



Lomonosov Moscow State University  
Business School

# Doing business in Russia



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Business



Why, how, when,  
where....???

State border

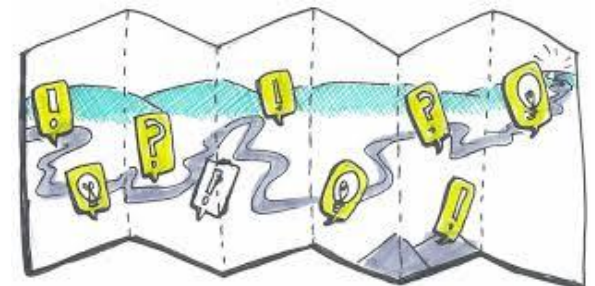
WHERE? WHY?  
HOW? WHEN?



Country A B C etc

What do we need  
to know?

- What do we need to know?
- ***Country A B C etc***
- What we need to know...
- Ethnic and linguistic groups, religions, sociopolitical and economic institutions/ ideologies, range of landscapes and climates, strategic location, legal aspects
- Historical, economic, political, social ties
- Regional cooperation- integration- e.g. ASEAN, NAFTA etc.
- ***Something else ???***



# Before you start... (1)

## Company analysis

Identify competitive advantages

Define the best products to enter with

Estimate resources required

Determine the constraints on the company

Identify and evaluate potential market(s) for entry



Russia

Why?

Do your homework....

## Country/ Industry analysis

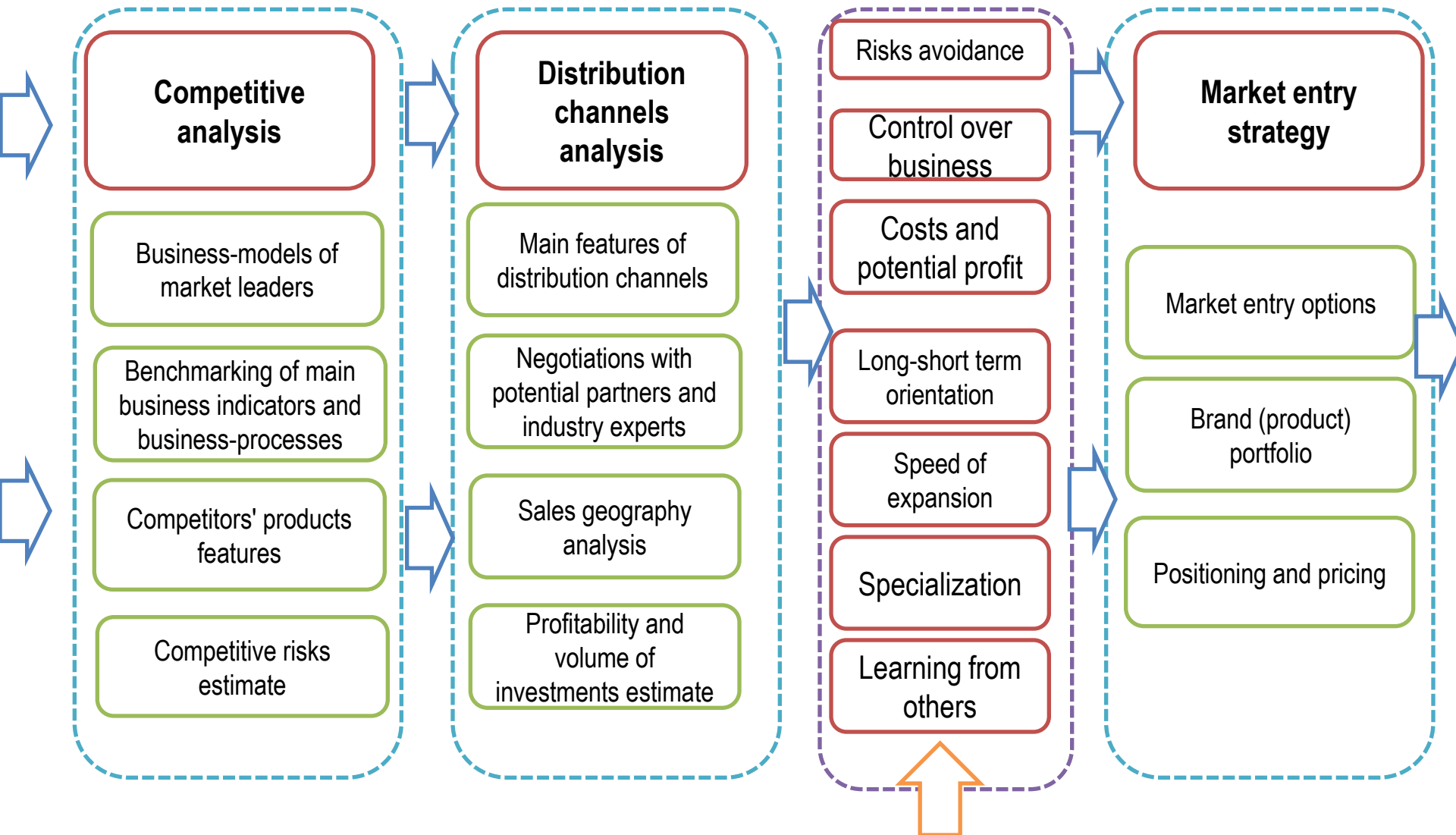
Market volume and tendencies

Customers characteristics, segments and niches

Market structure

Market threats/ risks estimate

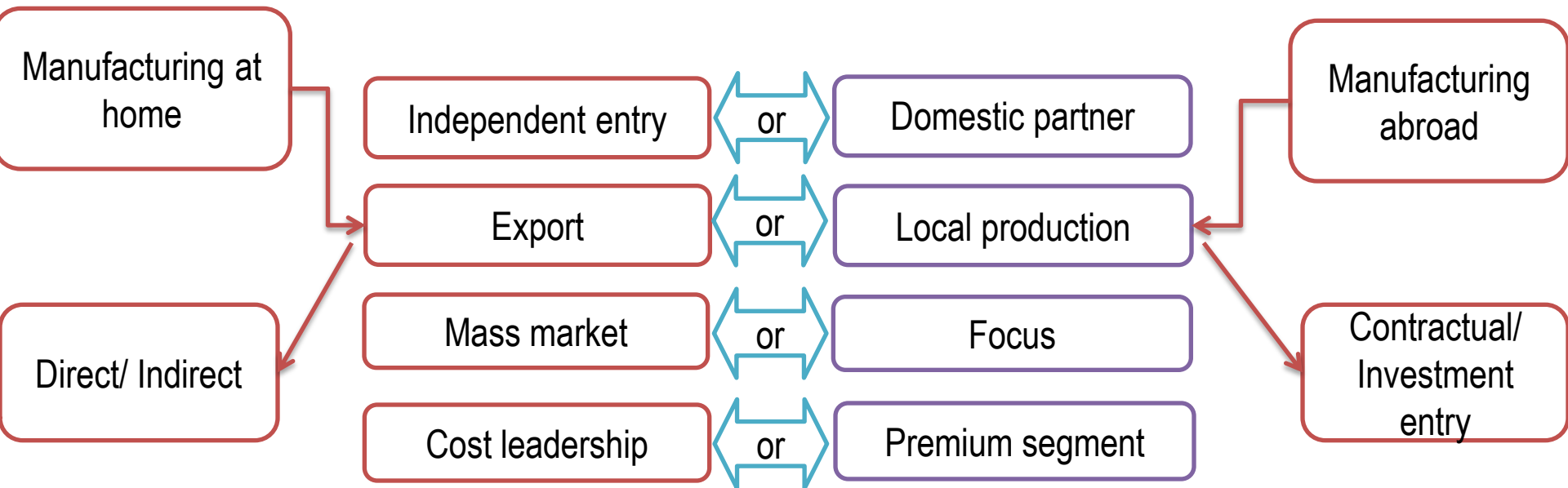
# Before you start... (2)



**What is (are) your priority(ies)?**

# Possible market entry strategies

Strategy to choose: key aspects



Strategy to choose: pros and cons to fit circumstances

# Doing business in Russia- keep in mind...

Size of the country,  
level of economic  
development,  
political regime

Population and  
income distribution,  
largest cities

Laws and regulations,  
taxes, local and foreign  
labor force attraction

Logistics, transport  
infrastructure

Business culture

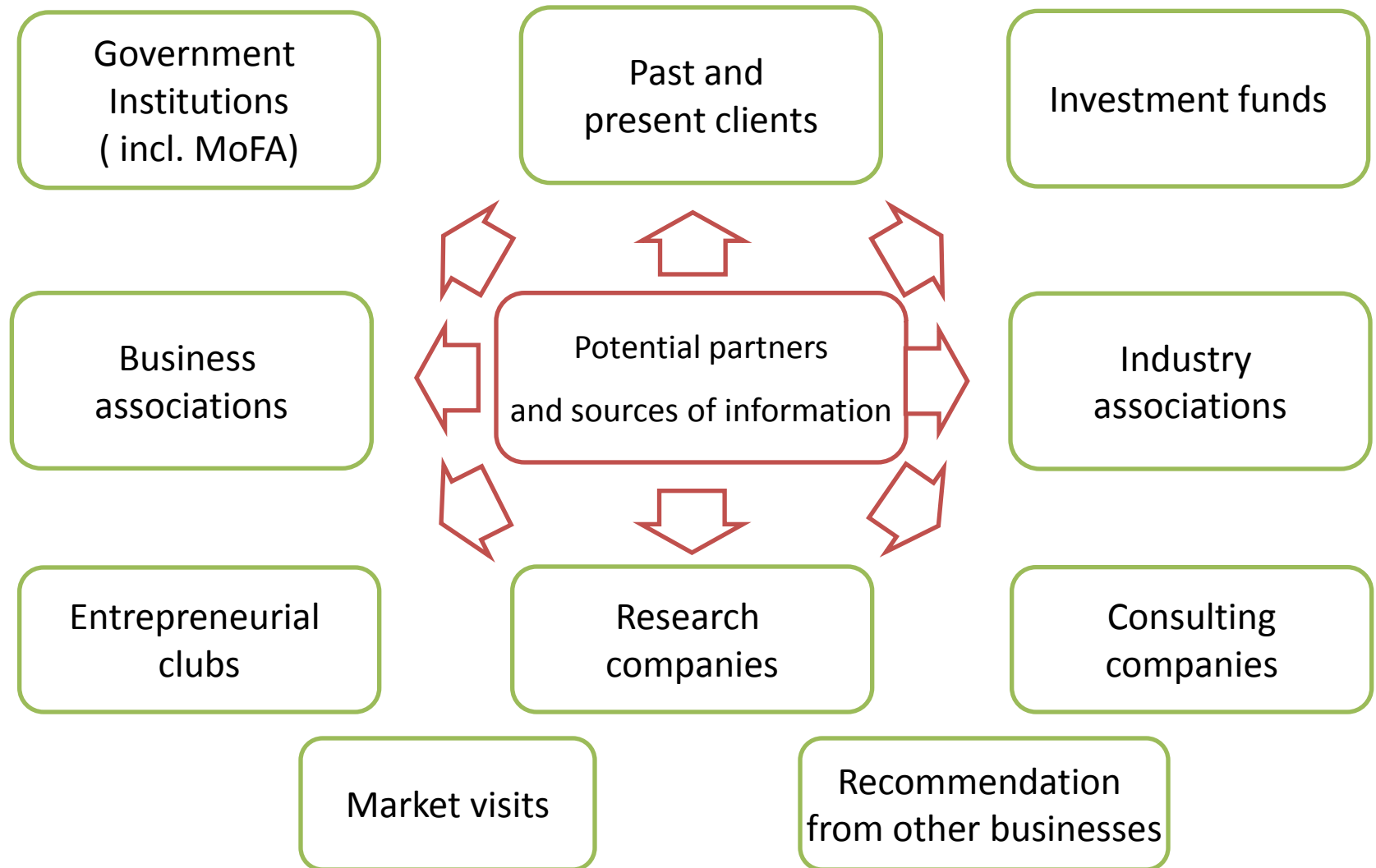
Customs duties,  
control, regulation  
etc.

# Evaluating risks

- Political risks- expropriation, political violence, currency conversion/transfer
- IP risks- lose control
- Compliance- comply with the laws, regulations, standards
- Partnership risks- IP, reputation, financial risks
- Financial crime risks- money laundering, terrorist financing, financial fraud, corruption
- Intermediary risks- profit, reputation, IP
- Non-payment risks



# Where to get information and partners?



# Doing business in Russia- keep in mind...

Size of the country

Population and  
income distribution,  
largest cities

Laws and regulations,  
taxes, local and foreign  
labor force attraction

Logistics, transport  
infrastructure

Business culture

Customs duties,  
control, regulation  
etc.

# Doing business in...



## Doing Business 2015 Going Beyond Efficiency

12TH EDITION

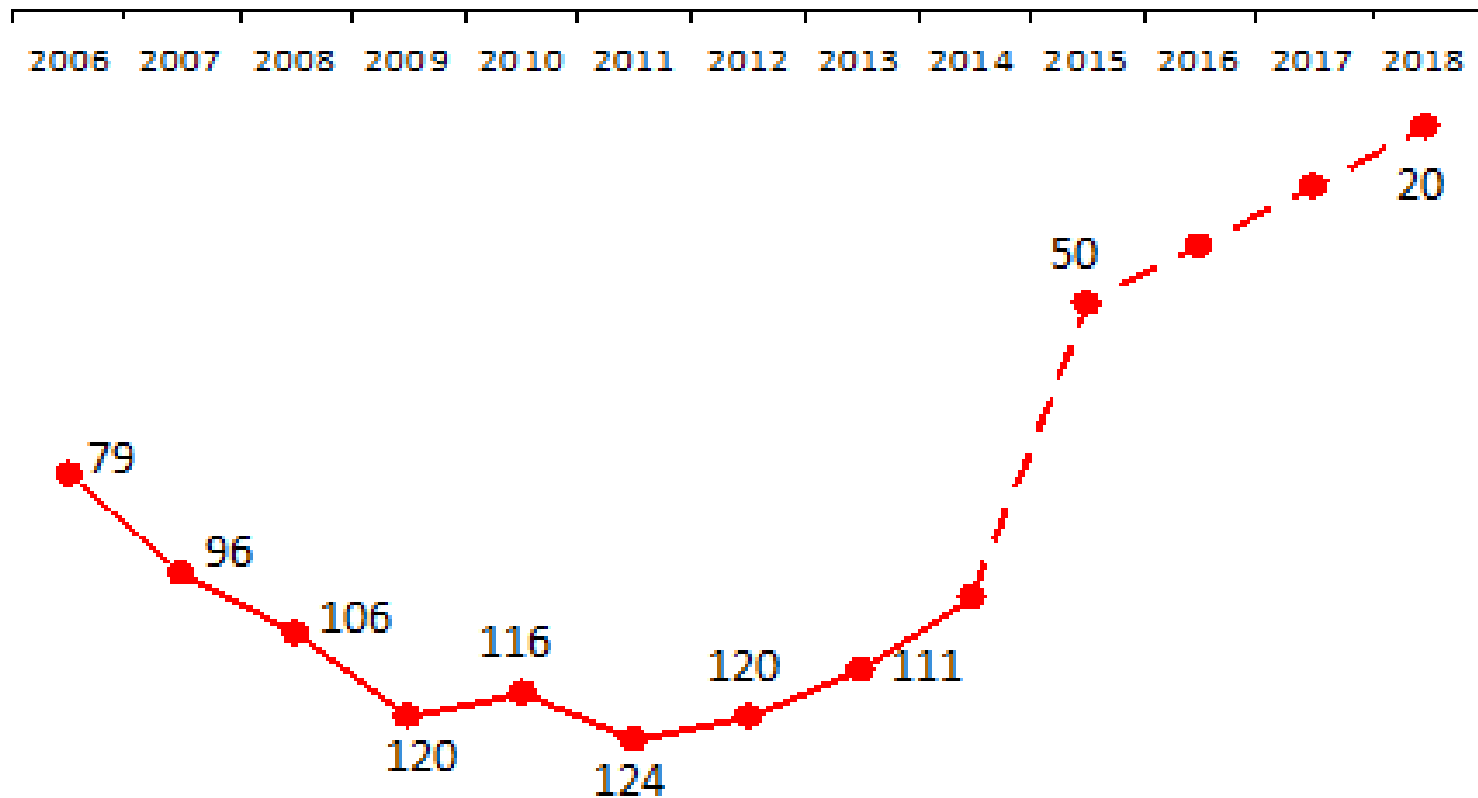


COMPARING BUSINESS REGULATIONS FOR DOMESTIC FIRMS IN 189 ECONOMIES

A World Bank Group Flagship Report



# Doing Business 2006-2014 and up to 2018



## Ease of Doing Business in Russian Federation

This page summarizes *Doing Business 2016* data for the Russian Federation. The first section presents the Ease of Doing Business rank (out of 189 economies) and the distance to frontier (DTF)\*\* measure, overall and by topic. The second section summarizes the key indicators for each topic benchmarked against regional averages.

### ECONOMY OVERVIEW

REGION	Europe & Central Asia	DOING BUSINESS 2016 RANK	DOING BUSINESS 2015 RANK <sup>(1)</sup>	CHANGE IN RANK
INCOME CATEGORY	High income	51	54	↑ 3
POPULATION	143,819,569			
GNI PER CAPITA (US\$)	13,210	DOING BUSINESS 2016 DTF (% POINTS) <sup>(1)</sup>	DOING BUSINESS 2015 DTF (% POINTS) <sup>(1)</sup>	CHANGE IN DTF (% POINTS) <sup>(1)</sup>
CITY COVERED	Moscow, Saint Petersburg	70.99	69.26	↑ 1.73

**Rankings** Distance to Frontier Distance to Frontier - Moscow Distance to Frontier - Saint Petersburg

Topics	DB 2016 Rank	DB 2015 Rank	Change in Rank
Starting a Business ✓	41	34	+ .7
Dealing with Construction Permits	119	117	+ .2
Getting Electricity ✓	29	53	+ 24
Registering Property ✓	8	8	No change
Getting Credit ✓	42	61	+ 19
Protecting Minority Investors	66	64	+ .2
Paying Taxes ✓	47	50	+ 3
Trading Across Borders	170	169	+ .1
Enforcing Contracts	5	5	No change
Resolving Insolvency	51	44	+ .7

✓=Doing Business reform making it easier to do business. X=Change making it more difficult to do business.

## Ease of Doing Business in Netherlands

This page summarizes *Doing Business 2016* data for the Netherlands. The first section presents the Ease of Doing Business rank (out of 189 economies) and the distance to frontier (DTF)\*\* measure, overall and by topic. The second section summarizes the key indicators for each topic benchmarked against regional averages.

### ECONOMY OVERVIEW

REGION	OECD high income	DOING BUSINESS 2016 RANK	DOING BUSINESS 2015 RANK <sup>(1)</sup>	CHANGE IN RANK
INCOME CATEGORY	High income	28	25	↓ -3
POPULATION	16,854,183			
GNI PER CAPITA (US\$)	51,210	DOING BUSINESS 2016 DTF (% POINTS) <sup>(1)</sup>	DOING BUSINESS 2015 DTF (% POINTS) <sup>(1)</sup>	CHANGE IN DTF (% POINTS) <sup>(1)</sup>
CITY COVERED	Amsterdam	75.94	76.02	↓ -0.08

**Rankings** Distance to Frontier

Topics	DB 2016 Rank	DB 2015 Rank	Change in Rank
Starting a Business	28	20	+ .8
Dealing with Construction Permits	85	79	+ .6
Getting Electricity	43	41	+ .2
Registering Property	30	29	+ .1
Getting Credit	79	71	+ .8
Protecting Minority Investors	66	64	+ .2
Paying Taxes X	26	23	+ .3
Trading Across Borders	1	1	No change
Enforcing Contracts	91	91	No change
Resolving Insolvency	11	11	No change

✓=Doing Business reform making it easier to do business. X=Change making it more difficult to do business.

# Business support organizations



- Trade Representation
- Chamber of Commerce and Industry (CCI)
- Business associations
- Industrial organizations
- Consulting companies
- Conferences, forums, exhibitions, expos, shows etc.

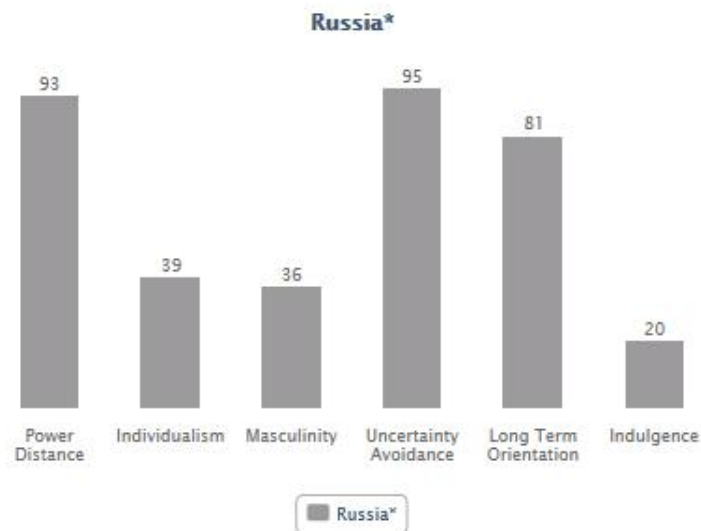
# Culture and Language

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What about Russia?



# Population Density and Climate Conditions



Population density, people/sq.km



Climate conditions

- |                       |                     |
|-----------------------|---------------------|
| I - very unfavourable | IV - favourable     |
| II - unfavourable     | V - most favourable |
| III - less favourable |                     |



# Russian Districts



<u>Federal District</u>	<u>North-Western</u>	<u>Central</u>	<u>Southern</u>	<u>Privolzhsky</u>	<u>Uralsky</u>	<u>Siberian</u>	<u>Far-Eastern</u>
Area, Mln Sq km	1.678	0.650	0.589	1.038	1.789	5.115	6.215
Area, %	9.8%	3.8%	3.4%	6.1%	10.5%	30%	36.4%
Population, Mln	13.9	37.7	22.9	30.9	12.3	19.9	6.64
Population, %	9.6%	37.7%	15.9%	21.5%	8.5%	13.8%	4.6%

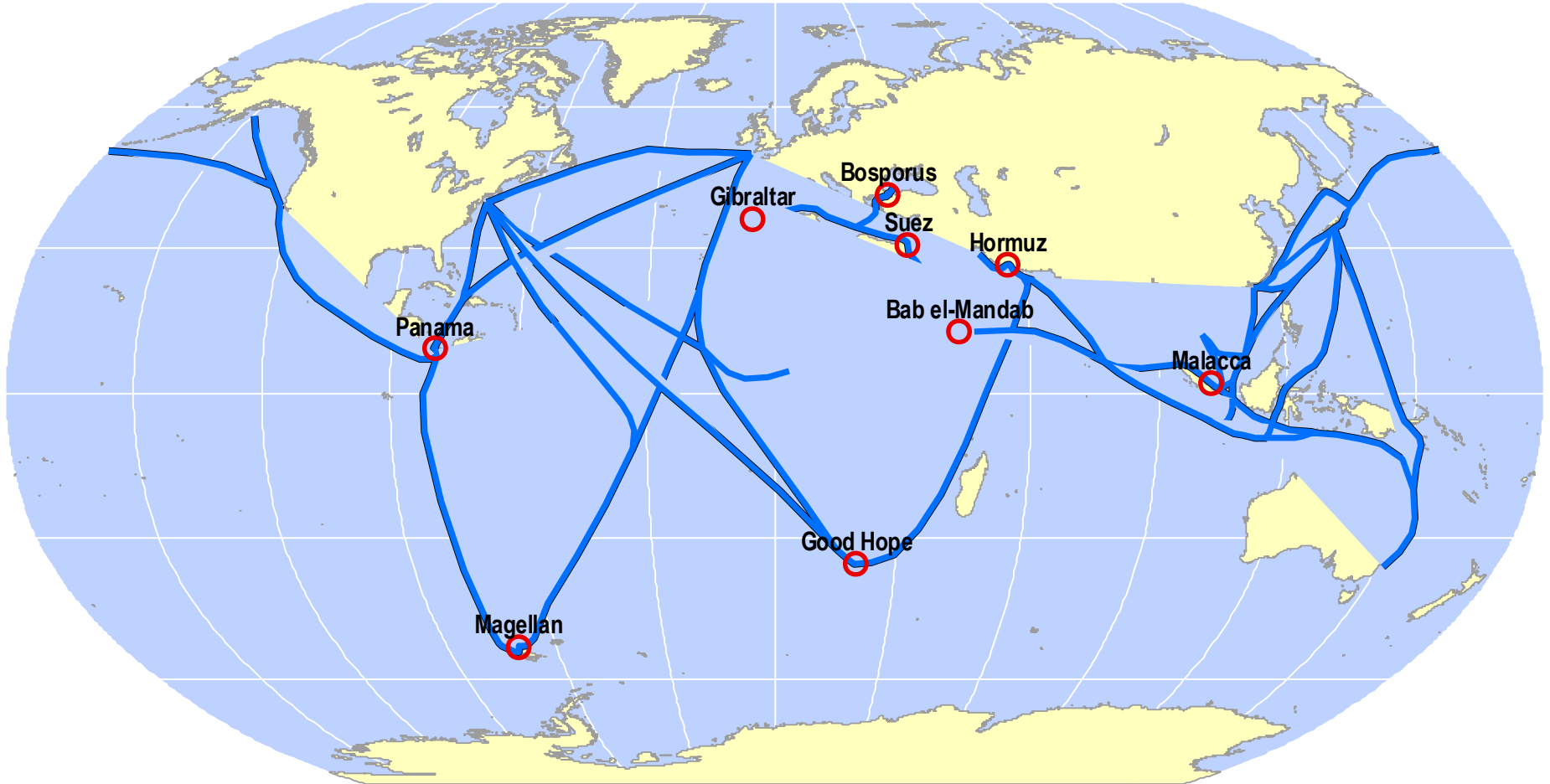
# The Russian Market

80% of population

20% of population



# Main Sea Routes and Strategic Points





# Largest Cities in Russia

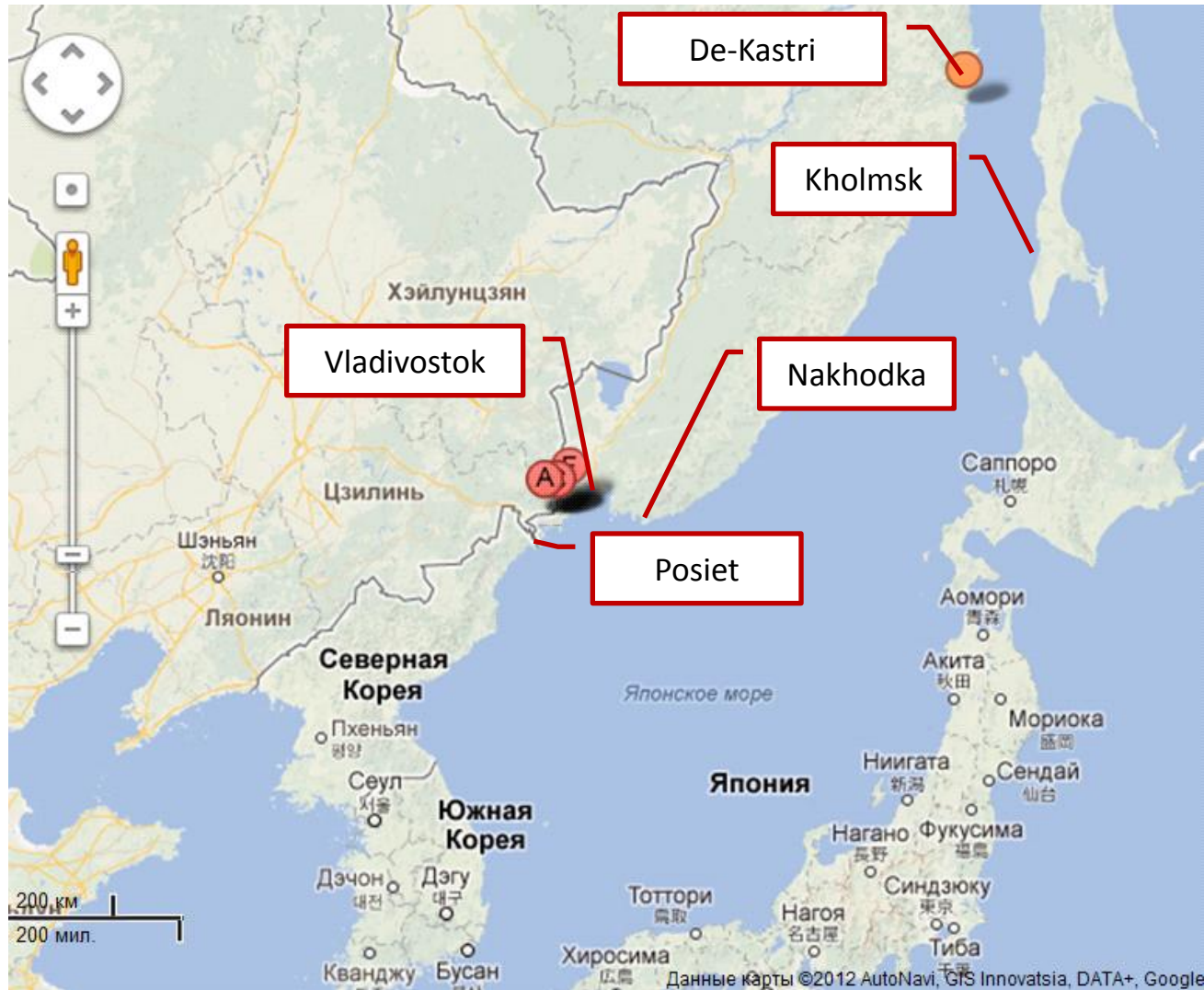


# Cargo Turnover Main Deep Sea Basins (2015)

North-West Basin – 40.5%

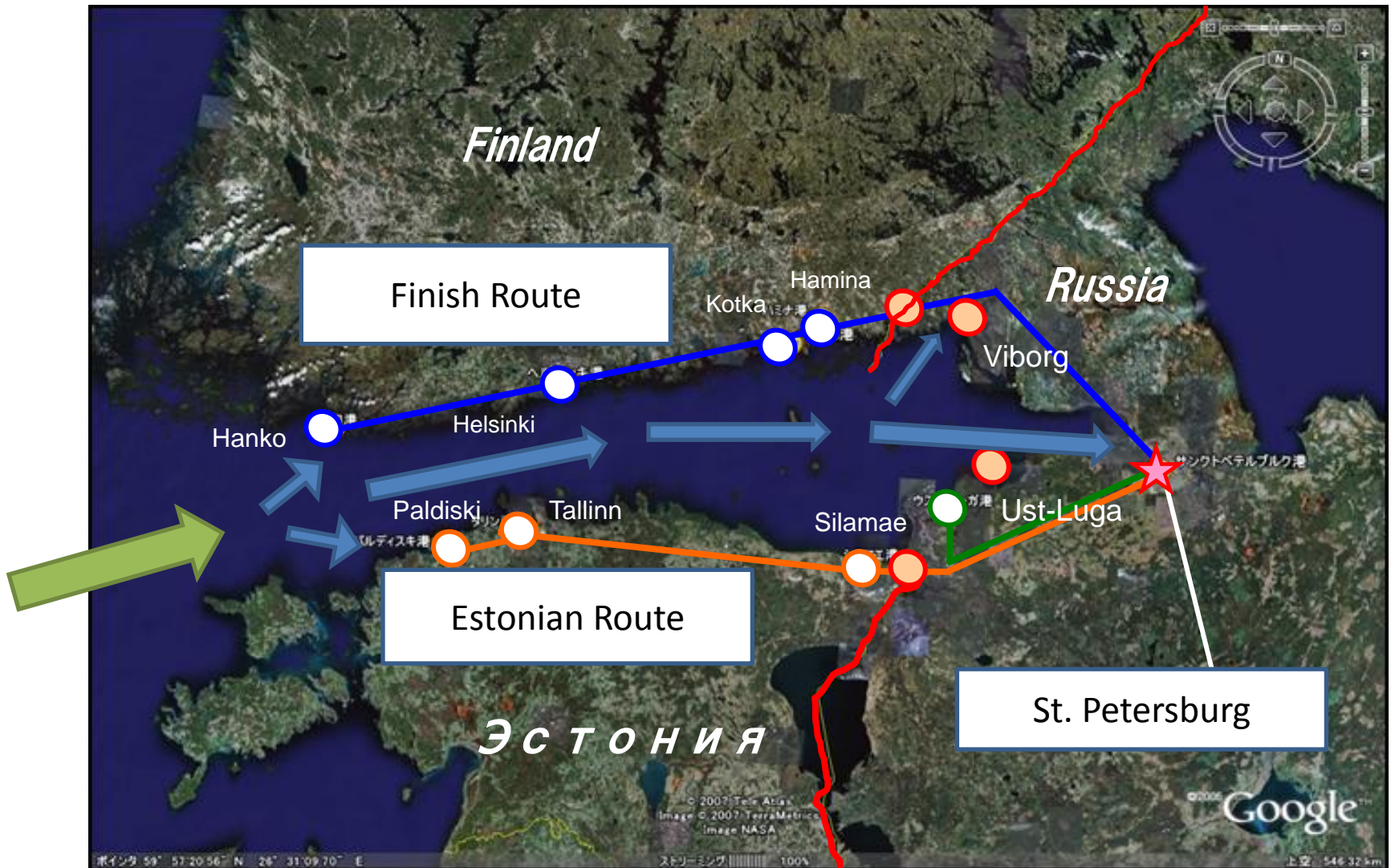


# Main Ports, Russian Far East





# Main Ports North West







## The Northern Sea Route





# Trans-siberian Railway



# Opportunities

- Rapidly growing market ?
- Fast growing consumption ?
- Vast natural resources
- Well educated workforce
- Political stability
- Over 142 million consumers
- Growing middle class
- Russia is the world's 8th largest economy by nominal gross domestic product (GDP) and the 6th largest by purchasing power parity (PPP) /IMF/
- 2014 GPP per capita GDP was \$13,210, the highest of the BRICS countries (Brazil, Russia, India, China, and South Africa) /WB/

# Market Opportunities

- Agricultural equipment
- Apparel
- Automotive parts and service equipment / accessories
- Aviation
- Chemicals / plastics
- Construction
- Consumer electronics
- Electric power generation & transmission Equipment
- Energy efficiency / green build
- Medical equipment
- Refinery equipment
- Safety and security equipment
- Food products and wines
- Travel and tourism to the Netherlands

# Challenges

- Huge geographical distances
- Under-developed infrastructure
- Unfavorable demographic situation
- Cultural differences in business practices
- Transparency and corruption
- Comparably low investment level
- Partners
- Transportation
- Customs clearance and policy
- Bureaucracy
- Language barrier
- Personnel

# Market Challenges

- An insufficiently integrated economy and disparities in wealth distribution, geographically and demographically
- Conducting business may be impeded by: burdensome regulatory regimes; inadequate IPR protection and enforcement; extensive corruption and inadequate rule of law; inconsistent application of laws and regulations; lack of transparency; and the continued presence of large state-owned or controlled enterprises in strategic sectors of the economy
- Recent reforms make it easier for companies to hire expatriate employees, but the Russian immigration and visa system requires time and patience for business travelers to obtain necessary permissions to do business in Russia

# Market Entry Strategy

- Developing business - resource intensive, requiring serious commitments of time, personnel and capital
- Conduct market research to identify opportunities and potential Russian business partners
- Conduct due diligence to ascertain the reliability of business partners
- Consult with Dutch companies already in the market, as well as with the Dutch Commercial Service and business organizations, such as the Chamber of Commerce and Russia Business Council
- Communicate regularly with Russian business partners to ensure common understanding of expectations
- Frequent travel to Russia is strongly recommended to establish and maintain relationships with partners and to understand changing market conditions
- Maintain a long-term timeframe to implement plans and achieve positive results

# What do you need to keep in mind?

- Level of stability of the Russian economy
- Level of uncertainty in Russia
- Customs and taxes
- Traditions of business culture
- Cross-cultural differences
- Corruption
- Logistics
- Language and Personnel

# Challenges

- Foreign employees regulation
- Currency exchange rates
- Sanctions
- Localisation



# Dealing with Russians: cultural and communicative competence

- Personal strategies for doing business in Russia: establishing trust and building relationships.
- Social side of business:  
networking,  
gatherings,  
hospitality.

# Cultural Differences in Russia

## Doing Business in Russia

1. Build personal relationships with partners
2. Social side of business- networking, gathering, hospitality
3. **Use local consultants.** Because the rules of business have changed so much in recent years, it pays to have a local Russian consultant working with the company.
4. **Be patient.** In order to get something done in Russia, it often takes months of waiting.
5. Russians like exclusive arrangements and often negotiate with just one firm at a time.
6. Russians like to do business face-to-face. So when they receive letters or faxes, they often put them on their desk but do not respond to them.
7. Speed is an issue.

# Working in Russia

- The Russians **attitude to time.**
- **Paperwork and attention to** signed documents.
- **Patience is essential.** Once your appointment is scheduled, do everything you can to avoid cancellation
- **Seasons- End of December- beginning of January, summer- Don't schedule your trip to Russia**
- **Allow plenty of time for each appointment .**

# Business Dress Code

- Old Russian proverb--“one meet you depending on how you're dressed and say good bye depending on how wise you seem to be”

# Conversation

- Visitors should try to **speak in a calm, moderate, tone of voice at all times**
- Your Russian colleagues will be delighted if you make the effort to speak even **a few sentences of Russian language**
- Russians are sometimes very careful about what we say, speaking **metaphorically, symbolically**

# Hierarchy in Russian companies

- The hierarchical structure in Russian business practices means that the decision makers higher up have authority over their subordinates.
- Showing respect for seniority and recognizing the hierarchical structure

# First Name or Title?

- Very intimate friends or relations - refer to one another by the first name
- Ensure that you learn the titles of everyone you plan to meet
- Russians have three names: **the first name is a given name, the last name is the father's family name, the middle name** is a version of the father's first name



# Gifts

- **Russians take pleasure in giving and receiving gifts.** Russians spend a lot of money on gifts
- **Gifts** are expected for social events
- Bringing a bouquet of flowers **for women**

## **Business practices in Russia**

- **Business cards are essential.** If possible, ensure that one side is printed in Russian and one side in English
- **Presentations should be straightforward** and comprehensible

# 7 Russian taboos you should know before doing business there- stereotypes

**BUSINESS INSIDER** Tech Finance Politics Strategy Life Sports Video All

remember these seven things the next time you visit Russia:

**1. Don't wear your coat indoors.**

It is considered bad etiquette to wear your overcoat inside. Even if the heat is broken, buck up and hang your coat immediately.

**2. Don't keep your hands in your pockets.**

It is bad form to walk around or stand with your hands in your pockets. If you're doing business in Russia, keep your hands visible to avoid looking sloppy.

**3. Do not sit with your legs apart.**

In addition, do not sit with your ankle resting on your knee, and never show the soles of your shoes or let them touch your seat, since shoes are considered dirty.

**4. Do not whistle in the street.**

Whistling in the street — and indoors — is frowned upon. Play it safe, and avoid whistling all together.

**5. Do not eat lunch on park lawns.**

No matter how beautiful the weather, forget picnicking.

**6. Do not ask people where the toilet is.**

It is poor form to ask people where the bathroom is, particularly those of the opposite sex.

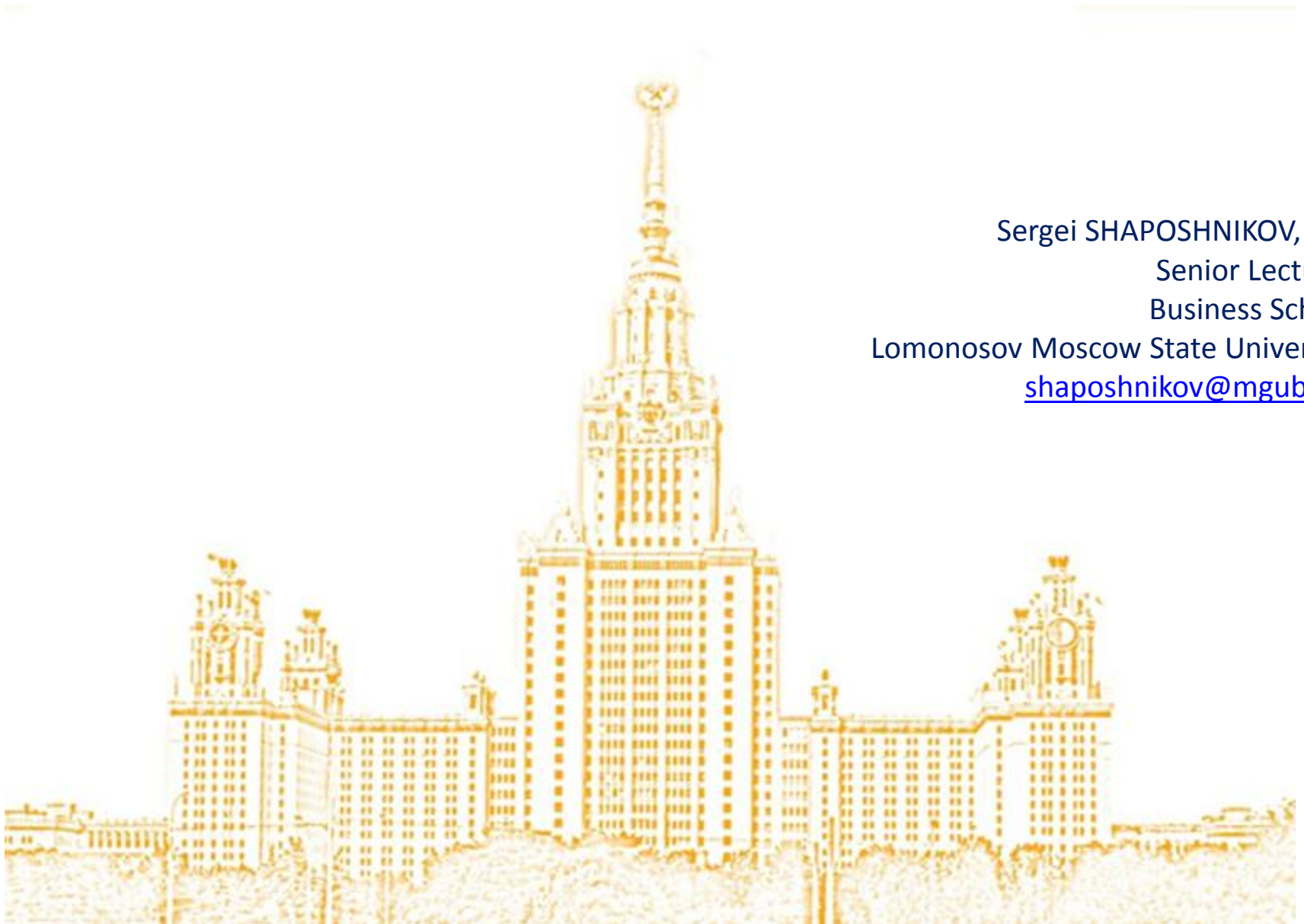
**7. Do not shake a hand through a doorway.**

An advertisement for Harvard Summer School. It features the Harvard logo in red and blue, with the text 'college prep' in a small box. Below the logo is a photo of two students, a young man and a young woman, sitting on a grassy lawn and studying. To the right of the photo, the text reads 'Explore our summer high school programs today.' and 'Apply now' with an orange button. At the bottom, it says 'HARVARD SUMMER SCHOOL'.

- [Video](#)

# Recommendations

- Remember...
  - Be sensitive
  - Dress code
  - Be prepared to offer authentic gifts
  - Have patience
  - Be confident in your demands
  - Do not ignore relationship after signing
  - And many, many other small details...



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