

Negotiating International Business - Ukraine

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 a republic within the USSR, Ukraine became an independent nation in 1991. Its culture is somewhat pluralistic. The eastern part of the country and Kiev, the capital, host most of Ukraine's Russian minority of about 17 percent of the total population and show strongly influences of Russian language and culture. Numerous companies are run by Russians. In contrast, people in the western parts of the country may dislike Russian influences, strongly emphasizing Ukraine's distinct identity.

Owing to the country's historic isolation, most businesspeople and officials in Ukraine have little experience with other cultures except for neighboring countries. There is 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, many people may expect that things are done 'their way.'

Relationships and Respect

Ukraine's culture expects its members to have a sense of belonging to and conforming with their group. At the same time, it leaves a lot of room for individual preferences. Building lasting and trusting relationships is very important and can be vital for the success of your business interactions. Generally, it is best to give your counterparts time to become comfortable with you. Behaving in an overly friendly fashion may be counterproductive. Ukrainians are generally serious people who rarely smile and may seem stern. They appreciate sincerity and firmness in their counterparts' trust. However, you should let them see your personal side as well, as Ukrainians 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 Ukraine usually exist both at the individual and company level. Ukrainians 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.

Refrain from praising or rewarding anyone in public. Unlike in many other cultures, it may raise suspicion about your motives.

In Ukraine's business culture, the respect a person enjoys depends primarily on his or her rank, status, and achievements. Be careful never to come across as patronizing a senior Ukrainian manager. Admired personal traits include firmness, sincerity, and dependability.

Communication

The country's official language, Ukrainian, is similar to but not identical with Russian. Communicating in Russian works well in eastern Ukraine and Kiev, but may not be appreciated in the West of the country. Not many businesspeople speak English fluently. In addition, Ukrainians may insist

that they understand everything you said 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 Ukrainians, 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.

People in this country usually speak softly. They may occasionally raise their voices to make a point. While celebrations and social events can get very noisy, being loud may reflect poorly on you in most business settings. People generally converse while standing around two to three feet apart.

Communicating with Ukrainians can be anything from very direct to rather indirect. On one hand, they may say 'no' frequently. In contrast, people may say things they think you want to hear as a way to lure you into a business deal.

Ukrainians keep physical contact infrequent. Avoid touching other people. While several gestures may be used, be careful to control your own. Slapping the open hand over a fist is a vulgar gesture in Ukraine, as is putting the thumb between index and middle finger in a fist. 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 very frequent, almost to the point of staring, as 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 Ukraine's sometimes-chaotic business environment.

Negotiations in Ukraine can be conducted by individuals or teams of negotiators. Teams should be well aligned, with roles clearly assigned to each member. Ukrainians 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 Ukrainians 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 Ukrainian is strongly advisable.

While meetings may start considerably late, Ukrainians generally 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.

Ukrainian names are usually given in the order of first name, middle name (derived from the father's first name), 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, always use it instead, fol-

lowed by the family name. Do not call Ukrainians by their first name unless they explicitly offered it first. In that case, use a combination of first name and middle name. 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 Ukrainian. In Western Ukraine, do not use one that is in Russian – an English-only card is better in that case. 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 Ukrainian 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 some small talk intended to establish personal rapport. Let your counterparts set the pace. The primary purpose of the first meeting is to become acquainted and build relationships. In addition, your counterparts may want 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.

Ukrainian negotiators may try to convince you that they have the background and experience required to be successful. Businesspeople may exaggerate their capabilities or make 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 Ukrainians to be pessimistic, though, so a lack of enthusiastic responses should not discourage you. Your presentation materials should be attractive and colorful, with good and clear visuals. Use diagrams and pictures wherever feasible, cut down on words, and avoid complicated expressions. Having your handout materials translated to Ukrainian is not a must, but it helps in getting your messages across.

Negotiation

Attitudes and Styles - In Ukraine, 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 Ukrainians 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. Ukrainians have great respect for western expertise, and are easily impressed by size and numbers. Do not underestimate the strength of your negotiating position. In extreme cases, if you cannot seem to get unstuck, try using a mediator, ideally the party who initially introduced you.

Sharing of Information - Information is rarely shared freely, since Ukrainians 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.

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. Your Ukrainian intermediary may be able to find out why things have slowed down.

Bargaining – Some Ukrainians can turn out to be highly skilled negotiators, especially if they were trained by Russians. However, most businesspeople in the country have only limited experience in the field. They may expect to do some bargaining but rarely haggle a lot. None of this makes them easy prey, though. Ukrainians 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 Ukrainians inevitably includes much posturing and maneuvering. The best approach is to be polite but remain tough throughout the bargaining process. In addition, try to make your counterparts comfortable since this increases the odds of a successful outcome.

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

Deceptive techniques are frequent and Ukrainian 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. Ukrainians 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 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. Ukrainians 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.

Ukrainian 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. Ukrainians 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 Ukrainians 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.

Though not quite as confrontational as Russians, Ukrainian negotiators may be aggressive or outright adversarial. 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, grimacing, or appealing to personal relationships, are often used. Ukrainians 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. Promises are not always kept, especially if they were made in social settings away from the negotiation table. Do not get upset over this, since your local counterparts may not consider such promises serious commitments.

As the country is moving from a socialist country to a free-market economy, corruption and bribery have become common in Ukraine's public and private sectors. However, people may draw the line differently, viewing minor payments as rewards for getting a job done rather than as bribes. Keep in mind that there is a fine line between giving gifts and bribing. What you may consider a bribe, a Ukrainian 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. In addition, point out that bribery is illegal in Ukraine and could get you into significant trouble.

Decision Making – Companies can be quite 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. While they may consult with others, bosses accept all of the responsibility. Unlike in Russia, where this is very rare, decision-making authority may sometimes be delegated to lower levels in the hierarchy. It is very important to deal with decision makers rather than with subordinates. At the same time, it can be essential to win subordinates' support since they could strongly influence the ultimate decision. Decision making can take a long time and requires patience.

In Ukraine'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 Ukrainian 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, objective facts, and even laws. Ukrainians 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 Ukrainian 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 Ukrainian 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.

Your legal rights may not be enforceable, while local companies often have a better chance in court (or find ways to circumvent laws). 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. Even local businessmen may not be very familiar with applicable laws and regulations. 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. Ukrainians 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

Ukraine is still a male-dominated society. While many women are working and a few have made it into senior positions, most are still struggling to attain positions of similar income and authority as men. 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. It is 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

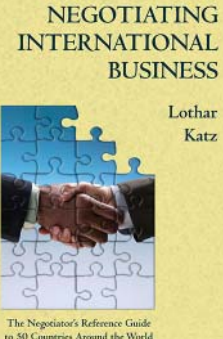
Conservative attire is important when doing business here. Male business visitors should wear suits with neckties on most occasions. While you do not want to appear 'over-dressed,' make sure shoes and suit are in good condition.

Business lunches and dinners are very common, and evening entertainment can be lavish. These events frequently include heavy alcohol consumption and 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 Ukrainian 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.

Business gifts like pens, small notebooks, or similar items are usually well-received. It is ok if they carry your company logo.

Social events do not require strict punctuality. While it is best to arrive at dinners close to the agreed time, being late to a party by 30 to 60 minutes or even more is acceptable.

 <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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