



Securing the deal in Russia

IN THE SECOND OF A TWO-PART SERIES, **SERGEY FRANK** GIVES SOME TIPS ON HOW TO NEGOTIATE EFFECTIVELY WITH RUSSIAN BUSINESS PARTNERS

Russian negotiating teams are often made up of experienced managers whose negotiation style reminds one of a game “chess” in which they plan their moves well in advance. In contrast to southern negotiators, a Russian negotiator may not show much flexibility regarding sudden changes or new ideas.

Career pressure on a Russian business partner to secure a successful outcome in a negotiation may mean that there is strong emphasis on business security and that the deal should be sustainable under currently applicable Russian rules and regulations. Although the political circumstances have changed dramatically in the last 10 years, some traditional patterns of thought and behaviour still remain. Unlike southern Europe, where considerable flexibility exists, despite many rules and regulations, a Russian partner may still focus on existing rules. Perhaps your business partner may not accept pragmatic solutions easily which are not covered by existing rules and regulations. So it will be essential

to convince him or her prior to winning his trust.

On technical issues, your business partner is likely to be very professional and informed and technological co-operation is often successful. For example, many institutes of the well-known Academy of Science are looking for new partners in the west in the technical-scientific field. Compared to many of the countries of eastern Europe, an even higher demand for training exists in areas such as marketing, sales and controlling. A potential deficit of expertise on commercial issues in those fields could possibly also influence the outcome of a negotiation.

Try to describe complex subjects in a transparent manner, although this may be difficult. In this context, simple helpful tools such as flip charts or blackboards are very helpful. Furthermore, you will be well advised to define in advance any key terms of the project within, for example, a technological collaboration such as “scope of technology”, “grant back”, “improvements”. Any key concepts should be summarised on

one or two pages and will effectively help to minimise any conceptual misunderstanding during the course of the negotiation. In addition, do not forget that in order to structure a negotiating process an agenda is always helpful. In a nutshell, all the helpful devices which make negotiations easier and more transparent are useful, taking also into account that unexpected issues frequently crop up during the negotiation.

Do not forget that negotiations in Russia are detailed and may take some time. Bazaar techniques are not as openly displayed as, for example, in southern Europe. Even so, you should have enough room for concessions in your offer. Negotiations are tough and can turn out to be very emotional: Russian negotiators still may bang their fist on the table and your business partner could possibly temporarily leave the room. One must accept all these tactics with patience and calmness! Always keep in mind that such tactics may be applied to induce you to grant concessions possibly because of your expected impatience and uncertainty in reaction to such robust methods.

The disposition to make compromises may be interpreted as a sign of weakness. Consequently negotiations may come to a standstill. In this case you are well advised to keep your stamina and your patience and just continue the negotiating process.

Although a team may consist of many members, the Russian team will usually hold just one opinion. The head of the negotiating team may dominate the negotiation and may be willing to make any concessions only if he can expect you to make concessions in return. Be aware that whilst making small concessions, your counterpart may expect you to grant bigger concessions from your side! Thus, it may be helpful to include some items in the first contract draft which can be traded as concessions during the negotiating process. Be prepared initially to be asked to disclose your point of view so that your negotiation counterpart can reply. Concessions which are easily achieved may make your counterpart distrustful and suspicious, since his approach may still derive from the culture within the former Soviet Union where everything was rather complex and difficult to achieve.

Some, but not necessarily all of the considerations above may also apply to the generation of the new business people in Russia who may have gained an MBA or similar qualification in the west and also to the new generation of dot.com people. They are primarily encountered in Moscow and in St. Petersburg, but rather rarely in the countryside or in other countries of the CIS. Nevertheless, those modern entrepreneurs and businessmen still remain Russians with a long standing tradition and mentality.

The following considerations should help to improve your relations with Russian business people:

- Even if you have strong arguments to underline your point-of-view, do not overemphasise them.
- Moreover you will be well advised to distinguish between the behaviour of your business partner during and outside the negotiations. Impatience, toughness and emotional release during the negotiations should be borne with calmness, patience and consistency, whereas outside the negotiating process you can show affection and personal sympathy. Western professionalism paired with personal interest and sympathy as well as individual consistency in one's argumentation during negotiations is the combination of characteristics which help throughout the negotiating process in Russia.

Who has authority?

It is advisable to clarify the scope of the authority of your counterpart in order to negotiate prior to or at the beginning of the negotiations. Are they permitted to make a deal or just gather information? Will they be replaced after the first negotiation round and someone else will finally sign the contract? Decisions frequently are reserved either to the CEO or the director still, because of the hierarchical structure of company organisations. This could possibly delay the whole negotiating process.

Furthermore, perhaps provisions once agreed will also be revived and discussed afresh by your counterpart. A kind of "contract constance" or obligation to abide by agreements does not always exist. So, all the negotiation results should be written down as minutes, regardless of whether the agreement has finally been discussed yet. A verbal consent usually cannot be taken too seriously.

The vagaries of Russian accounting and taxation must not be overlooked as they contain unwelcome surprises for the poorly briefed investor. In the years immediately following the collapse of the Soviet Union, the fiscal policy of the new Russian Federation was confused and opaque. Matters are improving—but slowly. Wilful tax evasion by Russian businesses exists, but companies with western participation can be seen by the tax authorities as easy targets for investigation and the imposition of penalties. There are aspects of tax regulations that may strike western businessmen as perverse, such as limitations on business deductions that would be allowed elsewhere. Sound professional advice can be expensive to obtain in Russia, but it is a false economy to attempt business without it.

The character of the business, primarily its intensity, the climate and the Russian mentality demand a high requirement of management resources as well as time. With a rather relaxed attitude you will have little chance of success in Russia.

Sergey Frank is partner of Kienbaum Executive Consultants and Managing Director of Kienbaum Ltd, the London office of Kienbaum Consultants International (www.kienbaum.co.uk). He works as a principal consultant in executive search, remuneration consultancy and coaching on international projects throughout Europe and the US and is an acknowledged speaker on international communication issues.