), for example, Ivan Ivanovitch to a man or Olga Ivanovna, to a woman.

*6b. To what extent is Russian spoken in the former Western states of the Soviet Union?*

In terms of the amount of Russian spoken in the former satellite states of Belarus, Ukraine and the Baltic states, the following summarises feedback from those we questioned. Basic results came back as (a) Belarus – fine (b) Ukraine -50/50 (c) Baltic States – 50/50.



Belarus: Everyone is fluent in Russian and it is considered the lingua franca. Colloquially people might converse with each other in "trasianka" (= straw + hay) which means Russian with Belarusian endings and grammar. Many Belarusians don't know traditional Belarusian well and would regard trasianka as their "native language" if put on the spot and denied Russian as an option. Trasianka is what Lukashenka speaks. Stanislau Shushkevich tried to introduce Belarusian as the sole official language of Belarus in 1991, but it proved highly unpopular and when Lukashenka held a referendum in 1994 to bring back Russian as an official language (alongside Belarusian) the proposal met with popular support.

Ukraine: Russian is widely spoken, and is used as the primary means of communication by just over 60% of the Ukrainian civic population including all the ethnic Russians native to Ukraine, all the non-Ukrainian ethnic minorities and a substantial number of ethnic Ukrainians. A lot of Ukrainians who don't use Russian as their primary means of conversation use "surzhyk" (the Ukrainian equivalent of trasianka). The only place where Russian is less welcome is Galicia - the area around L'viv where Ukrainian nationalist feelings run high - but even there foreigners would certainly be forgiven for not knowing Ukrainian. In Galicia the best order to try languages would be: Ukrainian, English, Russian. Everywhere else west of the Dniepr the best order would be Ukrainian, Russian, English. In the rest of the Ukraine (the north, Kyiv, the east and the south) the best order would be Russian, Ukrainian, English.



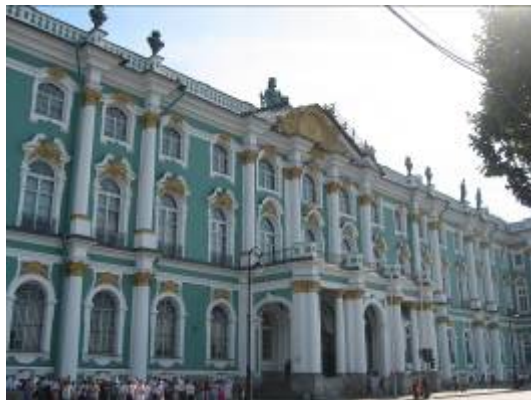
Baltic States: There is no problem using Russian in Lithuania. Russian will be welcome in Latvia when conversing with ethnic Russians (obviously) and less welcome, but tolerated, by ethnic Latvians in Riga. Outside Riga and away from the Latvian / Russian borderland, Russian would be less welcome. Russian is not appreciated at all in Estonia by ethnic Estonians.

In Georgia, Georgians prefer to speak Georgian, and even the translation of literature and business cards into Georgian can have a huge impact in terms of building relationships.

and finally...

*7. What are the top 3 tips you would give to a British business coming to Russia for the first time?*

Expect the rules and norms to be different – expect Russians to want to get more out of you than you get out of the opportunity. Seek out the expatriates who have been working successfully in the local business environment with Russians, for at least several years – pick their brains. Seek advice from a recommended, local expatriate accountant/lawyer and from experienced Russian managers before you start.



When making big decisions, if possible make sure that you have several data points/sources (independent and separate from each other) on which to base your decision. Invest in the relationships – relationships, not signed pieces of paper get things done.

Use the UKTI posts and RBCC (see above for contact details) as a source of support. RBCC's 'Bulletin'

magazine contains useful information.

Get as much advice as you can about the scheme you need to follow to get yourself set up. Make sure people are clear about costs and timeframes. Then go to consult someone else and compare what you've been told. The rules change frequently, it's hard to keep up, so ask a number of consultants the same questions to try to establish your plan of action before you start spending money.

And a few tips on managing a Russian workforce or company: be authoritative and show strength based on technical or professional knowledge and commitment; remain fair and show that mistakes can be learned from and not necessarily merely punished; handle corruption by subcontracting or pre-empting it, or replacing it with good relationships, being clear where to draw the line and accept the realities; rely on the unique qualities of being a foreigner; and learn to focus on the ultimate

business goal without getting bogged down with everyday changes and frustrations.

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