

# CULTURAL DIMENSIONS AND MODERN RUSSIAN BUSINESS

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## Abstract

Human behavior and its result in the business sphere are based on values and norms, which, in turn, have their roots in the national culture. One of the most influential concepts of comprehending national cultures and assessing their impact on business sphere was developed by worldwide famous Dutch scholar Geert Hofstede during 1960-1980ies. The main advantage of the Hofstede's concept is that he suggested measurable constructs that describe mental programs and thus enables to compare different countries.

Therefore, the purpose of this paper is to introduce the findings of a recent measurement of the Russian culture conducted at the end of year 2006 and analyze expression of the cultural dimensions in modern business practices.

This article is mainly intended for Western investors, managers and scholars who participate in work in or with present day Russia. It will also be of interest to students studying comparative management.

## Keywords

national culture, values and norms, cultural dimensions, business practices

## Összefoglalás

Az emberi viselkedés és annak az üzleti szférában való megnyilvánulása értékeken és normákon alapszik, amelyek a nemzeti kultúrában gyökereznek. A világhírű tudós, Geert Hofstede dolgozta ki az 1960-80-as években a nemzeti kultúra megértésének és az üzleti életre gyakorolt hatásának egyik legnagyobb hatású elméletét. A hofstedei koncepció legnagyobb előnye az, hogy olyan mérhető konstrukciókat javasol, amelyek jellemzik a mentális programozást és lehetővé teszik a különböző kultúrák összehasonlítását.

A tanulmány célja egy 2006-os, az orosz kultúrára irányuló felmérés bemutatása, továbbá a kulturális dimenziók a modern üzleti gyakorlatban való megnyilvánulásának elemzése.

A tanulmány célközönsége a nyugat-európai befektetők, menedzserek és tudósok, akik a mai Oroszországban vagy orosz partnerekkel dolgoznak. Releváns az olyan hallgatók számára is, akik komparatív menedzsmentet tanulnak.

## Kulcsszavak

Nemzeti kultúra, értékek és normák, kulturális dimenziók, üzleti élet

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## **Introduction**

Globalization and the internationalization of business highlight the requirement to consider cultural background of business relations. Business draws a lot of people from different countries and different origin into its orbit and goes far beyond national boundaries. As a result, cultural differences start playing an important role in international business sphere as cultures usually reveal themselves in situations where much is at stake.

The size of the Russian Federation and its vast reserves of natural resources, labor forces and potential consumers have made the country of great interest for Western business partners. Nevertheless, Russian business environment is rather complicated, and the national culture notably differs from European cultures (Bollinger 1994, Ledeneva 2001). Some Russian experts states that a lot of problems in international business occur not only due to economic and political limitations inside the country but due to deep cultural differences. Russia is situated between Europe and Asia, but Russian mentality seems to be closer to the cultures of Portugal, Mexico and Brasil (Kirsanov A., 2013). Understanding the essence of these differences and motivating and restraining factors of Russian business can help business partners navigate in various situations of crosscultural business communication, maintain and optimize their relationships.

## **Cultural Dimensions**

The most comprehensive study of differences in the national culture and an influence of the value orientations to economic efficiency was carried out by influential Dutch scientist Geert Hofstede in the 1960s. The scientist analyzed a considerable data base of employee values scores collected by IBM between 1967 and 1973 covering more than 70 countries, from which he first used the 40 largest only and afterwards extended the analysis to 50 countries and 3 regions (Hofstede, 2001). Evaluations of cultural dimensions for Russia by Geert Hofstede were first published in 1980 and were determined on the basis of the secondary sources, including national statistics and literature archetype analysis.

In the year 2000, professor Naumov from Moscow State University published results of an empirical study entitled “Measuring Russian culture using Hofstede’s dimensions” (Naumov, 2000). The scores obtained turned out to be quite different from Hofstede’s evaluations. In the study, he measured Hofstede’s cultural dimensions on 250 Russians using Hofstede’s methodology. Data was collected between October 1995 and June 1996. The respondents included managers and professionals, as well as students and faculty members of several business schools. In 2008, a new study by Naumov using data collected in 2006, was published (Naumov & Petrovskaja, 2008). This study uses results both of 1996 and 2006 and presents the analysis from the historical perspective.

Hofstede (2001, p. 9) defines culture as “Collective programming of the mind that distinguishes the members of one group or category of people from another.” The “category of people” can be a nation, region, or ethnic group, women versus men (gender culture), old versus young (age group and generation culture), a social class, a profession or occupation (occupational culture), a type of business, a work organization or part of it (organizational culture), or even a family (Hofstede, 1994).

Hofstede states that social systems can exist because human behavior is to some extent predictable. To predict behavior, we consider both the person and the situation, and we assume that everyone demonstrates a certain amount of mental programming, which is stable over time and make the same person’s behave the same way in the similar situations. He also distinguishes three levels of human mental programming – universal, collective, and individual. The universal mental programming is shared by all humankind and includes expressive, associative, and aggressive behaviors. The collective level of mental programming

is shared by some but not all. The individual level is unique, as no two people are programmed exactly alike (Hofstede 2001, pp. 1-5).

Hofstede argues that in empirical research we look for measurable constructs that describe mental programs, i.e. we operationalize them. The key constructs measured by Hofstede are values and culture – values are held by individuals and collectivities; culture presupposes collectivity.

Value orientations of various nations were studied by G. Hofstede in the following areas of concern:

- Social inequality and the relationship with the government,
- The predominant type of behavior (group / individual)
- Attitude of society to uncertain, unfamiliar situations
- Predominance of male or female behaviors
- Different views on the development of family and society in the categories of "east-west". (Simonova 2003, p.238.)

Measurement data of the problem areas allowed to receive a "five-dimensional" model of cultural differences between countries surveyed in the following five parameters:

- Power Distance
- Collectivism / Individualism
- Masculinity / Femininity
- Uncertainty Avoidance
- Long term / Short Term Orientation

*Power distance* is defined as “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. The basic problem involved is the degree of human inequality that underlies the functioning of each particular society” (Hofstede 2000, p.81.). Gudykunst writes, “Individuals from high-power distance cultures accept power as part of society. As such, superiors consider their subordinates to be different from themselves and vice versa” (W. B. Gudykunst, 2001 p.41). People in low-power distance cultures consider hierarchy as an inequality of roles which is established for convenience, subordinates see superiors to be the same kind of people as they are, and superiors perceive their subordinates in the same way. People in power, be they supervisors, managers, or government officials, often interact with their constituents and try to look less powerful than they really are. Low-power distance cultures tend to be guided by laws, norms, and everyday behaviors that make power distinctions as minimal as possible.

“*Individualism* on the side versus its opposite, *collectivism*, is the degree to which individuals are supposed to look after themselves or remain integrated into groups, usually around the family. Positioning itself between these poles is a very basic problem all societies face.” (Hofstede 2000, p. 209.) In countries with individualistic orientation the individual is the single most important unit in any social setting; independence rather than interdependence is stressed and individual achievement is rewarded. There is a greater emphasis on the views, needs, and goals of the in-group rather than oneself. Social norms and duty defined by the in-group is more important than behavior to get pleasure. Beliefs shared with the in-group are more preferable than beliefs that distinguish the self from in-group. There is great readiness to cooperate with in-group members.

“*Masculinity* (MAS) versus its opposite, *femininity*, refers to the distribution of emotional roles between the genders, which is another fundamental problem for any society to which a range of solutions are found; it opposes “tough” masculine to “tender” feminine societies.” (Hofstede 2000, p. 279.) Masculinity and femininity are connected (from a cultural perspective) with one’s social role in society. Masculinity means that winning is good; acquired status is of great importance; competition is a fair play and an opportunity to show

how good you are; a winner is a subject of admiration. Femininity means that consensus is good, sexual equality is fair, and a loser is a subject of sympathy. It also promotes and holds that people and the environment are important.

“*Uncertainty Avoidance* can be defined as the extent to which the members of a culture feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising, different from usual. The basic problem involved is the degree to which a society tries to control the uncontrollable.” (Hofstede 2000, p.145.) High-uncertainty avoidance cultures try to avoid uncertainty and ambiguity through established, formal social protocols; they are intolerant to deviant ideas and behaviors; consensus, and resistance to change are emphasized. There is a strong need for written rules, planning, regulations, rituals, ceremonies, and established social, behavioral, and communication protocols, which add structure to life.

People from low uncertainty avoidance cultures more easily accept the uncertainty inherent in life, unusual things and behavior, various ideas. They value initiative, dislike the structure associated with hierarchy, depend not so much on experts as on themselves and believe that there should be as few rules as possible. They are ready to take risks and flexible. Social protocol is not of great importance for the society.

“*Long-term versus short-term* orientation refers to the extent to which a culture programs its members to accept delayed gratification of their material, social, and emotional needs.” (Hofstede 2000, p. 351.)

### **Basic Cultural Characteristics of Modern Russian Business**

Russia is often characterized as a collectivistic country as evidenced by Hofstede’s (2001, p. 502) estimates. In Naumov’s study, respondents mostly agreed that it is important for them to be accepted by the members of his or her group. At the same time, they stated that the individual does not have to give up his or her own interests and goals for the success of the group. Naumov argues that it is essential to consider the way how the group and its value are perceived in the culture. The Russian perception of the value of the group lies in the group’s ability to provide protection to the members of the group (Naumov & Petrovskaja, 2008, p. 6), and Russian collectivism is primarily directed at receiving protection through the group rather than achieving collective goals. Furthermore, the members of the group may hold individualistic values, not being ready to sacrifice own interests for the interests of the group, but ready to comply with the norms of group behavior (Naumov & Petrovskaja, 2008, p. 6).

The roots of Russian collectivism trace back to the cultural traditions of the Slavic tribal society and The Russian Orthodox Church. Biological, economic and social survival of everybody and of the whole group in the medieval forest depended upon strong group cohesion and discipline. The social roots of collectivism may be found in the *zadruga*, the *mir*, the *artel*, and the Soviet kollektiv. The *zadruga* – a clan or extended family commune then evolved into the *mir*, an agricultural village commune. Understanding the communal life of the pre-communist *mir* can help understand the communalism of Russian culture today. Russian villages usually consisted of peasant huts, side by side, one per family. The land belonged to the entire *mir* and was unfenced. The main function of the *mir* was to supervise the cultivation of the land, and each family was allocated some amount of land by it. The *mir* was led by an assembly of heads of households which met informally, often in the open air. All the problems that occurred in the *mir* were resolved by consensus, not by voting. Decisions made unanimously were binding on the entire community. Later, as peasants began moving to cities, they organize workers' cooperatives called *artels*, which were modeled on the *mir*. Members of *artel* worked together as a group and partook their money. Before the 1917 Revolution hundreds of thousands of workers followed this lifestyle. The *mir* was distinguished by two specific features: joint responsibility for taxes and dues (*krugovaia*

poruka) and uravnilovka (levelling). The same factors have been noted by scholars of Russian culture at very different periods in the country's history. In fact, over the centuries and until the collapse of the Soviet system, few essential new elements were established into the Russian national political culture.

"In the *mir* the rule of law did not apply. Decisions were made by the village assembly based on what made sense at the time and appeared just and usefully for the common good. Stealing wood from the state or a landowner, for example, was against the law but was not considered by peasants to be a crime. But stealing even the smallest object from a fellow villager or from the commune would bring the culprit a severe beating, at the very least, or even mutilation or death (Vakar, 1962, p. 75).

The Russian Orthodox Church encouraged strong family ties, and inter-group mutual assistance. A high level of individual freedom was not supported inside the society, and there were quite a few limitations to express individual competitiveness.

Stolypin's reforms, soviet period, perestroika and postperestroika contributed to the collapse of traditional Russian collectivism and made it formal and artificial in nature.

Compared results on Individualism score from 41 in 1996 to 36 in 2006 demonstrate some shifts toward Collectivism but researches shows that this shift is not so distinct and not even on the territory of the country (Krymchaninova, 2004, p. 192-201).

Collectivism can be considered as the explanation of a lot of phenomena and attitudes of people, such as "wait and hope for a protection from the chief", low personal responsibility for solving problems and so on.

Russia is thought to be a country with femininity orientation (Berdyuev N., Rosanov V.) In early postperestroika period there was some shift toward masculinity (55), but in 2006 the index of masculinity/ femininity was 48. It indicates a comeback to the traditional Russian values: cooperation, mutual understanding, and interpersonal relations.

Russian business is known to be "masculine" because decision making process is determined by "masculine" methods. The roots of the phenomena trace back to the Soviet period when labor division was based on gender and planned by the state which "made a definite gender order where male and female roles were defined according to ideology of the communist state" (Ashvin S. 2001, p.64). The other reason is the importance of informal methods in private business especially in the post-soviet period. Entrepreneurship of that time was based on personal connections giving access to resources and information. Business followed "male" principles and discourse practices (informal language, male humor), meeting often were held on "male" territory (banya).

Another important for understanding Russian business dimension is power distance (index is 40 in 2000 and 33 in 2006). The fall is connected with increasing influence of Western management model within organizations. Nevertheless, most people agree that the manager should be powerful and authoritarian. This situation indicates that there is the alteration in manifestation of culture on the surface but deeper cultural layers change much more slowly.

Russian business is characterized by rather high power distance and hierarchy based on power separation. In combination with collectivistic cultural orientation, it leads to some consequences. The boss of the organization is the main source of the ethical norm of the organization; the subordinates prefer not to argue with him or her and do not criticize their behavior. Managers often demonstrate paternalism toward the subordinates and the latter have a restricted choice of behavior alternatives. Thus, subordinates' behaviors mostly reflect the ethical view of the boss even if they disagree with these views. The organization ethic codes are made by top managers and, frequently, they do not follow the rules because they think their behavior can not be regulated by. Employers watch it and they believe they can break the rules either.

Another important cultural dimension is uncertainty avoidance (the index is 68 in 2000 and 70 in 2006). Like many other cultures with high uncertainty avoidance the need for a lot of rules and regulations is connected mostly with emotions and thus these rules and not always clear, consistent and applicable. In combination with high power distance it means that usually people stick to rules when they are expected to be checked or controlled. In business it leads to the requirement to prepare a lot of paperwork, stamps and signatures on each of the paper. Not all of them you need because they are necessary but because of the rules and regulations stipulating so. People, in their turn, do not hesitate to circumvent policies and procedures that they may perceive to be senseless or if they are sure they will not be inspected by the authorities.

On the other hand, uncertain environment and rapidly changing situations made a lot of people, especially businesspeople, quickly and creatively adjust to new conditions in the environment. They demonstrate specific traits needed for quick reaction, multi-scenario thinking, networking and sharing risk.

Long term orientation is not typical for Russia; this dimension scores 59 in 1996 and 62 in 2006. Traditionally people and business do not tend to save and collect material resources because all the savings and capital can be lost due to a lot of reasons. Specific feature of the modern Russian business mentality is the fact that they do not consider the business like eternal, sustained, and transmitted from parent to children and grandchildren everyday work; business is supposed to be an opportunity to capture, gain the profit quickly and hide it from the state (Kirsanov A., 2013). The reasons are connected both with the history of the state and the legal and financial context of the country. There is a shortage of long-term planning, long money: credits and investments.

At the same time, business is extremely relation oriented and making and maintaining long term personal relations is a high priority for business people. Many new Russian entrepreneurs work successfully in networks, and they often prefer relying on friendship and social interaction rather than formal agreements.

## **Conclusion**

There are a number of factors that an international company planning to cooperate with the Russian business has to face. The rapid historical changes of the 19th century partly destroyed the traditional culture and brought to life a new, communist and later post-soviet mentality. There are cultural modals that can be distinguished like traditional (T), inherited from the Soviet system (S) and westernized (W). One of the main problems of crosscultural communication is deciding which cultural pattern (W, S, or T) one is dealing with at any given moment with a given individual. Nevertheless, majority of managers shares the basics of Russian mentality with previous generations.

Cultural dimensions help understand and feel the essence of Russian business culture, but it is vital to remember that Russia is a multicultural country, and though a lot of people call themselves Rossiyanin or Russian when they deal with foreign partners, their own national culture can greatly differ from traditional Russian culture. On the other hand, it is important to mind the high dynamism of modern Russian culture at least at the formal level.

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