

## **MANAGING HUMAN RESOURCES IN U.S.-RUSSIAN ENTERPRISES**

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### **ABSTRACT**

Today, corporate executives and individual entrepreneurs are considering the profits and perils of entering the huge and potentially lucrative Russian marketplace. Unlike most other global ventures, this involvement requires a clear understanding of the wide differences in the cultural makeup of the American and the Russian people. This article contrasts the two sets of cultural values as they affect work habits, ethics, incentives, and personal aspirations. Ten rules are suggested to aid U.S. firms in functioning within the Russian system and in dealing with Russian employees.

For U.S. businesses, ventures into today's Russian never-never land can be a challenging and rewarding experience. The new nation is hovering between a totalitarian and a free-market economy, yet it offers both short and long-term opportunities for those able to adapt their strategies to completely different operational techniques. Professional competence and successful international experiences in western-style business will not be enough to assure success in Russia where the culture has never really included the elements of free enterprise and how individuals operate within it.

Historically, Russia has never been a capitalistic, or even a commercially-oriented country, by western standards. Under the Tsars, it was a nation of farmers, small tradesmen, and craftsmen, with the few major enterprises controlled largely by foreigners. The Communist regime of the last seventy years perpetuated this general climate. Even its massive industrial sector was primarily

feudal with guaranteed employment, tight central control, and few incentives for individual advancement.

## **ANALYSIS PURPOSE AND INTENTIONS**

The purpose of this article is to compare Russian and American core values, and to provide some guidelines and suggestions for U.S. firms that want to invest in Russian enterprises or to establish businesses there. As we state the values, review, and attempt to clarify them, the comments are not intended to be evaluative or critical. They are based upon academic research, and extensive personal interaction with Russian organizations and people. The discussion is intended to be comparative, including the consistencies and inconsistencies of both core cultures. However, the illustrations of U.S. cultural values are more likely to be market and product related while Russian values are more related to a "way of life."

## **Overall Assessment**

A central problem for U.S. firms planning to establish businesses that involve recruiting managers and other employees is that Russians have a completely different view of many practices that are considered to be moral and ethical in U.S. culture. For example, they simply did not understand what was wrong with President Nixon's attempt to obtain information about the opposition party's plans and programs. Similarly, they are puzzled as to why it is considered somewhat unethical for members of the Congress to support legislation they believe to be advantageous to their constituencies, just because some interested parties may show their financial appreciation for such support in the next election. They do not view this situation as any different from the prevalent "pork barrel" legislation they hear about. According to their ethical standards, these actions are perfectly reasonable. No one has been hurt physically, and many have benefitted financially.

## **Russian Concepts of Property**

The concept of property is also rather ill-defined in the Russian mind. On the other hand, under the Communist regime, people were told that all tangible property exists for the benefit of society as a whole. Therefore, they rationalize that it is not a felonious act to acquire something for one's own use which is but temporarily in the possession of someone else. For three generations, this rationalization has been a part of the basic culture.

Economic juggling has been a way of life for over seventy years, and the successful juggler is admired rather than prosecuted. It is a basic cultural concept that a man's first duty is to himself and his family, not to the central authority. And, most certainly, the executive staff of a foreign enterprise constitutes such a central authority.

## **CULTURE AND CULTURAL CORE VALUES**

Culture is an essential component of all behavior, and a great deal of contemporary cognitive consumer behavior theory embodies it. The behavior of people in the marketplace, in business transactions and, indeed, in all of life's activities is driven by fragments of stored knowledge, or cognitions, including values, opinions, attitudes, and ideas. These cognitions are learned essentially from the enculturation process, or acquired from experiences and social interactions, from which people develop values and norms which are products of their culture. This development begins in early childhood and continues throughout life. It is ubiquitous and pervasive, affecting almost all dimensions of people's activities; how they work, play, sleep, eat, interact with others, and purchase goods.

All societies, from the most highly civilized to remote tribes, have developed their own core cultures, which include the most basic beliefs and values of individuals, and express their personal life styles. Some societies are very similar to one another while others are vastly different. Practically all societies, however, have several general definitions of "ways of living." It is hardly surprising, then, that the basic cultural cores of the United States and Russia that affect and reflect the characters of both societies, are vastly different from each other.

The specific cultural elements selected for this discussion are those which relate primarily to the individual values that business people must consider when they engage in enterprises in association with Russians or when they operate enterprises directly. The criteria for selecting these values are:

1. The value must be pervasive in a society, in that a significant proportion of that society must accept it, believe in it, and adhere to it as a guide for their actions and attitudes.
2. The value must be enduring, in that it has influenced the lives of a society over an extended period of time.
3. In this particular situation, the value must provide insights that will help to understand how members of a society act, and what their attitudes are in business-related situations.

### **Core Values and Regional Ethnicity**

Most cultures include a group of general definitions. The ways in which these definitions are applied in a particular culture, however, are the basic differentiating factors. Neither the American culture, nor those of the former USSR are cohesive, homogeneous or integrated units, but they each serve a specific group of people. In the U.S. the values, institutionalized customs, and the means that are used to cope with existence, have a general homogeneity throughout the country. The Soviet Union, conversely, encompassed an extensive pattern of ethnic and nationalistic divergence.

Of all the former republics of the USSR, Russia itself, the Ukraine and Belarus will certainly be of greatest interest to U.S. corporations and businesspeople in the foreseeable future, and they are the principal focus of this article. They have traditionally viewed themselves as European and, for the past two decades, have dreamed of a close economic alliance with Western Europe through trading of raw materials for finished products. They tend to view the United States more as a source of economic aid, and less as a potential primary economic partner, at least for the present. Despite common historical roots, there are some cultural differences between the nations, but differences exist even within Russia herself between traditionally conservative, Slavophilic regions and the more open western-oriented regions. Nevertheless, for simplicity, the term "Russian" will be applied when discussing the Slavic countries, since *Belarus* means White Russia, and the *Ukraine* was formerly called Little Russia. Using the Slavic area as a geo-cultural base, we have arrived at conclusions which constitute an analysis of factors affecting the approaches American businesses should take in selecting Russian partners in joint ventures as executives, managers of subsidiaries, and as employees.

### **Core Culture versus Social Norms**

In both personal and business interactions, social life is simpler when one follows the rules of personal etiquette and observes proper social patterns in other cultures [1]. Thus, most of the literature dealing with interpersonal relationships emphasizes the differences in social norms. For example, pointing the sole of one's shoe at an Arab, sending red roses to the wife of a German client or slapping a Chinese on the back while speaking in a loud voice would assuredly brand an American business representative as insensitive, at least.

But these are purely social gaffes or superficial breaches of propriety that, if not carried to extremes, really have little to do with working out and conducting equitable business arrangements. As far as the Russians are concerned, such social blunders are unfortunate, but have no serious connotations. In fact, the vast majority of today's Russian businesspeople are of "perestroika" vintage, are quite young, and have a strong tendency to emulate American dress, language, and behavior. They believe that the Americans set the tone and patterns for economic activity in today's world, and that much can be learned from them. Nevertheless, they are convinced that the Russians can beat the Americans at their own game, since most Americans have little basic knowledge of the Russian core culture, work ethic, and psychology. The American approach in other countries has often been to superimpose foreign problems and situations onto the American model. While this procedure has worked well in established free-market countries with a basic commercial culture, Russian ventures require a distinctive and a somewhat unconventional approach.

### *General Characteristics of Core Values*

Every culture has a set of core values which reflect how its members feel, act, and as mentioned earlier, what is proper or improper to do and to believe. These values are generally practiced and understood although they are abstract, and are not usually codified or written down. No consumer behavior study of a culture is complete without consideration of these values and how they relate to behavior in the marketplace. Although there is little empirical evidence to link them directly to the consumption process, there appears to be a strong intuitive relationship.

In U.S. culture as well as in many others, core values are sometimes conflicting. Americans, for example, want a wide variety of products that express their personal life styles, yet there is pressure to conform to the values of the family, membership groups, and business associates. It is the American marketer's business to understand these divergent views and to convince consumers that products are "for them." In the forthcoming free market economy, Russians will have to learn about advertising, about making choices among different product brands, to compare prices, and many other marketplace activities that Americans understand intuitively. Over time, there will undoubtedly be radical changes in core values relating to personal values, ethics, loyalties and attitudes toward employment.

## **COMPARATIVE U.S. AND RUSSIAN CORE VALUES**

Early researchers suggested various categories to help identify relevant cultural values that appear to be held in common by most Americans [2]. Since then, many sets of core values have been developed by authors in marketing and in the social disciplines. The eight American values listed below have been derived from them and from other literature. These values have both positive and negative aspects, yet they appear to encapsulate the operational aspects of our culture, the domain-specific values rather than the global. Conflicting values are pointed out to illustrate a complete and accurate cultural panorama.

### **U.S. Core Value: Achievement and Success**

Achievement is closely tied to the Protestant Ethic (or work ethic), and American culture places a high value on personal accomplishment and motivation. Work is viewed as a means of attaining success, and success is measured by the level of job prestige attained. In this culture, it is not unusual for individuals meeting for the first time at social occasions to ask about each other's occupations in order to judge their "degree of success." We buy products that symbolize success such as expensive brief cases, Rolex watches, and prestige automobiles. A great deal of the American economic success and technical development can be attributed to the achievement motive. Today, both males and females in U.S. society consider that success and a sense of accomplishment are important personal values.

## Russian View: Achievement and Success

During the entire Soviet era, with the possible exception of the short-lived New Economic Policy under Lenin, there has been virtually a total absence of pride in achievement despite all Communist Party efforts to instill the work ethic. It was clear to every worker that in a society without unemployment, which was the rule until 1988, everyone was entitled to a job no matter how low one's motivation and qualifications. So workers perceived little reward in putting extra effort into the job, since promotions were based primarily on sociopolitical considerations rather than performance. Essentially, there has been no reward for efficiency or quality of work, and no penalty for shoddy products or grudging services.

The new political organizations and the proclaimed free market economy have brought few changes in products, services, or personal philosophies. People still wait an hour for a municipal bus which is scheduled to leave every ten minutes. In stores or restaurants, customers wait while personnel finish their personal conversations. And when they do, the service is almost universally gruff and insulting. An interesting exception to this rule is the gigantic McDonald's Moscow restaurant, where teenagers, not yet schooled in the Russian way, are trained to smile and be both pleasant and helpful to their customers. Obviously McDonald's executives clearly understood the basic differences between the Russians and American core cultures.

Yet, there is a drive toward achievement and success in Russian workers, but it is aimed primarily toward their own profit rather than toward benefiting the organization where they work. Instead of "What is the best strategy to get promoted," or "How can I help improve the company's profitability," Russian employees in any type of establishment think mainly in these terms:

- "How can I get away with the least effort?"
- "How much time can I get off for a feigned illness?"
- "How much of the product can I pocket to sell on the black market?"
- "What are the possibilities of becoming part of an organized racket with one of the foremen?"
- "How many items on my sales counter can I hide under the counter for friends, or for sale at a higher price?"

This way of thinking has been handed down for several generations, so workers realize that their supervisors are well aware of it and are probably engaging in their own illegal action. If this attitude is commonplace in Russian organizations, it is easy to imagine why foreign companies are viewed as "easy marks" to be exploited. Surprisingly, these attitudes do not seem to be reprehensible to the Russian workers at all, since maintaining them is the only way that they and their families have been able to survive.

## **U.S. Core Value: Materialism and Progress**

Material comfort and the acquisition of material objects are bywords of American culture. The U.S. consumer wants more of everything. We accumulate artifacts and have an insatiable demand for products that make life easier, that provide pleasure and/or are visible to others. The social protester of the 1960s and 70s is now accumulating a third automobile, a larger home, and status-brand clothing. The rationale is "You deserve all these luxuries because you work so hard." The same rationale has speeded acceptance of convenience foods, leisure products, and time-saving devices.

Progress is also an underlying value in American life and one that has spawned one of the highest living standards in the world. Progress *per se* is good. Economic growth is the best. Americans thrive on new developments in technology, medicine, space exploration, and readily accept products if they are "new" or if they do something "better" or "faster." We are also concerned with personal growth, furthering our education, acquiring new artistic or manual skills, and expanding our horizons through travel. Indications of success feed the ego and advertisements often depict efficient, busy people rushing to meetings and using car telephones.

## **Russian View: Materialism and Progress**

### *Materialism*

Except for the elite, the materialism of most Russians is manifested in terms of a continual quest to acquire the very basic material necessities. Traditional shortages have been in food, clothing, and shelter. The vast destruction during World War II, the continued urbanization of the country, the shortage of equipment and supplies, the inferior construction workmanship; and numerous other factors have combined to create a norm where most families live in one or two rooms. The entire Russian distribution system was designed to be slow and cumbersome in order to curb consumer demand. Supplies of both food and clothing are always short, and buying them requires lengthy waits in lines. Clothing is expensive and the workmanship is appalling, as is the lack of imagination in style (the newly emerging Russian fashion industry is almost exclusively for foreign consumption). Material luxuries, particularly cosmetics, are rare, imported, and priced beyond the reach of most Russians. Medical care is inferior to that of Western nations, despite the highest number of physicians per capita in the world.

The Russian appetite for American and other western products is enormous, but even today it is severely hampered by numerous factors, primarily currency problems. At the present time, anything worth having is traded on the Russian marketplace for hard currency, preferably the American dollar. Those who don't

have dollars must do without. Those who do have them, have become the new Russian elite.

### **Progress: Future Orientation and Product Development**

In this area, Russian thinking is diametrically different from the American perception. Despite periodic economic setbacks, Americans remain a highly optimistic people. The Russians, on the other hand, are profoundly pessimistic about their future. They are convinced that they will only see things get worse during their lifetimes. Even more disturbing to them is their conviction that their children are also doomed to the same economic fate. No matter what governmental and institutional changes might be initiated, the prevailing attitude is that nothing good will come of it, and little will change.

As far as progress in improving their own manufacturing industry is concerned, the Russians have had very little opportunity or incentive to work toward that objective. They are much too concerned with producing basic, no-frills needs. For the foreseeable future, the manufacture of uninspired consumer goods will continue, and the market will rely on western or Japanese products for anything with a degree of sophistication. There is very little "new or improved" but a lot of "obsolete and shoddy" on the Russian market.

### **U.S. Core Value: Time Orientation and Efficiency**

U.S. culture lives by the clock. Being prompt is considered to be a virtue. There are time slots for work, play, "quality time," and "interact-with-children time." Time is often equated with money, and it is also viewed as "linear separable" which means that we think of it in terms of past, present, and future. Today, we have an ample supply of leisure goods but often lack the time to use them. This imbalance is likely to bring about higher prices in the future for goods and services which take less time to consume. "Time is finite but we can always get more money," appears to be the maxim.

### **Russian View: Time Orientation**

As pointed out earlier, a worker's activity and involvement to the benefit of an organization or enterprise is extremely rare. Time is mainly a period to be filled by various activities, few of which require promptness. Tardiness and absenteeism are quite common even now, when unemployment figures are steadily climbing. For the Russian, time at work is simply the boring but mandatory period between breakfast and supper when one needs to keep an eye out for objects and services that could be illegally acquired and diverted to one's own benefit. With the ruble declining in value, that type of activity assumes increasing importance. An added side benefit of work time is the substantial main meal of the day which is relatively wholesome and cheap, and served in the dining halls of most major businesses.



### **Russian View: Efficiency—Worker Interest and Orientation**

Self-interest is the unwritten law of the Russians. Everything is viewed from that perspective, i.e., “how will this action or this material item benefit me?” Little else matters. Since there is little morality concerning economics and efficiency in the Russian culture, economic crimes are the rule rather than the exception, even if society as a whole suffers from them. This is why some Russian-owned private enterprises feel free to circumvent legal constraints and to corner the market on commodities to the detriment of their own neighborhoods. And that has brought about the emergence of a ruthless Russian “Mafia” to enforce the will of the economically empowered through extortion, violence, and the protection racket. The end result has been a widespread hatred and fear of Russian free-market enterprises and their “efficiency” by the general population to the point where both privately owned urban and agricultural properties are frequently sabotaged and destroyed. Another reason for the lack of efficiency in production remains the age-old curse of pervasive alcoholism which turns Fridays and Mondays into the days when the shoddiest work is performed (Russians often speak of “Monday automobiles”).

### **U.S. Core Value: Humanistic and Egalitarian**

Americans recognize a responsibility to those less fortunate than themselves. We champion the underdog, support individual rights, and give lavishly to charities. We believe in freedom of expression, yet we sometimes refuse others the right to speak if they disagree with our values. We also support freedom of choice, democracy, equal opportunity, and equal rights. Yet we sometimes champion equal rights at the expense of rights of individuals.

Appeals to humanistic values are commonplace in advertising campaigns, and the egalitarian theme is frequently used to generate sympathy for human suffering. Firms sometimes try to elicit sympathy from consumers by depicting themselves as “underdogs.”

### **Russian View: Humanitarianism**

Most Russians have neither the assets nor the inclination to help the less fortunate in any organized manner, and the best they are able to do is drop an occasional coin in a church collection box. The cultural concept of family and extended family is very strong in Russian society. They give little consideration or support to non-family outsiders, since the meager resources at hand are needed to maintain and improve the family’s lifestyle. For nearly three generations Russians have been taught not to waste the means that are intended to bolster productive elements of society, in order to support non-productive segments. This is why they have a history of abysmally low concern for the non-family elderly or the physically and mentally handicapped. They consider that anyone who is unable to pull his own weight should not be a drain on the means of the active segment of the

population. This philosophy has an impact on the work environment where the absence of collegial support essential to productive work is quite noticeable.

### **U.S. Core Value: Youth, Health and Physical Well-Being**

Americans are a nation of young-young, middle aged-young, and old-young. There is a constant striving to maintain personal health and a youthful appearance through diet, exercise, and various chemical preparations. Emphasis is on individual or single partner activities such as running, racquet ball, tennis, and swimming where heavy effort is compressed into short time periods. Health clubs and plastic surgery physicians abound to maintain the perception of eternal youth.

### **Russian View: Youth, Health and Physical Well-Being**

#### *Youthfulness*

On the one hand, a traditional value of the Russians has been respect for the older population and to heed their wisdom. On the other hand, the lion's share of today's health-related advertising on posters, pamphlets, and television has been produced in the West. The media consciously stress the need for and desirability of looking and acting young. Western manufacturers of apparel and cosmetics who have opened branches in major Russian cities, particularly Moscow and St. Petersburg, have been extremely successful. It is no longer simply acceptable for middle-aged Russian women to look frumpy, to neglect their hair or not to use makeup, and anti-obesity campaigns have experienced some success, particularly among women under forty. The pursuit of face cream, designer jeans, Nike shoes, and other personal products is now a major drive which will surely grow exponentially, no matter what the economic outlook will be.

#### *Fitness and Health*

Until recently the Russians paid little attention to physical fitness, although most of them, particularly the males, are relatively fit. The only facilities available for exercise have been those built by the state, most of which were barely adequate and frequently overcrowded. In the 1980s the jogging craze took hold in Russia mainly because it required no expensive equipment except for sneakers. And the Japanese-financed construction of a baseball field in Moscow in 1990 also kindled interest in other western sports. In the 1980s, the Soviet government sponsored a number of campaigns to eradicate unhealthy behavior. The first was against the "white death" as they called sugar and salt. People paid little heed to it, particularly since they have a "sweet tooth" and were accustomed to a plentiful supply of imported sugar from Cuba. Now, sugar is strictly rationed and most of the black market supply goes into private alcohol stills. A recent anti-smoking campaign was ignored, and cigarette (not cigar or pipe) smoking continues to be firmly entrenched among both young and old, male and female.

Most certainly the food shortages in Russia will contribute significantly to future health problems. The shortages are in all food groups; animal protein, dairy products, fresh fruits, and vegetables. Many products in these categories are available only in private produce markets at very high prices. The shortages are caused by a combination of factors: 1) a shortfall in production; 2) a breakdown of the transportation system causing large quantities of fresh produce to rot at railheads; 3) sabotage by former rural Party adherents who are anxious for the new economic system to fail; and 4) allocations to private entrepreneurs who get their pick of incoming foods for special prices, thereby diverting a good portion of the food from public consumption. All these causes bring about public discontent and disillusionment with the reform leaders.

As pointed out earlier, physicians are generally poorly trained and unaware of new medical methods and systems. Russian nurses lack even the most rudimentary training by western standards, and hospitals are poorly organized, managed and equipped. Despite these shortcomings, the Russians are generally healthy, and their life expectancy is only slightly lower than that of the United States.

### **U.S. Core Value: Evaluative and Legalistic**

We tend to make judgments in black and white, good, bad, right, wrong, moral, immoral. We try to simplify everything and are often reluctant to try to understand complex political or social issues, preferring the short, dramatized presentations of "investigative" television. If we disapprove of anything, we rush to pass laws against it, often in a flurry that harries law enforcement agencies for decades.

### **Russian View: Evaluative and Legalistic**

Throughout the Soviet period and even during the Tsarist period before it, the legalistic concepts have been diametrically different from those in the United States. In Russia, not only are there no historical files on the verdicts in previous cases, but the very idea of introducing legal precedent in a trial was strictly forbidden.

The reasoning behind this practice was that nothing was perceived to be black and white; everything was in shades of grey. Each case was seen as a situation governing human interaction, and had to be considered on its own merits because it was unique and could not be compared to any other. It is therefore impossible to impose general rules and absolute laws governing anything. Consequently, judgments are not made on the basis of written rules, but on the highly flexible, inexact, and often erroneous perception of the adjudicator. Recent attempts to change the judicial system have been sporadic and often contradictory.

### **U.S. Core Value: Human Mastery Over Nature and Human Perfectability**

The world exists for human use and resources are there to be exploited. Technological mastery over nature will enable us to find substitutes for depleted resources and cures for environmental pollution. We believe in human perfectability and that problems such as social inequities, cancer, criminal rehabilitation and education can be solved if we just spend enough money on them. Although we profess to be concerned about the environment, we are reluctant to inconvenience ourselves by using less gasoline or fewer disposable diapers. We believe that soon, environmentally compatible products will be developed.

### **Russian View: Human Mastery Over Nature and Human Perfectability**

In the entire cultural history of Russia, in all her philosophy, art and literature, the overpowering awe of nature is eminently obvious. There is an impressive reverence for the Russian soil. Mixed with this conviction is a feeling of extreme fatalism. There is nothing that man can do to withstand the undefined, mysterious forces which determine his fate.

Because of the belated industrialization of Russia, questions of pollution and other environmental considerations were never even discussed. This situation did not change until recently when severely polluted industrial centers became obvious health hazards. Even then, despite the lessons of Chernobyl, more pressing economic problems have relegated clean-up to a low priority, half-hearted effort.

### **Non-Related Russian Cultural Core Concepts**

These final two important elements of Russian core culture do not relate to specific items in the American core.

### **Russian Cultural Concepts of Freedom and External Conformity**

#### *Freedom*

In a country which has never experienced freedom in the Western sense since it was founded more than eleven centuries ago, it is an almost impossible concept for a Russian to comprehend. Freedom to do what and from what? When President Bush described the American Dream during his 1991 visit, his Russian audience was polite, but bewildered. He seemed to be describing life on another planet. The Russian reactions to "freedom" have been either a disavowal of this strange concept, or its fullest, most fanatical acceptance. The latter choice means that there must be no restrictions on this right whatsoever, even when it harms society. It also means that freedom acts as a centrifugal force which causes all loose matter

to spin off. Not only does this pertain to the Russians themselves, but to other nationalities as well.

There is no unity or direction of thought and action, only a highly temporary fascination with causes which have not been clearly thought out, but accepted on the spur of the moment only to be rejected soon after when another fascination becomes paramount. This fickle way of thinking has pervaded all socio-economic and political thought.

Thus, the Russians seem to want a "quick fix" without the investment. Freedom, democratization, glasnost, liberty, independence, and all the other commonly heard key words, are concepts of something which everyone may legally demand, but does not have the obligation to earn. It is again the problem of rights vs. responsibilities.

### **Russian Concepts of External Conformity: Assimilation of Western Values**

Ever since Peter the Great, the struggle between national individualism and conformity to extra-national, non-Russian behavior patterns has been hammered out in countless, heated philosophical debates. These arguments came to a head after the Napoleonic wars when thousands of Russians were part of the occupation forces in France. When they returned to Russia they became the "Westernizers" who were eloquent proponents of fundamental changes in Russia which they hoped would turn the country into a predominantly Western nation. Only in this manner could Russia progress to her destiny. This group was vehemently opposed by the "Slavophiles" who maintained that Russia was the only land which possessed true mystical philosophical depths which the West could never fathom; and rather than ape western behavior patterns, it was Russia's messianic mission to convert the West and to show them how inferior they were to Russia. Today, we still see the apers of the West who contend that Russia must conform to Western values, and the conservatives who continue to claim that Mother Russia and Russian Orthodoxy still contain the answers to all questions and that no conformity to foreign mores is acceptable.

### **AMERICAN FIRMS IN THE RUSSIAN BUSINESS CLIMATE**

A few words must be added about the potential success of American firms which plan to open subsidiaries in Russia. Quite obviously, the waters will remain untested until the ruble becomes convertible. Even then they will remain somewhat murky if a number of the republics, particularly the Ukraine, follow through on their announced plans to create their own national currencies. Once this problem is resolved, there will be large-scale international investment. Every industrialized nation will want a piece of the action because Russia will probably be the largest potential market in the next century. The Russians will want and

need everything the West and the Pacific Rim have to offer. The only difficulty will be in assuring a reasonable profit base for the suppliers. This result will depend upon how specific firms will structure and operate their subsidiaries in Russia. The major task will be seeing to it that the potential profits are not diverted to personal Russian pockets.

## **MARKETING AND MANAGEMENT STRATEGIES**

As more U.S. firms turn their attention to Eastern European markets, the more they will have to fine-tune their market strategies and interpersonal dealings by first becoming intimately familiar with cultural differences as represented by the core values we have discussed. A common misconception held by U.S. business people is that “only the place is different; customs, norms and values are the same the world over.”

The culture, norms and practices in the Russian Federation, however, coupled with the political and economic uncertainties likely to exist for the foreseeable future, constitute a challenge for U.S. business people. Those who succeed will be the ones who are able to adapt to unstable conditions, and to work within the Russian culture instead of fighting it head-on. Those who plan to move directly into the new Russian business economy should be able to minimize at least some of the frustrations of cultural combat by following these suggestions:

## **TEN RULES FOR AMERICAN BUSINESSES IN RUSSIA**

1. Don't be misled by media reports on “success stories” where American business people have prospered dramatically in Russian enterprises. Read the fine print that often glosses over endless problems of permits, raw material shortages, culturally-based worker sloth, and transportation problems. In the early stages, only about 5 percent of all U.S. enterprises in Russia are showing a profit.

2. Don't assume that recently passed laws encouraging and supporting private enterprise actually operate according to their language or intent. The same officials who run the bureaucracies today were there before the new political regime, and many of them actively oppose the privatization movement. So they counter it not only by slowing things down, but by simply denying permits, or holding up approvals for months, for both Russian and foreign entrepreneurs.

3. Be prepared to enter into joint ventures with officials of left-over Communist political organizations. One U.S. entrepreneur joined with the president of the Mosinzhstroi (the Moscow City Council Construction Company), thereby gaining expertise on how to work the Moscow government for the mound of approvals required for private construction projects.

4. If the venture will be a joint operation, be extremely careful in choosing partners. Today, written agreements or contracts are sometimes ignored, and are

difficult to enforce legally. If a fully-managed U.S. subsidiary will be established, hire an American manager who knows Russia, its people, and the language. It is also imperative to hire Russian contact-managers who have worked in the bureaucracy and know their way around it. Their expertise will save countless hours in finding which offices issue the multitude of necessary permits, and weeks or months in actually getting them.

5. Be prepared to spend some time indoctrinating employees into the private enterprise concept. Although most Russians know how individual sellers operate in a marketplace, the idea of large or small companies with stockholders, producing goods that must be "marketed" is baffling.

6. Hiring of trustworthy supervisors and security personnel is an absolute necessity. Pilferage, diversion, and major thefts are usually not the enterprising acts of single individuals, but the cooperative work of a ring of employees, including supervisors. Warehouses and other storage facilities are especially vulnerable, so initially it may be necessary to insert "spies" to identify culprits.

7. Wherever possible, hire younger employees who have not yet been exposed and accustomed to the Russian work ethic.

8. Pay salaries high enough to provide performance incentives, to keep side-deals to a minimum and to discourage pilferage.

9. Try to establish a paternal relationship with employees. Although it will take time to change basic cultural work norms, assure them that they will have employment security, stability, and a successful future if they help to make the enterprise an economic success. Be cautious, however, about providing special benefits such as food, clothing, or other non-job related items. These may be prohibited, or taxed as income just as they sometimes are in the U.S.

10. Exercise utmost care in dealing with the new Russian independent contractor, suppliers, and even banks. Bribes, gifts, and favors were a fixture in the Communist culture and they continue, unbridled, in today's atmosphere of post-control lawlessness. Often, materials paid for in advance never arrive, and banks want substantial bribes for lower rates.

## CONCLUSION

American businesspeople must recognize from the beginning that business in Russia cannot be conducted on the customary basis of morality and ethical business standards prevalent in the West. But neither should it be believed that Russians are congenitally lazy, thieves, and pilferers. Indeed, they have managed admirably to exist in a hostile bureaucracy and to apply their wits toward making life at least tolerable for themselves and their families in a culture quite different from that in the United States. Perhaps we would have a clearer picture of the enormous dimensions of the social and economic adjustments the Russian people are making if we were to visualize what would happen if the United States were to shift suddenly to a Communist economy.

The movement toward privatization will be slow, but if American businesspeople know what to expect in the new Russia, if they recognize the cultural differences we have described, and if they consider the ten suggestions, the path to success should be much easier to follow.

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