Harvard Business School

9-899-048

Rev. August 5, 1999

Doing Business in Russia: Negotiating in the "Wild East"

*In the course of a number of trips to Russia, Harvard MBA Randall A. Fine negotiated deals with senior Russian academics and research institutes, as well as four consulting deals with senior managers of Russian steel companies. Based on these experiences, Mr. Fine wrote a "how to" guide for effective negotiation in the former Soviet Union. This note is a rewritten and augmented version of his paper that attempts to leave intact the informal spirit of the original. The first section guides the reader through general aspects of the Russian market. Next follows his characterization of the Russian negotiating psyche. Finally, Fine describes common elements of the Russian negotiating style and gives advice on concluding successful deals in current-day Russia.**

Doing business in Russia is unlike doing it anywhere else—imagine an institutional structure akin to Tombstone, Arizona coupled with computers, cellular phones, and modern technology. Russia's current business situation is so chaotic, so vibrant, that any outsider considering entering the market must first attempt to grasp the current status quo. While many write about the subject,[1] their books become outdated nearly as quickly as they hit the bookstores. During my visit to Russia in January 1998, I took two business travel guides with me—both from 1996 along with *Let's Go Eastern Europe 1998.* Two days into the trip, I tossed the "business guides." *Let's Go* was useful only because it had been updated that September.

Russia's business environment is the closest thing we have today to a "Wild West." As recently as 1995, 560 Russian businessmen were murdered in contract killings.[2] In many businessmen's pockets, guns rest next to cellular phones. There are metal detectors in movie theaters; armed guards in hotel lobbies. It is a country of magnificent and turbulent change—where fortunes have been made and lost in months; a country that in 20 years has gone from ruling an "Evil Empire" to one that is struggling to keep itself from being ripped apart.

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* Randall A. Fine was a student in Professor James K. Sebenius' second-year Financial Dealmaking course at Harvard Business School in the spring of 1998. With his permission, the text is drawn largely from Mr. Fine's term paper, *Negotiating in Russia: A How-To Guide for Navigating Through the Wild East*. With the help of Research Associate Rebecca Green, Professor Sebenius significantly edited and rewrote the paper. Additional examples in this note are excerpted with permission from another paper prepared by his classmates Wendy Cockayne, Lara Hodgson, and Ian Williams entitled *Negotiating From a Perceived Position of Weakness*.

Professor James K. Sebenius prepared this note with the help of Research Associate Rebecca Green as a rewritten and augmented version of a paper by Randall A. Fine MBA '98. An attempt was made to leave intact the informal spirit of the original paper. This note is intended as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Simply put, Russia epitomizes that basic principle of first-year finance—with high risk can come incredible return. And so businesses from every corner of the globe are looking at this country, a nation that spans 13 time zones, a nation with the most educated population in the world, a nation with the world's richest trove of natural resources—to ply products and services at every level.

With this in mind, I see seven overarching characteristics that those new to Russia need to understand:

- Most **Russian businesses are a mess.** From aging and cluttered physical plants, to outdated and sloppily-handwritten financial records, Russian businesses are only slowly moving towards Western standards of corporate management. Moreover, many of these multibillion-dollar companies operate on a primitive barter system, swapping steel for coal in an environment where cash is always in short supply. The typical Russian industrial company "carries huge debts, back taxes, past-due payments to suppliers and wage arrears. It is likely to be desperately short of working capital, since barter trade accounts for up to 80% of sales. It has a terrible accounting system, terrible marketing and productivity way below international standards."[3] In fact, a survey of 210 core economic enterprises in Russia estimated that "barter, debt-swaps and other nonmonetary deals accounted for 73% of transactions in 1996 and 1997. The businesses surveyed paid only 8% of their taxes with real—what Russians call 'live'—money."[4]

> *Natalia Karpova, a supervisor at a fabric factory on the outskirts of Moscow breathed a sigh of relief when she learned that three carloads of concrete utility poles had arrived at the train station. While Ms. Karpova's factory was a year behind on its electric bill and had no cash on hand, the electric company agreed to accept utility poles in lieu of direct payment.*
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> *To achieve this, Ms. Karpova engaged in an elaborate series of barters: "First, her factory shipped fabric 300 kilometers to a sewing factory in Nizhni Novgorod. In exchange for the fabric, that factory sewed shirts for the security guards who work at a nearby automobile maker. In exchange for the shirts, the auto factory shipped a car and truck to a concrete plant. In exchange for the vehicles, the concrete plant delivered the poles to the electric company."*[5]

- Westerners must realize that most of the large industrial enterprises were **instruments of the state as little as five years ago**. The Soviet-era belief persists that records and accounts serve to inform central planners and catch thieves, not to help develop business strategies. "In a system driven by production rather than profit," as one *Wall Street Journal* article puts it, "they tracked the flow of inputs and outputs, heedless of whether value had been added or subtracted, money made or lost."[6]

> *In March [1998], Rusaudit, a Moscow-based Russian auditing firm, sent economist Aleksander Voiskoboinikov to review the accounts of a paper company in Perm, on the western edge of Siberia. The records for an entire year had vanished, and those that remained were of little help. "The chief accountant started drinking at noon, so we tried to catch her before 11:00," he says. After interviewing staffers about dimly remembered barter deals and off-book transactions, Mr. Voiskoboinikov produced a report. But he admits he had little idea what was really going on.*[7]

Instead of being led by Chief Executive Officers and Chief Operating Officers, Russian companies are managed by General Directors and Chief Engineers, names symbolizing command structures and a resolute faith in science over supply and demand. More importantly, in many Russian cities, the major industrial company did not just manage the factory, but schools, hospitals, public transportation, and any number of other social services. These activities can divert the attention of senior managers from profit-making activities and bog down some of these businesses.

> *At Russia's largest auto manufacturer, GAZ, 96,000 employees manufacture 215,000 vehicles, (2.2 vehicles per worker). In the U.S., Chrysler's 125,000 employees manufacture 1.8 million, (14.4 vehicles per employee). Why the productivity differences? "Many of the Russian workers aren't actually building cars, but taking care of the workers' basic needs. Says [GAZ President Nikolai] Pugin, 'We're a private company now, not a government agency. But you can't pass off social responsibilities [like housing, day care, etc.] just like that.'"*[8]

- **Russia's financial markets, while they exist, are exceedingly primitive.** Three factors that drive financial sophistication—accounting, regulation, and taxation—have conspired to bog the country down in a financial mess. First, most Russian companies use Russian accounting standards, which are remnants of the Communist reporting methods, and are virtually impossible for non-Russians to understand. For a western-trained auditor looking into the books of a Russian firm, it can take months to discover that expenses listed under "special purpose" funds are payments for such social expenses as kindergarten and health care fees.[9] Second, even these figures—as confusing as they may be—are probably wrong! Russia's corporate taxes can run as high as 95% so many companies keep two sets of books, one for the government and the public (and thus potential investors), and a second for internal (and confidential) purposes. Other transactions fail to even be recorded, given that so many transactions occur through bartering arrangements (as described above).[10] Finally, Russia has not yet developed the kinds of market institutions and SEC-type organizations to regulate financial information and records. In effect, Russia's tax system has created the incentive for Russian companies to falsify their records, while lax regulation has allowed it and weak accounting standards obscured it .

- Concurrent with this lack of financial transparency, **Russia is rife with corruption. It takes two forms, internal and external**. Internal corruption includes embezzlement, bribery, etc. External corruption can surface through the Russian mafiya, local organizations that have brought the American art of "protection" to the former Soviet Union.

> *"In August of [1995] Scott Nicol's water filtration plant was visited by the mob—four thugs with guns who asked to meet the director. 'The message was: It's time you take a local partner,' Nicol recalls."*[11] *These are not empty threats. In November of 1996, American entrepreneur Paul Tatum was gunned down over a conflict he was having with Russian partners over the Radisson-Slavanskaya Hotel, the leading American hotel in Moscow at that time.*

- **There are significant questions about ownership and control in many Russian businesses.** As Peter J. Pettibone, an American lawyer with 20 years of experience in Russia put it, "[T]he problem is that we do not exactly know who we are dealing with. We often do not know the authority or the balance sheets of the entity we are dealing with."[12] To make matters worse, corporate insiders can often refuse to recognize transfers of stock, or at worst, simply steal shares of companies.[13]

> *When I visited the Magnitogorsk Steel Company in March 1998, our discussions were complicated by the fact that the Chairman of the Board was currently in jail on charges of stealing and then hiding company shares equal to 20% of the company in his cellar. Since Russian law determines ownership based on who holds the paper shares, this controversy had thrown the factory into chaos.*

- **Lack of strong legal institutions has led to a discounting of the value of negotiated agreements.** "World practice is that we agree on a price, and if they run over it's their problem. . . . Here [in Russia], if they run out of money, they just stop working."[14] In Russia, one could consider contracts a negotiated agreement of intentions but not hard-core promises. Contracts are works-in-progress with compliance a constant give-and-take between parties and minimal legal recourse to ensure enforcement. Many westerners find this lack of contractual certainty unsettling and grounds for staying out of the Russian market.

> *An American firm entered into a joint venture agreement with a Russian company. As agreed, the U.S. company wired US $1,000,000 investment money to the Russian partner. Upon receipt of the bank wire, the partner sent a fax to the U.S. firm stating: "We have received one million dollars as agreed in our contract. Thank you very much. We consider our relations terminated."*[15]

- And yet . . . **Russia is a bargain!** From equity valuations of companies with stable assets (like oil or gas) to the required salaries of skilled employees, Russia can be a steal. As an example, in June of 1996, you could hire a Russian Ph.D. full-time for only $300 per month.[16] More recently, I hired a senior metallurgist with 20 years of experience for only $500 per month. With such talent available for so little money, western companies will continue to bear the risks of entering the Russian market. Talent is often not the only bargain:

> *One Harvard MBA tells the story of visiting a Russian paper company while scouring Russia for investments for a fund. "As he toured the paper mill, he noticed huge, dust-covered crates packed away in the corner of the factory. They contained $100 million worth of brand new Austrian-made equipment. The Russians hadn't bothered unpacking the stuff. The fund, together with other investors bought a 90% stake [in the company] for a fraction of the value of the new equipment."*[17]

Despite the powerful negatives cited above, the Russian business atmosphere is improving. Note this statement, made over a year ago (1997): "Russian business culture is cardinally improved from two or three years ago, when the best-known 'investment groups' were simple con men like Sergei Mavrodi; his MMM pyramid scheme used clever TV ads to create a national investing frenzy in the summer of 1994, then disappeared with the money. Today's top dogs are audited by the West's Big Six accounting firms, vetted by the European Bank for Reconstruction and Development, and increasingly are attracting syndicated credits, from the most august banks of Western Europe."[18]

The Russian Business Psyche –Why Russians are Who they Are

> *Flying back from Russia recently, I sat next to a Russian who had been living in New York for three years and had been home to visit. This man asked my opinion about how long it would be before Russia is up to the economic standard of the United States. "Do you think it will be three to five years?" he asked. "Probably not even in my lifetime," I replied. He was quite shocked by my response.*
>
> —Terry Maris[19]

For 70 years, Russia lived under a reign of rigid five-year plans, giant state-owned enterprises, continued KGB presence, and propaganda. Having emerged from four generations of Communism, the Russian view of capitalism continues to be strongly flavored by the communist teachings so many learned in school.

> *"Change the name of the country, change the flag, change the border. Yes this was done overnight," says Bruce Bean, head of the American Chamber of Commerce in Moscow. "But build a market economy, introduce a meaningful tax system, create new accounting rules, accept the concept that companies which cannot compete should go bankrupt and the workers there lose their jobs? These things take time."*[20]

There are two kinds of Russian businessmen (and they are nearly always men): the "old guard" and the "entrepreneurial trader." Typically, a wildly successful trader started a business in the past five years bringing western goods into Russia and distributing them. In Russia, to own western goods—even simple ones like candy bars—connotes prestige, and some security. Conversely, members of the old guard hail from a system where relationships and egos count more than the bottom line. The old guard is at home among high-cost, under-utilized, under-capitalized, enterprises. They know the players and they know the market, but they are also saddled by many of the mentalities of the past. Unlike western managers, they see their responsibilities not to the bottom line, but to their workers, to cities and to Russia. The behavior of the old guard is understandable given the historical context.

> *In Magnitogorsk, Russia, an entire city of 250,000 was built around the world's largest steel mill. Any decline in the fortunes of the mill has huge repercussions across the city—there are no other major employers, nowhere for unneeded employees to go.*

Russians come from a perspective of "Let's start big, and then we'll get bigger!" By contrast, Westerners and new investors offer the classic venture capital approach of starting small, then growing larger . The Russian perspective is a quantitative one, where the number produced is far more important than the product's quality. It is built around things measurable, not things sensible. While in Russia, I visited the largest hotel in the world and the largest steel plant, but they also can claim the largest coal mine, largest auto plant, and a dozen other "biggest" awards. In communist times, success was measured by units of production; unfortunately that mentality has carried forward into the new capitalism.

As a way to enter and test the Russian market, General Motors offered to start a joint venture with Avtovaz, one of Russia's largest auto manufacturers, to build 50,000 units. "Too small," Avtovaz responded—they demanded a minimum commitment of a new $2 billion plant with capacity for 300,000 cars per year. GM walked away. [21]

Common Characteristics of the Russian Negotiator

The Russian business context and psyche give rise to a number of common characteristics of negotiators in the Wild East. Here are several things to expect from many—but not all—of your Russian counterparts:

1. **Expect your Russian counterpart to anchor incredibly high and then refuse to budge.** First, Russians often do not see negotiation as a means to settle on some equitable price in the middle. They make an offer that they usually see as fair (from their perspective, it actually does seem fair), and then refuse to concede anything unless the other side makes some compelling reason for why they should. In other words, while Americans enter a negotiation with some kind of plan developed around a desired end result, "Russians think it all happens by serendipity, but without tactics or a plan, they end up hitting a wall."[22] Because of that, Russians tend to want to settle on the big picture, and to heck with the details. In fact, any effort to push towards details is seen as suspicious—it implies that the other party is uncomfortable with some part of the deal, and that can strain aspects of the discussion.

Others view the Russian's "outrageous initial position" as "a test of your character. Regrettably, Americans, anxious to please, sometimes agree to the initial demands with only minor changes. This then teaches the Russian that he can make further outrageous demands."[23] In my first negotiation in Russia, I fell into this trap. As we learned later in our negotiations, the best response to an outrageous offer from the Russian side is to chuckle—it shows one understands the offer is not genuine, and allows one to discount the initial position—to pass it off as a joke.

1. **Expect your Russian counterpart to be emotional**. Men embrace, and a Russian's smile can be the kind that lights up an entire face—eyes glowing, cheeks reddening, a grin from ear to ear. They are an artistic people—Russia is the land of Tchaikovsky, Pushkin, the Bolshoi, Solzhenitsyn, and so many others. Russians revere their artistic accomplishment in a way I have not seen elsewhere; but they treasure it not as an accomplishment, but as an expression of what it means to be Russian, and they want to share those feelings with visitors.

How does this affect one's business dealings in Russia? First, Russians like to create the appearance of warmth and friendliness in business. They "tend to interpret 'coolness' in a suspicious way, as if something is being hidden."[24] Nonetheless, in a discussion with any individual Russian, one can see the entire breadth of emotion. "Russian negotiations almost always involve temper tantrums, dire threats, and walkouts. Loss of temper during negotiations is expected by the Russians."[25] In my salary discussions with the Russian scientists I was recruiting, I often had to appear to lose my temper in order to demonstrate that I was serious about my salary offer.

1. **Expect anti-Western tirades**. "The Russian presents a litany of the American's sins against him: broken promises, lies, and breach of trust. The Russian then requests concessions as a way to mend the relationship."[26] I saw this phenomenon most prominently in my negotiation with the Novotroitsk steel

plant. Immediately after making my introductory remarks, my counterpart launched into an angry speech about his past relationship with American experts. He claimed they had come to his plant, made promises of help and technical assistance, gathered proprietary data about the plant, and then returned home never to be heard from again. The best way to defuse these outbursts is to acknowledge that the perpetrators were in the wrong and that you would be equally angry if this happened to you. By allowing these emotions out on the table, the westerner learns more about his Russian partner and the Russian can gauge the American's response.

2. **Expect your counterpart to have a different sense of time than many westerners**. Most Russians are not morning people, with the workday regularly starting at 10:00 AM. In addition, Russians are very comfortable in using time to throw outsiders off their strategy. At the risk of stereotyping, they are willing to ask the same questions over and over again, to feign boredom—even appear to fall asleep—to take advantage of American impatience to close the deal. Russians use time to their advantage, and they can do that because they are far more *patient* than many other cultures, and far more insistent on building camaraderie.

3. **Expect that your Russian counterpart might revere you as a potential savior**. During my last visit to Russia, I termed this the "savior complex." At each plant we visited, we were initially viewed as experts who could somehow save their plant—providing the hundreds of millions of dollars of capital they needed and the management expertise to get their plant into the black. While we were offering nothing of the sort, some Russian managers are so desperate for working capital they will offer up a compelling tale of woe—of canceled orders, unpaid workers, devastated cities—and try to appeal to the westerner's conscience.

4. Russian businessmen use the "arms-control negotiation" format in managing their negotiations; **expect to be faced with a crowd on the other side of the table**. Generally, you and your team will walk into a conference room with a dozen Russians sitting on the far side of the table. Of the dozen, the man in the middle will do 90% of the speaking with 9 or 10 of his colleagues saying nothing. In our negotiation in Novotroisk, we learned that the plant managers had just rounded up plant workers to sit across from us! You have two ways to respond to this: Option 1 is to respond in kind by having your lead negotiator do all the speaking and the rest take notes. Option 2, and the one that will throw your counterparts off their strategy, will be for everyone on your team to speak with no coordination. By eliminating the formalities, you can gain the upper hand.

5. **Beware of "protokols**." Russians often sign "protokols" after each meeting with outsiders. While these "protokols" sound and look like agreements, they mean very little, and are meant to record what issues were discussed in the meeting, not what decisions were made. If you want the piece of paper you walk out the door with to be a real agreement, and not a phantom "protokol," you need to put language to that effect in your agreement and make certain your counterparts understand it.

Guidelines for Negotiating

At this point (Spring, 1998), we have seen that Russia's business environment is not much more than a hi-tech "Wild West" and have developed some insight into what that ruddy-faced

Russian across the table might be like. In this final section, we will discuss the "so what" question—developing guidelines that westerners should follow when negotiating in Russia.

First, and perhaps most important, ***be realistic***. In the early 1990s, right after the fall of communism, many American companies rushed to Russia, expecting the liberated masses to fall at the feet of every western company that landed. Sure, Russians want the kind of life people have in the west, but they want it on their own terms. Successful western negotiators will not only understand the value they bring to the table, but will make an effort to understand the value that their Russian counterpart can bring.

- Be realistic about their systems, structures, people, and competency—remember that many of these companies are in chaos and are simply fighting for survival.

- Be realistic about the contextual factors that will make your dealings more complex—among other things, the difficulty of traveling around Russia. As my team learned in March, once you head outside of Moscow, it's a drag. Air service is irregular, hotels (and I use the term loosely) often lack the basic staples of heat and hot water, and the roads that connect one city to another are the most pothole-ridden on earth (couple that with lousy Russian shock-absorbers and you get one pain in the neck—literally). Even the train between the country's two premier cities—Moscow and St. Petersburg—has been under a U.S. State Department travel warning!

> *To visit a company near the Arctic Circle, one fund manager had no option but to travel to the site in mid winter in a converted military helicopter. When he arrived, the temperature was minus 40 degrees. The local hotel had neither heat nor hot water. He recalls, "we slept in our hats and overcoats..."*[27]

- Be realistic about the length of time your negotiation will take—whatever you budget, double and triple it. We discussed above the lack of punctuality one will encounter in Russia; add that to the difficulty in getting from place to place (our van could only drive about 30 miles per hour), and the need to set aside large blocks of "contingency time" becomes important. Moreover, if you can take away a looming departure time (I have a plane to catch at 4:00 PM, so let's get this thing going), you remove one of the weapons in the Russian arsenal.

- While being realistic about your own expectations, negotiators must recognize that the Russian party will likely have equally unrealistic expectations about both their value and what you can do for them—the savior complex discussed previously is perhaps the best example of this. Wise negotiators will not only control their own tendency to be condescending, but will work to educate the Russians on what they *really* can promise.

Second, ***be patient*!** We have discussed how Russians use time and patience to their advantage; in order to close the deal, you need to match their patience ounce for ounce. There are really only two kinds of negotiations in Russia. The first is westerners coming to Russia trying to get something. I experienced the second in my first trip to Russia. During that visit, I was negotiating a contract that would have provided significant levels of hard currency to an academic institute in the Ural region of the country. My counterpart from the academy came to the meeting, made an offer, and pushed and pushed to try to get a deal signed, sealed, and sent with him home. While I was tempted to agree quickly (his initial offer was less than my maximum and I needed my first Russian negotiation to be successful), I pushed back and used the remainder of the week I had there to follow the third rule for success:

Third, ***build relationships and trust***. We have established that Russia's legal enforcement is minimal. We have also observed that Russians are an emotional, yet friendly people. Given these two ideas, the westerners who find the most success in the Russian market will be those who establish the highest level of trust with their counterparts. Trust is essential not only during the negotiation, but to guarantee some level of execution and fulfillment after the agreement is signed. How can you develop trust with your potential Russian partner?

- Know as much as you can about your potential partner before ever walking in the door. While one cannot learn about Russian businessmen as easily as one can in the west (i.e., Lexis-Nexis, the Internet, etc.), there are many consulting firms in Russia that can help prepare biographical and business profiles on the individuals whom you will meet. By doing your homework—understanding their company's previous history with western businesses, for example—you can get behind names and titles. Not only does this help with relationships, but also suggests areas of potential caution.

- Maximize the amount of time negotiating face-to-face and embrace socializing as an opportunity. Avoid e-mails, telexes, letters, phone calls, faxes and any kind of electronic communication. Not only are many of these methods technologically unreliable (it took me two months to get a letter from Russia), but iterative sequencing "I make an offer in writing, then you respond" does not build personal trust. Dealing with the tough issues face-to-face—even over a bottle of vodka—will do more to improve and enhance an agreement than any kind of nitpicky legal clause. Socializing can be a critical ingredient in Russian negotiating; don't short circuit that vital process by moving too quickly to substance.

A twenty-six-year-old American was set to the task of establishing the first Russian office of a large consulting company. The first order of business was to find office space. He found a suitable space that had been vacant for six months. He researched the real estate market thoroughly to arrive at an approximation of the going rate. In anticipating the first face-to-face meeting with the owner of the office space, an elderly Russian man and former Russian government agency head, he assumed the negotiation would be cut and dried: the Russian needed to rent a space that had been empty for some time.

The American and the Russian met. The American began by shooting out a number slightly above market value, assuming the deal would be closed without fuss. However, the Russian went ballistic, and began yelling and screaming about the "stupid American kid" across the table. The Russian turned bright red and began pounding the table, and eventually ordered the American out of his sight. In the weeks that followed, the American attempted to contact the enraged Russian, with no luck.

And, look for opportunities to use social rituals to tactical advantage.

An American consultant negotiating a deal with a Russian client sent a very low-level associate to a general "social drink" invitation. This person was coached not to give a price when asked, but if the Russians were persistent to let the figure $1 million to $1.5 million slip out (the reservation price was actually $500,000). As expected, the Russian executives gave this associate much to drink and asked over and again what he thought the price would be. Finally the young associate blurted the pre-arranged $1-1.5 million figure. The Russians were horrified.

> *The next day at the formal meeting, the lead Russian executive opened by saying gruffly, "there is no way I will pay $1.5 million," to which the American answered, "who said anything about price?" He explained that the young informant was new and inexperienced and should not be taken at his word. The American made several token concessions, but with the price anchored at $1.5 MM, the eventual deal of $750,000 seemed reasonable to all.*[28]

- My advice: do not hire a Russian or Russian expat to represent you. While it may be appealing given language considerations, you do not want anyone else negotiating on your behalf. On our first trip to Russia, we made the mistake of handing too much of the negotiating responsibility to our Russian consultant; as a result, we lost control of the process at times (remember, when a negotiation is an emotional affair, maintaining control is critical). And we lost some valuable opportunities for relationship-building. Use of a translator not only ensures that you speak for your organization, but it gives both sides time to consider the meaning of the other's words and allows time for emotions to cool. In addition, lingual or cultural inexpertise can be used to one's advantage.

> *An American negotiating a steel deal in Russia was invited to dine with the Vice President of the Russian steel company in question. During the dinner, the American used his poor language skills to his advantage. Any time something came up he did not want to hear, he pretended not to understand. When the Russian VP started talking about bribes and illegal privatization contracts, the American feigned complete confusion. The Russian finally gave up.* [29]

Finally, on the mechanical side, western companies headed to Russia should bring three things. First, get a pile of business cards printed up in both English and Russian. Russians make a large ritual out of the exchange of business cards—they read them intently before lining them up in front of themselves like a seating chart. Lack of business cards makes you look unimportant (the junior Russians usually will not have any cards), and failing to put them in Russian demonstrates less than total respect for your counterparts. Similarly, be sure to have any documents you wish to share translated into Russian before you leave home. We made sure our draft agreements were in both Russian and English so that there could be no misunderstandings arising from having an English-only agreement. Finally, if you hope to actually sign a deal while in Russia, bring an official looking seal with your corporate logo. Russians have some kind of love affair with the stamp—a holdover from communist times. Stamps signal "officiality" and authority. At each of the four companies we signed agreements with, our counterparts were shocked to learn that we did not have a seal, and they made a large ceremony of their stamping our agreement.

In sum, despite the huge business opportunities in the former Soviet Union, there are significant and unique challenges that must be overcome by outsiders who wish to compete there. By considering some of the lessons and suggestions put forth in these pages, I believe that businesses can successfully navigate these challenges and create value for themselves and the Russians they work with.

Endnotes

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[4] Andrew Higgins, "Twilight Economy: Lacking Money to Pay, Russian Firms Survive on Deft Barter System," *The Wall Street Journal*, August 27, 1998, p. A1.

[5] Sharon LaFraniere, "An Enemy of Russian Economic Reform: Barter," *Herald International Tribune*, September 4, 1998, p. 1.

[6] Andrew Higgins, "At Russian Companies, Hard Numbers are Often Hard to Come By," *The Wall Street Journal*, 8/20/98, A1, 7.

[7] Higgins, "At Russian Companies, Hard Numbers are Often Hard to Come By," p. A7.

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[22] Roger Madon, quoted in "Understanding Your Russian Partners," *Worldwide Business Practices Report*, Volume 3, Number 5, January 1996.

[23] U.S. Embassy.

[24] Madon.

[25] Terri Morrison, Wayne A. Conaway, and George A. Borden, Ph.D., *Kiss, Bow, or Shake Hands: How to do Business in Sixty Countries*, Holbrook, MA: Adams Media Corporation, 1994, p. 314.

[26] U.S. Embassy.

[27] Klebnikov and Waxler.

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[29] Ibid.