

# DOING BUSINESS IN RUSSIA

## Who Succeeds and Who Doesn't

There are two categories of business people that go to Russia: those who don't think they can learn from their Russian counterparts; and those who are willing to welcome local partners. The latter make the effort to find suitable partners, and to understand them.

The Canadian Embassy in Moscow and the Consulate General in St. Petersburg can provide a helping hand. Publications also are available. For example, *Doing Business in Russia* and *Locating a Business in Russia*, among others, are valuable sources of information.

Here are some examples of the advice and information you can

expect to find in these publications:

- Contract law in Russia differs from Canadian contract law in critical respects. For example, "preliminary contracts," which Canadians would view as non-binding "letters of intent," may be recognized under Russian law as requiring parties to proceed.

- Russians have lived for decades with a command economy, where governing bodies and the "boss" made most major decisions. This means individual initiative and independent judgement were rarely rewarded. Foreign managers can be overwhelmed by requests for direction and guidance. Expect it to take a

few months for new employees to adapt to the Canadian style.

- "General Director" on a Russian business card does not mean that the individual is one of several directors. A Russian General Director is the firm's Chief Executive Officer. Note that some Russian business people, including senior executives, are still new to the world of corporate enterprise and do not yet grasp all of its concepts and nuances.

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## Winchester Group's Observations

(An investment group, focused on the former Soviet Union, Winchester directs its activities toward the establishment of joint ventures in the region with a view to producing products for both the domestic and export markets.)

### Communicating with Russian Business Partners

Communications, always tricky, can be a major problem. Russia has only recently emerged from a lengthy experiment with centralized control of the economy and other aspects of life. It is unrealistic to expect Canadians and Russians to share the same points of view, belief systems and personal goals. Shared experience and a time-consuming process of visits, dialogue and experimentation are the keys to successful business relations. This is not unlike many Asian markets.

English used to be rare but is spoken by an increasing number of business people, particularly the younger ones. Interpreters with apparently fluent English can have comprehension pro-

blems.

Some Russian partners are genuinely interested in the welfare of the organization and want to build for the future. However, many are there only for short-term gain. Seek out the genuine builders. Accommodate the short-term gainers; they won't go away.

Winchester's experience has been that hiring local employees works very well. The same applies to the use of accounting, legal and engineering expertise. But Canadian experts are essential for the transfer of technology or to supervise the transfer of technology and expertise.

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## Old Managers, New Systems

Because many managers kept their jobs when Russian industries were privatized, Russian managers are often assumed to be philosophically hostile to market principles and opposed to economic reform.

That's not really the case. According to a recent study by a Canadian-Russian research team, most industrial managers say they are materially better off than before, and that they derive professional satisfaction from the new system. They acknowledge that increased responsibility is often difficult to bear, but, they point out, the Soviet system had held them accountable — without granting them decision-making power.