Business Negotiations Between Americans and Russians

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Business Negotiations Between Americans and Russians

Abstract
In the past decade, Russia has emerged as an important player in the global economy. In the Goldman Sachs “Dreaming with the BRICs” Report, Jim O’Neil contends that “over the next 50 years, Brazil, Russia, India and China – the BRICs economies – could become a much larger force in the world economy.” By 2050, Russia’s “GDP per capita is by far the highest in the group, and comparable to the G6. Russia’s economy overtakes Italy in 2018; France in 2024; UK in 2027 and Germany in 2028.” In line with this, foreign direct investment into Russia has skyrocketed (Exhibit 1). As more and more foreign companies are starting to look at Russia, it is becoming important to understand how to negotiate with its inhabitants.

In this paper, we determine if business negotiations between Russians and Americans are different from business negotiations between Americans and Americans by employing both qualitative and quantitative methods. While there is a risk of stereotyping, we hope to shed some light on the intricacies of negotiations in order to help prepare Western business professionals interested in this fast-growing market.

Keywords
negotiations, Americans, Russians, business

Disciplines
Business | Business and Corporate Communications | International Business

Comments
Suggested Citation:

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Introduction

In the past decade, Russia has emerged as an important player in the global economy. In the Goldman Sachs “Dreaming with the BRICs” Report, Jim O’Neil contends that “over the next 50 years, Brazil, Russia, India and China – the BRICs economies – could become a much larger force in the world economy.” By 2050, Russia’s “GDP per capita is by far the highest in the group, and comparable to the G6. Russia’s economy overtakes Italy in 2018; France in 2024; UK in 2027 and Germany in 2028.” In line with this, foreign direct investment into Russia has skyrocketed (Exhibit 1). As more and more foreign companies are starting to look at Russia, it is becoming important to understand how to negotiate with its inhabitants.

In this paper, we determine if business negotiations between Russians and Americans are different from business negotiations between Americans and Americans by employing both qualitative and quantitative methods. While there is a risk of stereotyping, we hope to shed some light on the intricacies of negotiations in order to help prepare Western business professionals interested in this fast-growing market.

Literature Review

What impact does culture, defined as the “shared beliefs and values of a group,” have on business negotiations between Americans and Russians? Before addressing this question, it is first necessary to address what we mean by “negotiations”. We define a business negotiation as a dialogue to produce an agreement upon a course of action. Examples may include a contract or a purchase. Specifically, a business negotiation is for the interests of the company, department or group, not for personal advancement. While no study currently addresses business negotiations between Americans and Russians, the existing qualitative literature can be divided into three areas: negotiations theory, intercultural communications theory, and, specifically, negotiations with Russians.

According to Richard Shell, there are four models explaining personal bargaining styles: gender and culture, cooperative versus competitive negotiating styles, interpersonal orientation (IO), and the Dual Concerns Model. According to the gender and culture theory, different groups have “different sensitivities regarding the status of people at the bargaining table.” The two important points Shell makes on the impact of culture on negotiations are: culture has more to do with form rather than substance, and the way parties perceive the relationship adds more possibilities for miscommunication.

According to Shell, “culture presents a veritable minefield of stylistic differences in negotiation.” In line with this, intercultural theorists have developed approaches to classify people into groups with similar views and beliefs. For instance, Geert Hofstede’s framework for assessing culture offers four dimensions: small versus large power distance, individualism versus...
collectivism, masculinity versus femininity, and weak versus strong uncertainty avoidance. Fons Trompenaars and Charles Hampden-Turner present a framework with seven dimensions: universalism versus particularism, individualism versus collectivism, neutral versus emotional, specific versus diffuse, achievement versus ascription, sequential versus synchronous, and internal versus external control. Edward Hall proposes a single classification: high-context cultures versus low-context cultures. High-context cultures refer to groups that have a long shared history, so indirect communications are understood based on a deeper level understanding. On the other hand, low-context cultures refer to groups in which people have little connection to each other, and, as a result, behaviors and communications need to be more direct and explicit.

Taking into account both the literature on negotiation theory and intercultural communications, little has been done to better understand negotiations between Russians and Americans. For instance, Frank Acuff published “How to negotiate anything with anyone anywhere around the world” and Terri Morrison published “Kiss, Bow, Or Shake Hands: How to do business in sixty countries.” However, while these books each give the reader suggestions about Russia and its general negotiating practices, nothing robust has been done to-date.

**Research Question**

The specific aim of this project was to determine if business negotiations between Russians and Americans are different from business negotiations between Americans and Americans. We defined the people of the former Soviet Union as pertaining to the “Russian culture”. In order to answer our research question, we formulated the following hypotheses:

**Hypothesis 1:** Business negotiations between Americans and Russians are different from business negotiations between Americans and Americans.

**Hypothesis 2:** Negotiations with Russians are more emotionally-driven.

**Hypothesis 3:** Negotiations with Russians rely more on interpersonal relationships and indirect communications.

**Methods**

Our methodology consisted of two separate studies: (1) a descriptive study to gauge the negotiating style of Russians, and (2) a comparative study to compare similar negotiations between Russians and Americans with negotiations between Americans and Americans.

(1) Descriptive Study
In our descriptive study, we used both quantitative and qualitative measures in order to understand what negotiating style would best characterize Russians. This study was based on a paper by Jeswald Salacuse, “Ten Ways That Culture Affects Negotiating Style: Some Survey Results.” In this paper, Salacuse identified ten factors through which culture can affect negotiations based on survey results from 310 persons from 12 countries:

1. Goals: which is more important to you in business negotiations, completing the deal or preserving the relationship?
2. Attitudes: do you think that both parties can gain in a negotiation, or is it a win-lose scenario?
3. Personal Styles: do you abide by certain accepted “formalities” in business-related negotiations?
4. Communications: are your responses clear and direct, or do you rely solely on facial expressions, figures of speech, or body language to make your point?
5. Time Sensitivity: how important is punctuality and time spent on negotiations?
6. Emotionalism: do you wear your emotions “on your sleeve”?
7. Agreement Form: do you prefer to make detailed contracts or general agreements?
8. Agreement Building: do you start with specifics, building to the final agreement (bottom up)? Or, do you start with the decision, and then address the details (top down)?
9. Team Organization: when negotiating in a team, do you have a dominant leader, or do you take time to build consensus among all?
10. Risk-Taking: do you have a high sensitivity to taking risks and trying new things during business negotiations?

The goal of our descriptive study was to identify which of these ten factors seemed to influence how Russians negotiate. First, we implemented an online survey using Qualtrics, replicating the same methodology as was used in the 1998 paper. We administered the survey to business professionals and students via the Wharton Russia Alumni Network, the Wharton Russia Student Society, and the University of Pennsylvania Slavic Department. After receiving an email with an explanation of the questionnaire, the respondents rated their own attitudes anonymously toward each of the ten negotiating traits on a five-point scale (Exhibit 2). The questionnaire also asked the respondents to indicate which culture they identified with most, the highest level of education attained, work experience in Russia, Russian language knowledge, and gender. There were 77 responses, which represented a 42% response rate. We excluded 33 responses as we only analyzed people who possessed native knowledge of Russian, identified most with the culture of Russia/the Former Soviet Union, and completed college as of May 2010. We calculated the percentages by finding the midpoint and calculating how many observations were to the left and right of it.
Second, since the survey answers reflect only how the respondents view themselves, we corroborated our results with in-depth interviews. We conducted 10 interviews with business professionals with experience working in Russia or the Former Soviet Union. Before the interviews, subjects were asked to reflect: “if you have some time, please reflect on one or two specific negotiations that you encountered in Russia in a business/commercial setting and still have a good memory of.” Each interviewee was asked background questions and questions pertaining to specific negotiations (Exhibit 3). The interviews were recorded, transcribed, and analyzed based on the ten factors identified above. We counted each time a specific factor was mentioned; a factor could have been mentioned and counted more than once during the same interview.

(2) Comparative Study

In our comparative study, our goal was to analyze how the same type of negotiation unfolded in Russia and in the US. We, therefore, conducted interviewees with American business professionals who had experience both in the US and in Russia. In order to make sure we had comparable negotiations, subjects were asked to submit two negotiations prior to the interview: “please reflect on and submit 2 specific business negotiations that you have a good memory of: one negotiation should be with a Russian counterpart in Russia, the other should be with an American counterpart in the US. Please note that these negotiations should be of a similar nature: they should deal with the same goal, issue or question. This negotiation should be on behalf of the company you are working for.” We conducted 4 interviews. Each interviewee was asked background questions and questions pertaining to specific negotiations (Exhibit 4). The interviews were recorded, transcribed, and analyzed in an attempt to determine whether or not negotiations between Russians and Americans were different from negotiations between Americans and Americans. Sample transcripts from the interviews can be found in Exhibits 6a, 6b, and 6c.

Results

(1) Descriptive Study

The results from our descriptive study are shown in Exhibits 2a and 3a. We organized the results from our Qualtrics survey based on the relative difference between the responses given by Russians and Americans for each of the ten factors. Risk-taking, communications, and agreement building showed the greatest dispersion between Russians and Americans. On the other hand, agreement form, emotionalism, team organization and attitudes showed the least dispersion. Time sensitivity, personal styles, and negotiating goal were in the middle. In order to corroborate these results, we also ranked the ten factors based on the in-depth interviews, from most mentioned to least mentioned: emotionalism, negotiation goal, time sensitivity, agreement
Building, agreement form, communications, personal styles, attitude, risk-taking, and team organization.

Based on these results, it is interesting to note that negotiation goal, time sensitivity, agreement building, agreement form, communications and personal styles show up towards the top of the list for both studies. These results support that there are some differences between the negotiating styles of Russians and Americans. For instance, Russians may rely more on interpersonal relationships and indirect communications. We expected emotionalism to show up as having a large dispersion for Americans and Russians; however, it was one of the least important factors according to the Qualtrics survey. This could be due to the phrasing of the question, or the time period when each study was done since we performed our questionnaire in 2010, more than ten years following the original study. However, in the in-depth interviews, emotionalism shows up at the very top with 28 mentions, which supports our initial hypothesis that Russians are emotionally-driven in negotiations.

(2) Comparative Study

The results from our comparative study are shown in Exhibits 5a, 5b, and 5c. Based on the interviews, we conclude that Russia has a low-trust environment, as is manifested in a high-context culture. This could be due to a weak regulatory environment, historical constraints, and rising disposable income levels. Therefore, the key in negotiations in Russia is to build trust. After this is done, a competitive advantage is gained since it will take a long time to build a level of trust with another partner. On the other hand, the presence of trust in the US is manifested in a low-context culture, as there is a strong regulatory framework and a history of law enforcement. Therefore, building trust is easier, and it is not viewed as a competitive advantage; instead, counterparties often rely more on the signed contracts than on mutual trust.

In Russia, the establishment of trust is exhibited through five behaviors: (1) putting the relationship first, (2) having a low sensitivity to time so that trust can be patiently established, (3) forming relationships “outside the boardroom”, (4) focusing on top-down decision making while disregarding the details, and (5) employing high emotions. The five behaviors consistently appeared in the in-depth interviews, and thus, we concluded form the backbone of understanding how to communicate and negotiate with the Russians.

Below, we look at several case studies selected from the in-depth interviews to further illustrate the points above. The formation of relationships is the single most important step when negotiating with Russians. While this can often by bypassed in the US where there are enforceable contracts, this is crucial in Russia. Westerners, as the outsiders, often find it difficult to gain trust. Establishing a relationship can best be done in informal settings, since negotiations within the boardroom tend to carry a formal tone. As an example, one the interviewees represented a food-processing company in negotiations to buy a confectionary factory in a remote region of Russia: “the negotiations were not making much progress until an informal meeting in a local restaurant took place – we sat down and had dinner. The comfort of the out-of-
office setting benefitted the future communications. It was hard to get the negotiations going, to get a decision on something, to sign documents, to see the facilities, until this personal contact was made. I think it is very common for negotiations with Russians – they want to know their business partners in informal settings.”

It is important to understand that throughout the negotiation process, Russians have a low sensitivity to time. Business meetings often start with a discussion that has little to do with the matter at hand, and, once relevant discussions begin, Russians show a great deal of stamina. An interviewee described his negotiation with a Ukrainian counterparty looking to build a house, “he basically got us to do the manufacturing stage documentation for free. It was a very long soliloquy on his part about how bad the markets were, and how we had to partner to get something done, he was willing to spend hours just talking, ranting, discussing. It’s just a tiring process that I wanted to get out of as quickly as possible, but he was willing to spend hours.”

The process of negotiations is also different. While in the US discussions start with the details and finish with a final agreement, it is the opposite in Russia. The most important thing is to establish trust with time and to come to a general agreement, an understanding, of the contract. After this is done, there is little discussion of the details. As an example, an interviewee explained the process for a private equity transaction: “once you have reached the agreement on the intentions, the term sheet, with a Western partner, you get into very important questions over details which were never covered in the initial oral agreement and these can become very tough, can lead to deal breaker. With Russian counterparties, it is the opposite – it takes a really long time to make sure you have the exact same intentions, and then they don’t haggle over details when they can be very meaningful.”

Finally, building trust involves a great deal of emotions. In Russia, “things are looked at an emotional level rather than what are the facts, the consequences and so on. You get into issues, we did this – you owe us this. It is not on a financially-calculated, rather an emotional level which of course for us is very difficult because we are a purely financially-oriented investor (...) Russians entrepreneurs tend to be more driven by emotional factors, which are not necessarily in their economic interest even.” It is important to remember that as time is spent on building a relationship, as the agreement is being made on the nature of the deal, appealing to the facts may be fruitless as emotional appeals are much more important.

Discussion

We believe that this research can shed some light on how to negotiate with Russians and can be used in preparations for intercultural negotiations between Russians and Americans. However, there are several areas of further research. First, the quantitative descriptive study based on the Qualtrics survey could be made more representative by administering this questionnaire in the same time period. Secondly, in order to make the findings more robust for the descriptive study, we need to perform at least 15 qualitative in-depth interviews. However, there are constraints in finding business professionals who have experience negotiating on behalf
of their firm with both US and Russian counterparties. Finally, the most interesting area of research lies in learning more about the impact of trust in business negotiations across countries along different stages of development.
Appendix

Exhibit 1. Foreign Direct Investment Flows

FDI Flows: Russian Federation

Source: http://stats.unctad.org/FDI

FDI inflows and outflows comprise capital provided (either directly or through other related enterprises) by a foreign direct investor to a FDI enterprise, or capital received by a foreign direct investor from a FDI enterprise. FDI includes the three following components: equity capital, reinvested earnings and intra-company loans.

Data on FDI flows are presented on net bases (capital transactions' credits less debits between direct investors and their foreign affiliates). Net decreases in assets or net increases in liabilities are recorded as credits (with a positive sign), while net increases in assets or net decreases in liabilities are recorded as debits (with a negative sign). Hence, FDI flows with a negative sign indicate that at least one of the three components of FDI is negative and not offset by positive amounts of the remaining components. These are called reverse investment or disinvestment.
Hi,

I am conducting a research project on negotiations between Americans and Russians, and I would really appreciate your help. Please take a minute to fill out this survey: http://wharton.qualtrics.com/SE?SID=SV_6zoT3ImCU05Ih6c&SVID=Prod. There are only 11 questions!

Listed in the survey are 10 characteristics of a person’s negotiating style and approach. Each trait demonstrates a wide range of variations, which can be organized along a continuum. With respect to each trait, please select where you believe your own negotiating style and approach in "business" negotiation would fall along each continuum.*

Thank you so much,

Tanya

### Default Question Block

**Goal:** Which is more important to you in business negotiations, completing the deal or preserving the relationship?

<table>
<thead>
<tr>
<th>Finalized Deal</th>
<th>Relationship</th>
</tr>
</thead>
</table>

**Attitudes:** Do you think that both parties can gain in a negotiation, or is it a win-lose scenario?

<table>
<thead>
<tr>
<th>Win-Lose</th>
<th>Win-Win</th>
</tr>
</thead>
</table>

**Personal Styles:** Do you abide by certain accepted “formalities” in business-related negotiations?

<table>
<thead>
<tr>
<th>Informal Style</th>
<th>Formal Style</th>
</tr>
</thead>
</table>

**Communications:** Are your responses clear and direct, or do you rely solely on facial expressions, figures of speech, or body language to make your point?

<table>
<thead>
<tr>
<th>Direct Communication</th>
<th>Indirect Communication</th>
</tr>
</thead>
</table>

**Time Sensitivity:** How important is punctuality and time spent on negotiations?

<table>
<thead>
<tr>
<th>High Sensitivity to Time</th>
<th>Low Sensitivity to Time</th>
</tr>
</thead>
</table>

**Emotionalism:** Do you wear your emotions “on your sleeve”?

<table>
<thead>
<tr>
<th>High Emotionalism</th>
<th>Low Emotionalism</th>
</tr>
</thead>
</table>

**Agreement Form:** Do you prefer to make detailed contracts or general agreements?

<table>
<thead>
<tr>
<th>Specific</th>
<th>General</th>
</tr>
</thead>
</table>

**Agreement Building:** Do you start with specifics, building to the final agreement (bottom up)? Or, do you start with the decision, and then address the details (top down)?

<table>
<thead>
<tr>
<th>Bottom Up</th>
<th>Top Down</th>
</tr>
</thead>
</table>

**Team Organization:** When negotiating in a team, do you have a dominant leader, or do you take time to build consensus among all?

<table>
<thead>
<tr>
<th>One Leader</th>
<th>Consensus</th>
</tr>
</thead>
</table>

**Risk-Taking:** Do you have a high sensitivity to taking risks and trying new things during business negotiations?

<table>
<thead>
<tr>
<th>Risk-Averse</th>
<th>Risk-Loving</th>
</tr>
</thead>
</table>
Which culture do you identify with most?
- American
- Russian/Former Soviet Union Republics
- Other

Highest Level of Education Attained (as of May 2010):
- High School
- College
- Graduate School/MBA/Law School
- PhD

Work Experience in Russia:
- < 1 year
- 1 - 5 years
- > 5 years

Russian Language Knowledge:
- None
- Beginner
- Proficient
- Advanced
- Native

Gender:
- Male
- Female
# Exhibit 2a: Descriptive Study, Qualtrics Survey Results

## Table 10
Risk-Taking: do you have a high sensitivity to taking risks and trying new things during business negotiations?

<table>
<thead>
<tr>
<th>High (%)</th>
<th>France</th>
<th>India</th>
<th>U.K.</th>
<th>China</th>
<th>USA</th>
<th>Nigeria</th>
<th>Argentina</th>
<th>Germany</th>
<th>Brazil</th>
<th>Mexico</th>
<th>Spain</th>
<th>Russia</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>90</td>
<td>89</td>
<td>88</td>
<td>82</td>
<td>78</td>
<td>73</td>
<td>73</td>
<td>72</td>
<td>56</td>
<td>50</td>
<td>47</td>
<td>42</td>
<td>18</td>
<td></td>
</tr>
</tbody>
</table>

## Table 4
Communications: are your responses clear and direct, or do you rely solely on facial expressions, figures of speech, or body language to make your point?

<table>
<thead>
<tr>
<th>Indirect (%)</th>
<th>Russia</th>
<th>Japan</th>
<th>France</th>
<th>China</th>
<th>U.K.</th>
<th>Brazil</th>
<th>India</th>
<th>Germany</th>
<th>USA</th>
<th>Argentina</th>
<th>Spain</th>
<th>Mexico</th>
<th>Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>27</td>
<td>20</td>
<td>18</td>
<td>12</td>
<td>11</td>
<td>9</td>
<td>5</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

## Table 8
Agreement Building: do you start with specifics, building to the final agreement (bottom up)?

<table>
<thead>
<tr>
<th>Top-Down (%)</th>
<th>Russia</th>
<th>India</th>
<th>Argentina</th>
<th>France</th>
<th>U.K.</th>
<th>China</th>
<th>Germany</th>
<th>USA</th>
<th>Nigeria</th>
<th>Spain</th>
<th>Japan</th>
<th>Brazil</th>
<th>Mexico</th>
<th>Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>77</td>
<td>74</td>
<td>70</td>
<td>67</td>
<td>54</td>
<td>54</td>
<td>47</td>
<td>47</td>
<td>46</td>
<td>45</td>
<td>42</td>
<td>33</td>
<td>33</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Table 5
Time Sensitivity: how important is punctuality and time spent on negotiations?

<table>
<thead>
<tr>
<th>Low (%)</th>
<th>India</th>
<th>Russia</th>
<th>France</th>
<th>Germany</th>
<th>Mexico</th>
<th>Spain</th>
<th>Argentina</th>
<th>USA</th>
<th>Japan</th>
<th>China</th>
<th>Nigeria</th>
<th>U.K.</th>
<th>Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td>44</td>
<td>42</td>
<td>40</td>
<td>36</td>
<td>33</td>
<td>21</td>
<td>15</td>
<td>15</td>
<td>9</td>
<td>9</td>
<td>7</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

## Table 3
Personal Styles: do you abide by certain accepted “formalities” in business-related negotiations?

<table>
<thead>
<tr>
<th>Formal (%)</th>
<th>Nigeria</th>
<th>Spain</th>
<th>China</th>
<th>Russia</th>
<th>Mexico</th>
<th>U.K.</th>
<th>Argentina</th>
<th>Germany</th>
<th>Japan</th>
<th>India</th>
<th>Brazil</th>
<th>France</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>53</td>
<td>47</td>
<td>46</td>
<td>43</td>
<td>42</td>
<td>35</td>
<td>34</td>
<td>27</td>
<td>27</td>
<td>22</td>
<td>22</td>
<td>20</td>
<td>17</td>
<td></td>
</tr>
</tbody>
</table>

## Table 1
Negotiating Goal: which is more important to you in business negotiations, completing the deal or preserving the relationship?

<table>
<thead>
<tr>
<th>Deal (%)</th>
<th>Spain</th>
<th>France</th>
<th>Brazil</th>
<th>Japan</th>
<th>USA</th>
<th>Germany</th>
<th>U.K.</th>
<th>Nigeria</th>
<th>Argentina</th>
<th>China</th>
<th>Mexico</th>
<th>Russia</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>74</td>
<td>70</td>
<td>67</td>
<td>55</td>
<td>54</td>
<td>54</td>
<td>47</td>
<td>47</td>
<td>46</td>
<td>45</td>
<td>42</td>
<td>40</td>
<td>33</td>
<td></td>
</tr>
</tbody>
</table>
### Table 7
Agreement Form: do you prefer to make detailed contracts or general agreements?

<table>
<thead>
<tr>
<th>General</th>
<th>Japan</th>
<th>Germany</th>
<th>India</th>
<th>France</th>
<th>Russia</th>
<th>China</th>
<th>Argentina</th>
<th>Brazil</th>
<th>USA</th>
<th>Nigeria</th>
<th>Mexico</th>
<th>Spain</th>
<th>U.K.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>46</td>
<td>45</td>
<td>44</td>
<td>30</td>
<td>28</td>
<td>27</td>
<td>27</td>
<td>22</td>
<td>22</td>
<td>20</td>
<td>17</td>
<td>16</td>
<td>11</td>
</tr>
</tbody>
</table>

### Table 6
Emotionalism: do you wear your emotions “on your sleeve”?

<table>
<thead>
<tr>
<th>High</th>
<th>Brazil</th>
<th>Argentina</th>
<th>Mexico</th>
<th>Russia</th>
<th>Spain</th>
<th>China</th>
<th>USA</th>
<th>Nigeria</th>
<th>France</th>
<th>India</th>
<th>Japan</th>
<th>U.K.</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>89</td>
<td>85</td>
<td>83</td>
<td>80</td>
<td>79</td>
<td>73</td>
<td>74</td>
<td>60</td>
<td>60</td>
<td>56</td>
<td>55</td>
<td>47</td>
<td>36</td>
</tr>
</tbody>
</table>

### Table 9
Team Organization: when negotiating in a team, do you have a dominant leader, or do you take time to build consensus among all?

<table>
<thead>
<tr>
<th>One Leader</th>
<th>Brazil</th>
<th>China</th>
<th>Mexico</th>
<th>U.K.</th>
<th>USA</th>
<th>Russia</th>
<th>Spain</th>
<th>Argentina</th>
<th>Germany</th>
<th>Japan</th>
<th>India</th>
<th>Nigeria</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>100</td>
<td>91</td>
<td>91</td>
<td>65</td>
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<td>55</td>
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</table>

### Table 2
Attitudes: do you think that both parties can gain in a negotiation, or is it a win-lose scenario?

<table>
<thead>
<tr>
<th>Win-Win</th>
<th>Japan</th>
<th>China</th>
<th>Argentina</th>
<th>France</th>
<th>India</th>
<th>USA</th>
<th>Russia</th>
<th>U.K.</th>
<th>Mexico</th>
<th>Germany</th>
<th>Nigeria</th>
<th>Brazil</th>
<th>Spain</th>
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<tr>
<td>(%)</td>
<td>100</td>
<td>82</td>
<td>81</td>
<td>80</td>
<td>78</td>
<td>71</td>
<td>69</td>
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<td>50</td>
<td>55</td>
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<td>44</td>
<td>37</td>
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</table>
Exhibit 3: Descriptive Study, In-depth Interview Script

**BACKGROUND**

Occupation:  
Company:  
Type of Company/Industry:  
Position:  
Years with the Company:  
Ethnicity/Nationality:  
Gender:  
Lived in Russia (years):  
Education (years):  
Work Experience in Russia (years, positions held):  
Russian Language Knowledge (beginner, proficient, advanced, native):

**Tell me about a specific negotiation that took place when you were in Russia…**

Was anything peculiar or new to you?  
Was there anything that the counterparty did that was stressful?

Exhibit 3a: Descriptive Study, In-depth Interview Results

<table>
<thead>
<tr>
<th>Category</th>
<th>Bar Height</th>
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<tbody>
<tr>
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<tr>
<td>Negotiation Goal</td>
<td>Medium</td>
</tr>
<tr>
<td>Time Sensitivity</td>
<td>Medium</td>
</tr>
<tr>
<td>Agreement Building</td>
<td>High</td>
</tr>
<tr>
<td>Agreement Form</td>
<td>Medium</td>
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<tr>
<td>Communications</td>
<td>Medium</td>
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<tr>
<td>Personal Styles</td>
<td>Low</td>
</tr>
<tr>
<td>Attitude</td>
<td>Low</td>
</tr>
<tr>
<td>Risk-taking</td>
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<td>Team Organization</td>
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Exhibit 4: Comparative Study, Interview Script

<table>
<thead>
<tr>
<th>BACKGROUND</th>
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<tbody>
<tr>
<td>Occupation:</td>
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<td>Type of Company/Industry:</td>
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<td>Lived in Russia (years):</td>
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</tr>
<tr>
<td>Russian Language Knowledge (beginner, proficient, advanced, native):</td>
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</tbody>
</table>

Let's start with a particularly poignant negotiation that you recall handling in the US. Can you describe the nature of this negotiation – what was it about? Can you describe what happened, walk me step-by-step through this negotiation? Can you describe some of the characteristics? Think about negotiation in general in the US, and what are some typical characteristics?

- How did the negotiation start?
- What were your goals (for instance, financial terms)?
- What were your counterparty’s goals?
- What difficulties did you face? What did the other party do to distract you?
- How would you characterize your success? Did you get what you wanted?
- How important was this negotiation to you?

Now, can you identify a particular negotiation that you handled in Russia where your counterparty was Russian (specifically not trained in the West)? Can you describe the nature of this negotiation – what was it about? Can you describe what happened, walk me step-by-step through this negotiation? Can you describe some of the characteristics? Think about negotiation in general in the Russia, and what are some typical characteristics?

- How did the negotiation start?
- What were your goals (for instance, financial terms)?
- What were your counterparty’s goals?
- What difficulties did you face? What did the other party do to distract you?
- How would you characterize your success? Did you get what you wanted?
- How important was this negotiation to you?
Exhibit 5a: Negotiations in Russia

- Regulatory environment
- Historical constraints
- Demographic trends

1. Lack of trust manifested in high-context culture

2. Build trust

3. Gain competitive advantage

Exhibit 5b: Negotiations in US

- Regulatory environment
- History

1. Presence of trust manifested in low-context culture

2. Build trust
   - High sensitivity to time
   - Informal meetings, less focus on relationship
   - Bottom-up decision making, details matter
   - Low emotions, facts first

3. Trust is easier to establish
   - Only gain competitive advantage in certain situations
Exhibit 5c: How to Build Trust in Russia

- Trust
  - Relationship always first
  - Low sensitivity to time: patiently develop trust
  - Form relationships “outside the boardroom”
  - High emotions at play
  - Top-down decision making, details don’t matter
Exhibit 6a. Comparative Study, Interview Script

Interviewer: Thank you for participating in this interview. This is giving me a great opportunity to see what the field of research really entails, and as I mentioned, my project is focused around negotiations in the US and the former Soviet Union.

The first list of questions is basic background questions.

<table>
<thead>
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<td><strong>Company</strong>: Private Equity Fund</td>
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Interviewer: Let me start by defining a negotiation as a dialogue to produce an agreement upon a course of action. Examples may include a contract or a purchase. Specifically, this negotiation should be on behalf of the company, department or group you are working for.

Let’s begin with a particularly interesting negotiation that you recall handling in Russia. Can you describe the nature of this negotiation – what was it about?

Interviewee: It was a negotiation about the financing of a company in financial distress.

Interviewer: Can you take me step-by-step through the negotiation?

Interviewee: It is a company where we are joint shareholders with Russian shareholders. The Russian shareholders are individually, jointly they have a controlling stake – we have a minority
stake. But, we have a blocking stake on all major decisions – all major decisions have to be made unanimously, there is no other possibility. The company needed money and we suggested to put in money of our own, either together with them. Or, if they did not want to participate, we would put it in ourselves. Normally you do these things pro-rata, so that everyone retains the same amount of shares. In this case, they did not want to put in any money and they also did not want to lose shareholding.

So, it was a very difficult negotiation situation, there was no other source of financing. We said we can only put in the money. We can only put in money in terms of equity, where they will get diluted if they do not participate.

**Interviewer:** As you were faced with this dilemma, what steps did you take to reach your goal?

**Interviewee:** We pretty much waited, negotiated over many sessions. They said “we do not want you to dilute us, so we do not accept this proposal. I said, what is the alternative? They said, “you have to put in the money with debt.” We said we cannot provide debt, we are not a bank – we are a bank not an equity investment.

We were deadlocked for a long time, we tried to explain to them that they are better off having a diluted share of a company that still exists than jointly letting it go bankrupt. It took them a very long time to understand it.

**Interviewer:** How would characterize your success?

**Interviewee:** In the end we came up with a compromise. We devised a form of investment – a convertible debt.

The problem was that at an earlier stage, they had provided debt to the company – they provided financing, that was repaid so they said now it’s your turn. But, we could only do it as equity. They said, we put in debt and we did not dilute you. This is not acceptable, why are you diluting us? We explained, we don’t want to dilute you but we have no other choice.

**Interviewer:** Is this typical of Russian negotiations in general?

**Interviewee:** What often happens is that things are looked at an emotional level rather than what are the facts, the consequences and so on. You get into issues, we did this – you owe us this. It is not on a financially-calculated, rather emotional level which of course for us is very difficult because we are a purely financially-oriented investor.

**Interviewer:** Now, can you identify a particular negotiation that you handled where your counterparty was American? Can you describe the nature of this negotiation – what was it about?

**Interviewee:** I’ve had negotiations with Americans and Europeans on business deals. As a rule, their approach is less emotional and more focused on the facts. But, it’s a continuum – there are no absolutes. All negotiations have an emotional aspect to them, and some cases it’s becomes
irrational and some not. As a general rule, Russians entrepreneurs tend to be more driven by emotional factors, which are not necessarily in their economic interest even.

I’ve been in another negotiation with a similar situation with a company that needed a solution with American counterparties. Those negotiations were absolutely non-emotional. It was a bit different. The other side said, basically we cannot put in more, we cannot do…basically what they claimed rationally is that the solution we propose would be so negative to them that they would prefer to write-off the company. They countered, which basically meant a substantial step back from our position.

I would add that in Russia, it is not purely emotionally driven too…in Russia, it could be prestige, or face saving, we can call them emotion or whatever...but, non-financial.

In terms of process, with the Western counterparty we got together, after one or two meetings we came up to an agreement on the major terms, they are fixed in a non-binding, what is called term sheet. And then we spent months and months on legal work, due diligence, audit, check the financials, and so on and so on. After that, come to a final agreement. But, that did not vary much from the term sheet.

In Russia, you can spend months and months getting to know each other, having long meetings explaining intentions and next meeting, we found out that what we expressed as an intention does not really work as a business agreement. It can take you much much longer to get to a specific term sheet. Very often it happens that when everybody is sure, or has a feeling that, the intentions are aligned, then the negotiations around the actual structures can be very weak on their side. Once you have reached the agreement on the intentions – the term sheet, with a Western partner you get into very important questions over details which were never covered in the initial oral agreement and these can become very tough, can lead to deal breaker. With Russian counterparties, it is the opposite – it takes a really long time to make sure you have the exact same intentions, and then they don’t haggle over details when they can be very meaningful.

One more example, the way we try to work around this, with Russian counterparties, we try to do much more detailed term sheets. So, it’s a legal agreement can be a 100 pages. A term sheet in the US can be 2, 3, 4, 5 pages. We do twenty pages term-sheets with a highly-detailed level of agreement so that we don’t get into disagreements later.
Exhibit 6b. Comparative Study, Interview Script

**Interviewer:** Thank you for participating in this interview. This is giving me a great opportunity to see what the field of research really entails, and as I mentioned, my project is focused around negotiations in the US and the former Soviet Union.

The first list of questions are basic background questions.

### BACKGROUND

- **Company:** Russian Investment Bank
- **Type of Company/Industry:** Finance
- **Position:** Research Editor
- **Years with the Company:** 3 yrs, 4 mo
- **Ethnicity/Nationality:** American
- **Gender:** Male
- **Lived in Russia (years):** 3 yrs, 4 mo
- **Education (years):**
  - UC Santa Barbara: undergrad degree
  - MBA: Syracuse
  - CFA Exam Level 1
- **Work Experience in Russia (years, positions held):**
  - UBS, Research
- **Russian Language Knowledge (beginner, proficient, advanced, native):**
  - Advanced

**Interviewer:** Let me start by defining a negotiation as a dialogue to produce an agreement upon a course of action. Examples may include a contract or a purchase. Specifically, this negotiation should be on behalf of the company, department or group you are working for.

Let’s begin with a particularly interesting negotiation that you recall handling in Russia. Can you describe the nature of this negotiation – what was it about?

**Interviewee:** I think the negotiation about the department might be kind of boring, I think. It’s interesting from a personal relationship standpoint, particularly considering the situation at BANK X right now. I was talking to our Head of IT this summer, the summer of 2009, basically
we are involved in progressively moving from Moscow BANK X to BANK X Global. A lot of attributes and the characteristics of our business locally are being eliminated because of the integration with the overall company, conforming to BANK X “Best Practices”. One of the issues was as follows: we write daily news stories and the analysts have a search function on a local intraweb for Russia, so for 10-15 years Sales and Research department have been able to use the local intraweb which was made in the late 1990s. And, BANK X wanted to eliminate it because it was costly to maintain. Our IT department, represented by the Head of IT, said we have to kill this thing, we have to kill the intraweb. We are going to move to the global BANK X Best Practices intraweb. A lot of the functionalities that the analysts in this department say, use to bring up news about a certain company on a certain day that they wrote it, they couldn’t do that anymore. They had to use the Equities Client Portal, which is a compilation of all the PDF documents that are published for clients. The clients of BANK X subscribe for the Equities Client Portal, pay for our research and BANK X Global did not want the duplication of its research on other websites. It just wanted one system, one pattern of integration for BANK X Russia and the BANK X platform. The organization has changed dramatically in the last 10 years, especially in the last five years. Since I got here at the end of the 2006, it changed dramatically and this is a manifestation of that.

Interviewer: Now that you have explained to me the background, can you walk me step-by-step what happened?

Interviewee: In July, I had a meeting with IT and the business manager, who is not in IT but is in the business management office. The business manager is a function, you may have seen, it is like a project manager. Their job is pretty much to communicate with all of the depts in the company and to push the project in terms of implementation. So, I had a meeting, “we’re killing the intraweb” they said. It’s going to be gone in a certain time. They didn’t tell me when. This was the local office, so everybody who was driving this decision was Russian. Ok, I said, I will let people know about it and will try to find a solution, because the old search was pretty vital for our analysts and sales team. Everyone could just bring up any news story, very convenient. If a client wanted information about an obscure company, this was a great service to get the information quickly. We would have revisions to a process that worked so well in terms of time and accuracy. We wouldn’t be able to do this anymore.

Then, I wasn’t given any dates about when this would be killed, for instance.

Interviewer: Why do you think you were not given a timeline?

Interviewee: I was told about it in December 15th, 2009, after the first of the year it would be completely killed. I didn’t know about it before, and one of the business managers just said that we are going to kill it. Nobody really thought about it, the situation.

So, I of course, pushed back and said that we were not given enough time, nobody helped me to figure out a solution here. So, basically we were to have a new intraweb, so I said – can we have the old search on the new intraweb? She said, no. They kind of always said no, and I said, why? They said we can ask them, but it would take so much time to get through the bureaucracy to get an answer out of these people that it is not even worth it. So, I was basically adding extra work to
the business manager’s daily tasks. It’s a very bureaucratic organization; there are many levels of management and too many levels – one of the problems with organizations in general. There are too many managers, too many meetings. When people are faced with extra work, they say no. It is easier to say no than to say I’m going to take half a day to communicate with the right people. Instead, they tell me no all the time. That really pissed me off, because I feel like in my personal situation, I am doing the work of IT and the business manager. The IT said that we tried to accommodate you, and sorry. We tried basically putting the dailies in PDF form on the intraweb and the business manager went to check with compliance to make sure that was okay - compliance said no. They do not want duplicated effort. It’s a compliance rule, though nobody really knows the rules. They are leaving out rules, sometimes in a broad sense that is my take. So, compliance said no, the whole project was useless, they killed the intraweb. The solution that we thought about was: we now keep the word documents, the PDFs on our local drive and we just do a windows search – slower, inefficient, but people can find the same information. Same functionality, but much more difficult and not convenient.

Interviewer: Can we go back into the specifics what did the counterparty in this case do to distract you from reaching your goal?

Interviewee: First, nobody wanted to help. Seems like the business manager was delegating work and not being proactive in terms of not asking people. She just didn’t want to ask the question, did not want to deal with the bureaucracy, which I guess I understand. It’s not pleasant. At the same time, this person was putting off work, had many projects to be completed, this was on the back-burner. She was not proactive in asking for outside help. I would say, that’s the gist – nobody wants to take initiative, nobody wants to sacrifice to help. Not IT, not the business manager. To come up with a creative way to solve the issue. That was my complaint.

Interviewer: Do you think this is typical of negotiations in Russia?

Interviewee: This is not so much a function of Russians, not completely of the person, but more organization related. I would say that Russians are really paranoid, very paranoid about asking, making mistakes, getting in trouble for it. I have an example here – I wrote compliance asking if we can have this research shared on the drive, before I could send this email – the business manager wrote an email to all of the decision makers, the higher ups saying that I was writing an email to compliance, so it looks like we are not going to get any of the research on the intraweb. She did it to cover her ass, and I was so pissed because the only thing she was interested in was delegating the work, covering herself so she wouldn’t get into trouble. I would say that it is also a Russian phenomenon I see here – I see people very paranoid about not taking the risk, it’s not worth the risk. The risk to them is great, and that’s where the concern is, not in terms of overall group but it’s on the individual.

I would say the driving factor is the fear of losing the job, because the person…the environment here is tough in terms of what people go through is very wild, once they get something good, they don’t want to lose it. And, I think it is more magnified here than in the US where anyone would feel calmer to not fear losing what they have. People are nervous here, more nervous, can see it in their eyes. It’s not like this in the US.
People take everything very serious here, the small things. Sorry I am really going completely off topic. Every word you say means something. If you say something, you do it. If you don’t do it, people remember. I think that type of uhh, this breeds a lot of paranoia about what one does – not only is every moment very serious, it also leads to genuine relationships because if you communicate with somebody who says I like this or you did really well, you know you did well. In the US, people are rewarded, it’s normal to have a smile on your face, and to put on a front that everything is great. Our US society is not flexible, it’s disruptive to have somebody not smiling at you – why aren’t you smiling? In high school, everytime someone asked me about how I was doing, I didn’t even think about it and said good, it doesn’t mean anything.

In Russia, it carries over to the workplace, in terms of the seriousness with which people conduct themselves. And, I also think it is environmentally-driven, because the wealth distribution is all over the place – the parents here are not millionaires. In the US, some kids are fine, right? In Russia, you don’t see, on a percentage basis, as many kids who can just rely on their parents for anything. They have responsibilities here, this creates a lot of behavior where someone will want to cover their ass to make sure everything is fine, be distracted from the …nature of the act which would be to help the entire department to come up with this search function.

To me it seems like this type of individualism here is a function, carries over to the negotiating realm and in personal interactions. It’s highly individual. Does that make sense? The woman, was my boss when I got here in 2006 – she basically trained me.

**Interviewer:** The business manager?

**Interviewee:** Yes, this is interesting element from an analysis standpoint, not sure if this matters but she basically is a nice person, she trained me to do my current job. In 3 months, she left for the business manager job. We didn’t get along especially well, but we got along good enough. But, the situation was because she thought I wasn’t giving her the respect because she is older than I am. She is higher - the Director, I was the Associate Director. So, maybe she thought that she shouldn’t take shit from this guy.

And, when we found out that compliance wasn’t even going to allow it, I called her on the phone and said so wait, you wasted everyone’s time here, thanks a lot. And it was really sarcastic, so I just hung up the phone because I was pissed. It played into it.

**Interviewer:** How would you describe your negotiations and specific exchanges? You mentioned you were sarcastic at times, did your counterparty reciprocate?

**Interviewee:** In the specific situation with this business manager, I see no difference with how I vocalized my feelings and how she vocalized her feelings to me, or with the IT manager. Interestingly, she was also antagonistic – she wasn’t so nice and warm. I was like, why are you wasting my time, this is your job! This is one of those jobs where it was nobody’s job description; we had to do it for the good of the group. In this type of situation, we lacked resources, or we lacked initiative because we had a tough time at this company. Nobody wants to get the extra mile if you are not getting rewarded for it.
But, I think that’s obvious, and I think that…let’s see here, when I was communicating with the Head of IT and saying, come on, we need this functionality, they both were here for a long time. I think that’s unfair, big disappointment. IT sent back an email saying that we always try, give our best efforts and try to accommodate. So, obviously there is some history there.

In terms of the meetings, everything was normal – we had the meetings, people took notes, wrote emails to follow-up. I would say the business practice was the same as it would have been at another company in New York, it’s the same. But, the personality dynamics and the overall feel are very different.

**Interviewer:** How important was this negotiation to you?

**Interviewee:** No, I didn’t think it was important – and no one else really did either.

**Interviewer:** You started discussing this a little bit, can you identify a particular negotiation that you handled in the US where your counterparty was American? Can you describe the nature of this negotiation – what was it about?

**Interviewee:** In the US, I dealt with a similar matter when we were developing a new client portal. This was awhile ago so I don’t remember too many specifics. I was in discussions with product management, I think generally in the West there was less delegation and more I’ll get my hands dirty type of mentality, even if with the small details. And I think this also relates to the volatility in the environment, people want to focus on what they have, what we talked about before. “Here there is more delegation, it’s not my concern – it’s their problem.”

I worked in New York for a year and a half before moving, and there was more hands-on management.

I would say in the US, there was the older person who is not 30, a 45-year old a guy who is a seasoned veteran of the place who makes sure that everything is kept in order. You don’t see that here. I see young people who are just doing as fast as they can, to get promoted as fast as they can. In the US, I managed the research and sales department – I was boss. I also see in London, my boss in London – he writes huge emails, to appraise us – the local guys don’t do any of that, they think its bullshit.

There [US] it’s more proactive, managing employees, call them, email them. Everybody is…doing their own things here [Russia], it’s not just BANK X it’s Russia. In the US, you also have better managers…maybe there are more levels of management, and that’s the reason – they are justifying long emails and by being the point of accountability. But, they are still writing these long emails…his still leads to more order and more standardization.

I was the team leader, who knew the technicalities of the sales and research, the job was to communicate with the CEO and mgmt team. Here, we don’t see that – no point man management. Maybe I just don’t see it. It’s more orderly; negotiating there [Russia] is even more orderly. In the US, the guy in charge of the department, he is the only one the management
team trusts. Here in Russia, you have different senior guys who all communicate with the management team, which creates a lot of disorganization.

Sorry, these departmental issues are a bit mundane.

People are people everywhere, but I’d say that...people are less ambitious here [in Russia]. It comes across, it’s a bold statement - but, I’d stay by it. People aren’t as motivated here as they are in the US, the negotiate by not being proactive…and this leads to less productivity. The personal interactions are different.
Exhibit 6c. Comparative Study, Interview Script

**Interviewer:** Thank you for participating in this interview. This is giving me a great opportunity to see what the field of research really entails, and as I mentioned, my project is focused around negotiations in the US and the former Soviet Union.

The first list of questions is basic background questions.

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<td>Russian Language Knowledge (beginner, proficient, advanced, native):</td>
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**Interviewer:** Let me start by defining a negotiation as a dialogue to produce an agreement upon a course of action. Examples may include a contract or a purchase. Specifically, this negotiation should be on behalf of the company, department or group you are working for.

Let’s begin with a particularly interesting negotiation that you recall handling in Russia. Can you describe the nature of this negotiation – what was it about?

**Interviewee:** Sure, I will tell you about a negotiation with one of our clients, happened in about 9 months ago. We had a big factory, we had interest payments we needed to make, but we didn’t have a lot of income. We were fairly desperate to get business. And, also, when you’re putting a mfg operation in Ukraine, it’s not just a matter of putting up a building. There is a ridiculous overhead and licensing process you have to go through, you need to get stamps from 15 different ministries. That can take twice as long as it takes to build the factory. 18 months building, total of three years to get the license to manufacture.
We had a gentleman, Victor, who was also in a tough situation – he had invested a lot of money in the boom, in large plots of land, 7, to build roughly 1,000 homes on those plots of land. So he did not have very much cash, he had bought the land at a high valuation during the boom, didn’t have the cash to develop that land or to put houses on that land. He couldn’t sell fifty homes at once, one house at a time – had to make ridiculous promises to anyone who was maybe willing to buy a home from him without entirely being sure he can deliver on these promises.

He did not really have a choice in the matter, needed to get any money out of his land and we didn’t really have a chance – since we need to do as much business as possible given the investments we had in the factory.

**Interviewer:** Can you take me step-by-step through the negotiation?

**Interviewee:** It was a small house, normally for a small house like that – we would make them pay a sum amt of money to even get an estimate out of us. If it’s large client, we would take the risk and do it ourselves. But, for a small client, like this one, we would make him pay for the estimation. But, he talked us out of that and we basically did not have a choice. The tone was all about him, making us think we had an agreement, and then coming back the next day or the next hour, trying to get a little bit more, a little more. After we had an agreement, he would come back. It always seemed reasonable to squeeze in a little bit more, but when you look back, and realize that he did it to you twenty times…

Ukraine and Russia is a very low trust environment, lacks the institutional frameworks. First of all, nobody trusts anyone and always expects that they will get screwed. If at all possible. It’s very difficult in the negotiation process – some things we take for granted in the West, they won’t take for granted here. Something like a down payment, even if that is very difficult because they assume you might close up shop and run away with the money. Absolutely everything has to be in writing, down to the last detail, and at the same time, there isn’t much expectation. If you did a contract and it is violated, you can’t go to the courts and get it enforced – so, that just adds to an environment of low trust.

In terms of the process…it started with the documentation, we first of all, agreed to do some for free, once we agreed to that, Victor started calling the architects that do the implementation and asking them to add a little bit more here, a little bit more there, so that the documentation is as close to what he wanted with the additional details to build the house. He basically got us to do the mfg stage documentation for free. It was a very long soliloquy on his part about how bad the markets were, and how we had to partner to get something done, he was willing to spend hours just talking, ranting, discussing. It’s just a tiring process that I wanted to get out of as quickly as possible, but he was willing to spend hours…he had a lot of stamina. Once he got the mfg document agreement from us, he tried to push our architects to do a little more here, more there. Over a serious small concessions, he gets something that is much closer to mfg documentation…which saves him a lot of money down the road.

Another example is once we gave him an estimate, he said he accepted the price, but then he kept coming back several times, asked for more. Like, would you throw in some more insulation, a
few extra bolts and nails. Several iterations of that, he ends up getting more than we had originally discussed. We were in a difficult place at the time, so we did not have many clients.

Once that was done, we got into discussions about payment terms, that took a very long time because there is not a whole lot of trust. We wanted as much upfront as possible, he wanted to give us as little upfront as possible. That was a pretty standard negotiation, but would have been easier if there was more trust: he would feel that he was giving us some money upfront and we would not just disappear with it, we would be okay getting some money on the backend, knowing he wouldn’t just disappear without paying the rest of his bill. We thought we had an agreement, but then it turned out he didn’t have all the cash he needed. So, once we were into the mfg process and we were already invested in all the materials, he asked if he could take delivery on the first floor, putting up the first floor, then get some additional money from his client to pay him in installments, and then he would pay us for the second floor. So, that was another tricky twist in events where he got us to finance a part of his operation, since we had spent money already on the whole home. He then changed it to only paying for half of the first floor upfront, then paying the rest later once he got the money out of his client.

Before all of that, when we had the contract all signed and ready to go, he sprung a surprise on us in terms of the time of delivery. He told us we had a month to do it, well in the very end, he said I need this done in ten days because he had made this process to the client, because promised client would have house built before New Year’s. We had to pull out all the stops, a few people had to cancel vacations to get this done in time. That’s just another example of incrementally gaining things once we were so involved, we were not willing to back out of this.

This negotiation took a month, which is a lot for a silly little home.

Sure, we tried to establish trust, you sit down, it’s just a matter of…trust is built over a long period of time, but unfortunately you start here with a lower level of trust. Growth levels, correlations with trust. Can gain trust over time by being very consistent through the process, actually forcing myself to sit through these two hour negotiation sessions when it should have really only taken five minutes. Give him a small gift for New Year’s, but basically it’s delivering on your promises every step of the way…and when he came up with additional demands, not just hanging up the phone, taking it seriously even though I was ultimately going to say no to some of his demands, showing that I was seriously considering it and giving a detailed explanation of why I couldn’t. Just basically suffering through with him. If you don’t have that basic level of trust, you basically just suffer together until that trust is developed. I supposed it’s comp adv once you’ve built that trust, because it makes much longer to build that trust with someone else.

He was really looking to replace his supplier in St. Petersburg, long-term, since dealing with someone that far away when there is so little trust anyway. He wanted someone local, not only was he checking us out for one deal, he was checking us out for longer term. 1. Would we be a reliable partner? 2. Could he squeeze out from us as much as possible?

**Interviewer:** Is this typical of Russian negotiations in general?
Interviewee: Fairly representative, he was perhaps more aggressive than most. Characteristics are: assuming the other party is only looking out for their interests, there is some trick somewhere in the process, being especially aggressive on price and once an agreement has been reached. Lack of trust, very typical.

Interviewer: Now, can you identify a particular negotiation that you handled where your counterparty was American? Can you describe the nature of this negotiation – what was it about?

Interviewee: We have the luxury in the West of having institutions to protect us, so we don’t have to check every detail or be so aggressive on payment terms. If someone tried to default on the West, I have enforcement options, therefore, it makes it much less likely that the person will default on the contract. In terms of general payment, infrastructure is relatively easy, in terms of using escrow accounts – in the West, the money is held in between the two parties, as opposed to in one party’s pocket. This removes the imbalance between the two parties, which is not common here at all. In the West, there is more ability to protect yourself, you don’t have to resort to as much buyer beware. Trust is obviously higher so…delivery terms, we would not be as aggressive in insisting that we would get all of our money before releasing the product from the factory, which would then allow the purchaser to have some sort of financing. We don’t do that here if we don’t trust people to pay us once they have the product. There is a lot less friction in the West, and I wouldn’t expect nickel-and-dime me as much as this guy did after we had reached an agreement. I expect someone to say that we have an agreement, if we have to make changes after-the-fact, the other party would be embarrassed.
References


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