

Negotiating International Business - Russia

This section is an excerpt from the book "Negotiating International Business - The Negotiator's Reference Guide to 50 Countries Around the World" by Lothar Katz. It has been updated with inputs from readers and others, most recently in March 2008.

Previously the leading state of the USSR, Russia became a separate country in 1991. Most business-people 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.'

You may find vast cultural differences within this culturally 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. On top of that, the dynamic political and economic changes of the past few years brought about a wide range of acceptable business behaviors. The information in this section can only provide general guidelines. When doing business in Russia, expect the unexpected.

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.

Relationships and Respect

Russia's culture expects its members to have a sense of belonging to and conforming with their group. At the same time, it leaves some room for individual preferences. 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 of critical importance in this country.

Business relationships in Russia usually exist both at the individual and company level. Russians may want to do business only with those they like and trust. However, if you introduce someone else from your company into an existing business relationship, that person may quickly be accepted as a valid business partner.

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.

In Russia's business culture, the respect a person enjoys depends primarily on his or her rank and status. Age and education are less important than in most other countries. Be careful never to come across as patronizing a senior Russian manager. Admired personal traits include firmness, sincerity, and dependability.

Communication

In addition to Russian, the country's official language, a number of minority languages exist. Not many businesspeople speak English fluently. In addition, Russians may insist that they understand everything you say even when this is not really the case. It may be necessary to have an interpreter. 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.

While celebrations and social events can get very noisy, being loud may reflect poorly on you in most business settings. However, emotions are often shown openly. People generally converse while standing around two to three feet apart.

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 keep physical contact infrequent. 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. Standing with your hands in your pockets may be considered rude. The thumbs-up gesture is positive as it signals approval. Eye contact should be frequent, almost to the point of staring. This conveys sincerity and helps build trust.

Initial Contacts and Meetings

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. Negotiations in Russia can be conducted by individuals or teams of negotiators. Teams should be well aligned, with roles clearly assigned to each member. Russians may be very good at exploiting disagreements between members of the other team to their advantage.

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. Do not show signs of impatience if you have 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. Meetings can often be lengthy and still not reach agreement.

Russian negotiators 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.

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.

Negotiation

Attitudes and Styles - In Russia, the primary approach to negotiating is to employ distributive and contingency bargaining. The buyer is often in a strongly favorable position and may try to push the responsibility to reach agreement to the seller. Given the country's relatively unstable political and economic situation, negotiators may focus mostly on the near-term benefits of the business deal. The primary negotiation style in the country is very competitive and people may become outright adversarial. 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.

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 arguing, 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.

Sharing of Information - Information is rarely shared freely, since Russians believe that privileged information creates bargaining advantages.

Pace of Negotiation – 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 requires extreme patience in this country.

Russians generally employ a polychronic work style. They are used to pursuing multiple actions and goals in parallel. When negotiating, they often take a holistic approach and may jump back and forth between topics rather than addressing them in sequential order. It is not unusual for them to re-open a discussion over items that had already been agreed upon. Negotiators from strongly monochronic cultures, such as Germany, the United Kingdom, or the United States, may find this style confusing, irritating, and even annoying. It is crucial to keep track of the bargaining progress at all times.

If your counterparts appear to be stalling the negotiation, assess carefully whether their slowing down the process indicates that they are evaluating alternatives or that they are not interested in doing business with you. More often than not, though, this behavior indicates an attempt to create time pressure or ‘wear you down’ in order to obtain concessions.

Bargaining – While quite a few Russians are highly skilled negotiators, the majority of businesspeople in the country have only limited experience in the field. They may expect to do some bargaining and occasionally haggle a lot, but this is rare. None of this makes them easy prey, though. Russians can be extremely patient, persistent, and stubborn negotiators. It can be very difficult to obtain concessions from them. 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.

The bargaining stage of a negotiation is usually very extensive. In spite of the Russian reluctance to compromise, prices may eventually move by 40 percent or more between initial offers and final agreement. Concessions never come easily, though. It is not advisable to make significant early concessions, since your counterparts expect further compromises as the bargaining continues.

Deceptive techniques are frequent and Russian negotiators may expect you to use them as well. This includes tactics such as 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. Russians may play stupid or otherwise attempt to mislead you in order to obtain bargaining advantages. Do not take any such tactics personally and consider that your Russian counterparts may not view such behavior as detrimental to the business relationship. Lies may be easy to see through; if in doubt, verify information received from the local side through other channels. Similarly, locals generally treat ‘outside’ information with caution. ‘Good cop, bad cop’ may be used on either side of the negotiation table. Russians may also claim ‘limited authority,’ stating that they have to ask for their manager’s approval. More often than not, this might be the truth. However, you may not always be able to force the true decision maker to participate directly in the negotiation, meaning that you may have to accept this indirect negotiation approach.

Russian negotiators often use pressure techniques that include opening with a ‘best offer,’ showing intransigence, making final or expiring offers, applying time pressure, or nibbling. Final offers may be made more than once and are almost never final. Time pressure can be difficult to counter.

If negotiators learn that you are working against a deadline, they may exploit this knowledge to increase the pressure on you to make concessions. Even if you allowed plenty of time, they may suddenly request last-minute concessions and 'take-it-or-leave-it'-type changes near the end of a negotiation. It is important to define in advance what concessions you are willing to make. Russians may often choose to play hardball. It is ok to take a similar stance yourself; otherwise, be patient and wait it out. When using your own pressure tactics, clearly explain your offer and its benefits to your counterpart. Time pressure does not work against them since Russians can be very patient and fatalistic. However, convincing your counterparts to hold the negotiation in the West does give you a strong advantage. They will now be the ones under time pressure, which deprives them of a strong negotiation tool.

Negotiators can be aggressive or outright adversarial, and negotiations in the country often include strong confrontational elements. In extreme cases, this could include official problems and possible harassment. Extreme openings are frequent as a way to start the bargaining process. 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 ok (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.

Other emotional techniques, such as attitudinal bargaining, attempting to make you feel guilty, grinning, or appealing to personal relationships, are often used. Russians may also resort to defensive tactics. They may change subjects frequently, revisit previously agreed points, introduce all kind of distractions, or ask very direct questions, attempting to take you by surprise. Prepare well for any of these.

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 upfront. 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.

Decision Making – Companies can 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. Decisions can take a long time and requires patience.

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.

When making decisions, businesspeople usually consider the specific situation rather than follow universal principles. Personal feelings and experiences may weigh more strongly than empirical

evidence and other objective facts do. 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 managed to win their trust.

Agreements and Contracts

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. Your counterparts may request that details of the contract be kept secret.

Although your legal rights may not be enforceable, you should definitely consult a local legal expert, ideally throughout the negotiation or at the very least before signing a contract. For the time being, it is wise to recognize that the country's legal system is in a transitional mode, so be prepared for laws to change on short notice. Because of that, bringing an attorney to the negotiation table may not help much, while it could make the negotiation even tougher.

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.

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.

Women in Business

While in theory women enjoy the same rights as men, few Russian women have made it into senior management positions, and most are still struggling to attain positions of similar income and authority. As a visiting businesswoman, emphasize your company's importance and your role in it. This will be even more effective if you can get a male colleague to explain these aspects while emphasizing that women are treated differently in your home country. A personal introduction or at least a letter of support from a senior executive within your company may also help.

Female business travelers should exercise caution and act professionally in business and social situations. Be prepared for flattery, obsequious politeness, and apparent deference. None of this translates into clout at the negotiation table. It is also possible that you will face offensive humor or remarks with sexual connotation. While these are usually best ignored, it may sometimes help to point out that such comments are not practiced in your home country. Displaying confidence and some degree of assertiveness can be effective, but it is very important not to appear overly bold and aggressive.

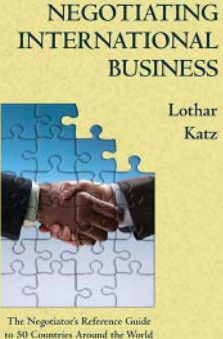
Other Important Things to Know

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.

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 if they can use this act to their advantage.

Punctuality is expected in most social settings. It is best to be right on time for dinners, and to arrive at parties within 15 minutes of the agreed time.

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.

 <p>NEGOTIATING INTERNATIONAL BUSINESS</p> <p>Lothar Katz</p> <p>The Negotiator's Reference Guide to 50 Countries Around the World</p>	<p><i>Negotiating International Business</i> (Booksurge Publishing, second edition 2007) is available from Amazon.com and other bookstores for \$29.99. A reference guide covering 50 countries around the world, the 472-page book includes an extensive discussion of the negotiation principles and tactics frequently referred to in this excerpt.</p> <p>Please recommend this Country Section and others to colleagues who might find them useful. Country Sections are available individually at</p> <p>www.NegIntBiz.com</p>
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