

Saimaa University of Applied Sciences
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International Business

Natalia Koryakina

CULTURAL DIFFERENCES RUSSIAN COMPANIES ENCOUNTER IN FINNISH MARKETS

Bachelor's Thesis 2011

ABSTRACT

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Cultural Differences Russian Companies Encounter in Finnish Markets, 51 pages, 2 appendices

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Instructor: Director of Language Centre Ritva Kosonen

The research problem of the thesis is cultural differences that Russian companies face in Finnish markets. The thesis is meant to help Russian companies by providing information on how to manage cultural differences.

The thesis consists of empirical and theoretical data. The theoretical data used in the theory part describes research about business culture in general and business cultures of Finland and Russia. The empirical data is a survey, conducted by using a questionnaire. The questionnaire was designed in Russian and English languages and sent by email to 70 respondents, out of which 40 responded. From 40 respondents 20 were Russians and 20 were Finns. The questionnaire consisted of 15 questions. It began with general questions about background information. Also there were questions connected with the five dimensions model of the Hofstede research. And in order to get more accurate information open questions were asked too.

The results of the survey are very surprising because they differ in many aspects from Hofstede's theory on Finland and Russia. Based on the information gathered from the respondents the recommendations on how Russian companies should manage cultural differences in order to succeed in Finnish markets have been found and explained.

Keywords: Culture, Cultural Differences, Finland, Russia.

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1 INTRODUCTION

In international business, in the struggle for markets and spheres of influence the winner will be the one who succeeds in understanding the culture of competitors and business partners, their strengths and weaknesses, motivating and restraining factors and the one who has shown flexibility. All these factors will help to gain the trust of business partners and competitors.

The internationalization of business, however, has become a global problem. Companies are becoming increasingly international, and business schools highlight the requirement to internationalize the views of managers. This means the need to consider differences in national cultures. Business goes far beyond national boundaries, drawing into its orbit more and more people from different cultures. As a result, cultural differences begin to play an increasing role in organizations.

This thesis concentrates on the cultural differences Russian companies face in the Finnish markets. The second chapter describes research about business culture in general. In chapter three Finnish business culture is discussed. Chapter four is about Russian business culture. The fifth chapter is a data analysis. Final conclusions and recommendations are described in chapter six.

1.1 Research problem

The research problem of this thesis is cultural differences that Russian companies face in Finnish markets. Nowadays, there are many Russian companies in the Finnish markets and as any foreign company, they have a lot of problems in the beginning. The biggest one is, in my opinion, cultural differences. This is the problem explored in the thesis.

1.2 Purpose of the study

The function of any research is to either create or test a theory. Research is the instrument used to test whether a theory is good or not. It is the method by which data is gathered to generate a theory or to test a theory.

The purpose of this study is to apply theories to real situations, thus it is an applied sciences research. Applied scientists might look for answers to specific questions that help humanity, for example medical research or environmental studies. Such research generally takes a specific question and tries to find a definitive and comprehensive answer.

The study is based on the theory and research on business culture and cultural differences. In order to solve the problem of cultural differences, the applied scientific research will be presented through the analysis and explanations why and how the problem is happening with the aim of discovering and understanding phenomena of cultural differences.

The thesis is meant to help Russian companies by providing information on how to manage cultural differences. Also the thesis will investigate the differences in business culture, society, business etiquette, business negotiations and national features between Russia and Finland. It will give Russian companies a clear picture of the Finnish market they are going into.

1.3 Research methodology

The thesis consists of empirical and theoretical data. The empirical data is a survey, conducted by using a questionnaire. The theoretical data used in the theory part is from different literature sources and also studies from respected authors in this area of research will be examined for this thesis.

The survey for the empirical data is conducted using a questionnaire. The questionnaire was designed to answer particular questions.

1.4 Research approach

“Research is a systematic, formal, rigorous and precise process employed to gain solutions to problems and/or to discover and interpret new facts and relationships.” (Waltz and Bausell 1981, p.1.)

There are two major types of research: qualitative research methods and quantitative research methods.

Qualitative research is a method of inquiry appropriated in many different academic disciplines, traditionally in the social sciences, but also in market research.

Quantitative research refers to the systematic empirical investigation of quantitative properties and phenomena and their relationships. The objective of quantitative research is to develop and employ mathematical models, theories and/or hypotheses pertaining to phenomena.

The research aim of the thesis is to gather an in-depth understanding of human behavior and the reasons that govern such behavior, more precisely about cultural differences that affect the process of doing business and managing it. How and why do people behave in this way, what are the reasons of it. The thesis also includes a qualitative questionnaire. Thus, all these features describe qualitative type of research.

2 RESEARCH ON CULTURE

This chapter will present the theoretical framework of culture and business culture in general and research on cultural differences will be specifically analyzed.

Nowadays cultural differences create the biggest difficulty in international business . That is why the correct assessment of differences in national cultures and an adequate allowance for them is becoming more and more important.

2.1 Culture

“Culture is the collective programming of the human mind that distinguishes the members of one human group from those of another. Culture in this sense is a system of collectively held values.” (Geert Hofstede 1981.)

System of values is a core element of culture. Values are invisible until they become evident in behavior, but culture manifests itself in visible elements too. There are three terms, together with values, to describe visible manifestations of culture: symbols, heroes and rituals.

Symbols are words, objects and gestures, which derive their meaning from convention. At the level of national cultures, symbols include the entire area of language. At the level of organizational culture, symbols include abbreviations, slang, modes of address, dress codes and status symbols, all recognized by insiders only.

Heroes are real or imaginary people, dead or alive, who serve as models for behavior within a culture. Selection processes are often based on hero models of "the ideal employee" or "the ideal manager". Founders of organizations sometimes become mythical heroes later on, and incredible deeds are ascribed to them.

Rituals are collective activities that are technically superfluous but, within a particular culture, socially essential. In organizations they include not only celebrations but also many formal activities defended on apparently rational

grounds: meetings, writing of memos, planning systems, and the informal ways in which formal activities are performed: who can afford to be late for what meeting, who speaks to whom, and so on.

Values represent the deepest level of culture. They are broad feelings, often unconscious and not open to discussion, about what is good and what is bad, clean or dirty, beautiful or ugly, rational or irrational, normal or abnormal, natural or paradoxical, decent or indecent. These feelings are present in the majority of the members of the culture, or at least in those persons who occupy pivotal positions. "(Hofstede 2000, p.10.)

2.2 Business Culture

Business culture can be decomposed into the organizational culture, or culture of the particular firm, the particular community of people.

"Organizational culture is the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization." (Charles W. L. Hill, Gareth R. Jones 2001.)

Several methods have been used to classify business culture.

2.2.1 Geert Hofstede research

"Culture is more often a source of conflict than of synergy. Cultural differences are a nuisance at best and often a disaster." (Hofstede 1981.)

The best known study on the detection of differences in the national culture and an influence of the value orientations, which reflect the national identity, was carried out by Dutch scientist Geert Hofstede in the 1960s. The aim of the study is - to show the cultural conditioning of the organizational behavior from different countries and nations. Hofstede has developed four dimensions of his study among 80000 employees of the IBM company.

Value orientations of the representatives 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 can be 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.)

Power distance is thus described based on the value system of the less powerful members. The way power is distributed is usually explained from the behavior of the more powerful members, the leaders rather than those led.

“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.)

Table 1. Variations of the "power distance" (Simonova 2003.)

Low power distance index	High index of power distance
Inequality in society should be minimized	Inequality is built into the social norm, everyone has own his place
All human beings are interdependent	Independence - the inheritance of the few, the majority of people - addicted
The hierarchy is considered only as a role of inequality, that is taken for reasons of convenience	Hierarchy means existing inequalities
Leaders consider subordinates as similar to us	Leaders perceive themselves as unequal subordinates
Subordinates do not see much difference between themselves and the leaders	Subordinate leaders are considering themselves as a special kind of people
Leaders are available	Leaders are not available
Everybody should have equal rights	The powers that have privileges
Harnessing the power (for evil or good) is based on legality	Dominated regime of personal power
The use of the government leaders are not emphasized	Superiors in every way underline their belonging to the government
The system of distribution of power in society is not perfect, and can be the object of criticism	The system is not condemned
Changes in the social system through a redistribution of power: the evolutionary nature of the changes	Changes in the social system can be achieved only by overthrowing those in power: the revolutionary nature of change
At various power levels people feel a slight sense of anxiety and are ready to trust people	Other people are always a potential threat to someone, they should not be trusted
There is a hidden harmony between people who has a power and who does not have it	There is a latent conflict between people who has a power and who does not have it
Cooperation between people, who does not have a power is based on solidarity	Cooperation between people, who does not have a power is practically unattainable because they distrust each other

In various cultures, this criterion provides a kind of projection of the norms and values of this culture to meet the individual or group requests. Mavericks are paying more attention to self-improvement, quality of life and reward. Collectivism is designed to achieve well-being and satisfaction with the group, sometimes at the expense of personal interests.

The level of individualism or collectivism in society will affect the research of the organization's members for complying with organizational requirements.

Table 2. Variations of "individualism / collectivism" (Simonova 2003.)

Collectivism	Individualism
In society, people are born in large families or clans who protect them in exchange for loyalty	It is assumed that in every society itself must take care of yourself and your family
There is a prevailing "us " consciousness	The self – consciousness dominates
Social system as a basis for identity development	Individual as the basis for identity development
Individuals are emotionally dependent on institutions and organizations	Individuals are not emotionally dependent on institutions and organizations
Moral involvement in the organization	Calculating involvement in the organization
The emphasis on membership of the organization	The emphasis on individual initiative and achievement
The impact of organization (Clan) on personal life of individual. Predestination of the views	Everyone has the right to privacy and personal opinion
Order, duty, assessment, and security provided by an organization (or a clan)	Sources of autonomy, diversity, fun and financial independence are embedded in the system
Friendship predetermines stable social relationships	The need for specific friendship relations
Belief in group decisions	Belief in individual decisions
Value standards differ for group members and outsiders (particularity)	The same value standards apply to all (universality)

“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 is more typical for cultures with clearly shared social roles for men and women, where the focus is mainly on the material side of life, persistence, dominance and independence as a typically "masculine" values, and men get the jobs that need more power and responsibility. Femininity describes the same behavior in societies where social gender roles were largely similar, and preference values such as interdependence, compassion and emotional openness.

Table 3. Variations of "masculinity / femininity" (Simonova 2003.)

Femininity	Masculinity
A man does not necessarily have to be tough, he can be caring	Man should be tough, and a woman caring
The boundaries between the roles performed by both sexes are not clearly defined	The boundaries between male and female roles in society are clearly defined
In a society there should be equality of the sexes	A man should dominate in society
The quality of life is great importance	Significant impact
Should work to live	Life without work
Significant issues: people and the environment	Significant issues: money and material things
Interdependence is the ideal	Independence is an ideal
Service itself is a means of motivation	Only ambition provides an incentive to be promoted
Should sympathize with the disadvantaged	Only winners admirable
Slow and low - perfect	Faster and more - perfect
Ideal - a unisex and a mixture of sex differences	Welcome deliberate manifestation of manhood - "machismo"

“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.)

Attitude towards uncertainty has developed mainly in connection with the degree of structuring and formalization of relations between the people of this culture and society in general and it is reflected:

- The extent of elaboration of rules, policies, procedures and standards;
- giving greater stability of careers;
- In the unacceptability of deviant ideas and behavior;
- The admissibility of the existence of absolute truths and experience.

Table 4. Variations of the "uncertainty avoidance" (Simonova, 2003.)

Weak uncertainty avoidance	Strong uncertainty avoidance
Uncertainty readily accepted	Uncertainty is perceived as a constant threat against which to fight
People inherent lightness and small effect of stresses	People experience stress and anxiety
Free-flowing time	Time is money -
Hard work by itself is not a virtue	There is an intrinsic propensity for hard work
Aggressive behavior is not welcome	Aggressive behavior is not forbidden
Welcome containment of emotions	Frank expression of emotion
Conflict and competition can be implemented on the principles of fairness and a constructive	Since the conflict and competition can be accompanied by aggression, they should be avoided
Greater tolerance for diversity of opinion	Greater need for consensus
Deviation from the norm is not perceived as a threat, tolerance of deviation	Deviant ideas and behavior is dangerous, and therefore socially intolerant
Smaller manifestations of nationalism	Inclusive nationalism
Positive attitude towards the young	Suspicious attitude towards the young
Greater willingness to take risks in life	Much concern about the safety of life
Greater emphasis on relativity and empiricist (experience)	Search the final absolute truths and values
If possible, do a small number of rules	There is a persistent need for regulation and the written rules
If the rules cannot be executed, they should be changed	If the rules cannot be performed, people have to apologize
Belief in generalism (general problems), and common sense	Belief in experts and expertise

“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.)

Geert Hofstede added the fifth dimension after conducting an additional international study using a survey instrument developed with Chinese employees and managers. That survey resulted in the addition of the Confucian dynamism. Subsequently, Hofstede described that dimension as a culture's long-term orientation.

Table 5. Variations of "long-term / short-term orientation" (Simonova 2003.)

Short-term orientation	Long-term orientation
Respect for tradition	Adaptation of traditions to a modern context
Respect for social and status obligations, they are executed at any cost	Limited respect for social and status obligations
Social competition, leading to cost overruns	Savings, thrift and hoarders of resources
Low savings, low investment in development	High savings rate, sufficient investment opportunities
Waiting for quick results	Patience in waiting for results
You can go to any length to save face	Desire to comply with skills
Interest in the search for truth	Interest in compliance with the requirements of virtue.

The study of similarities and differences in national cultures, carried by Hofstede subsequently initiated a set of surveys related to further interpretation and practical applications of the results to group behavior, participation in decision-making with respect to labor representatives of different cultures, as well as a system of remuneration for top managers . All of them confirmed the dominant role of national culture in the specifics of organizational behavior in international business.

2.2.2 Naumov's research

In Russia, scientist Naumov conducted a research based on Hofstede's method. His work has been carried out in late 1995 - early 1996.

The main purpose of the study is to determine the location of modern Russian culture in the system of measurement (indicators of culture) on Hofstede model and holding on the basis of the analysis as the "Russian" indicators and their relationship to the indicators of other national cultures.

Data about Russia that was reflecting the situation in the country till 1991 were not got from standard questionnaires by G. Hofstede, it was from indirect sources: national statistics, a description of Russian archetypes in literature and history, results of local studies of similar topics to the issue. Current data about Russia represented data from unpublished studies of the 90s. Therefore, in

1996, Naumov conducted an empirical study about Russian "business" culture. (Vihanski 2007, p. 342.)

Most respondents, in the Naumov's research had no direct relationship to the business or management (they were students, professors, researchers), and that is why the study was repeated in 2006.

The researchers used a questionnaire and methodology for data processing, developed by Naumov, ensuring comparability of results. There were 370 respondents in the survey. All of them were entrepreneurs or managers who successfully engaged in small and medium business. (Strukova, Pushnyh 2007, p.147.)

A typical respondent was a woman aged 20-40 with higher education. This suggests that the random sample objectively reflects the trends that exist today in the business world in Russia. So, according to a study in Russia the women's share was 63%, whereas the proportion of men was only 47%. From 1999 to 2000 the number of women occupying leading positions in management has grown from 12000 to 26000. At the same time, the number of male managers remained unchanged at 47 000.

The dimension "uncertainty avoidance" has undergone the greatest changes. Its value decreased from 68 to 40. This means that the level of discomfort or the fear of uncertainties for Russian business people have decreased considerably. For most businessmen and managers it is a normal situation where not only the results, but the rules are not very clear. (ibid, p.149.)

There are several reasons for this significant increase in the permissible level of uncertainty in today's business culture in Russia. First, Russia is a firmly consolidated market economy, which in itself raises the level of responsibility of each person to solve their problems, primarily economic, allowing an increased degree of independence, and, correspondingly, the uncertainty of human existence. Secondly, over the past 15 years the conditions of Russian business have been changing so frequently and unpredictably, that the uncertain

environment has become normal for the young Russian entrepreneurs and managers whose business career developed in this period. (ibid, p.151.)

The second parameter “masculinity – femininity” decreased from 55 to 47. This fact is easily explained by the above-mentioned increase in the role of women in today's Russian business. Women who own businesses or who are working as hired managers are forced to approximate the style of behavior to male behavior to succeed. On one hand, it leaves women with much less internal resources to perform the typical functions of women, on the other hand, forcing men to take some of these functions themselves. As a result, the role of women and men is blurred, and the society becomes, by Hofstede's definition , more "feminine." (ibid, p.152.)

Other dimensions of business culture have changed slightly.

2.2.3 Global Leadership and Organization Behavior Effectiveness (GLOBE)

A large number of managers from more than 60 countries were surveyed in the study. The issues are related to cultural values (which exist or which should be in the community) and some leadership qualities. The technique is based on the model of Hofstede, but does not repeat it.

Previous research, such as the Hofstede's study, had identified 5 dimensions of cultural variation. The GLOBE research used nine of them:

- Performance Orientation
- Assertiveness
- Future Orientation
- Humane Orientation
- Institutional Collectivism
- In-group Collectivism
- Gender Egalitarianism
- Power Distance
- Uncertainty Avoidance

The following definitions are taken directly from House et al. 2004.

Performance Orientation is the extent to which a human community encourages and rewards setting challenging goals, innovation, and performance improvement.

Assertiveness is the degree to which individuals in organizations or societies are assertive, tough, dominant, and aggressive in social relationships.

Future Orientation is the extent to which members of a society or an organization believe that their current actions will influence their future, focus on investment in their future, believe that they will have a future that matters, believe in planning for developing their future, and look far into the future for assessing the effects of their current actions.

Human Orientation is the degree to which individuals in organizations or societies encourage and reward individuals for being fair, altruistic, friendly, generous, caring, and kind to others.

Institutional Collectivism is the degree to which institutions encourage and reward collective action and the collective distribution of resources.

Institutional Collectivism dimension measures societal emphasis on collectivism, with low scores reflecting individualistic emphasis and high scores reflecting collectivistic emphasis by means of laws, social programs or institutional practices.

In-Group Collectivism is the degree to which individuals express pride, loyalty, and cohesiveness in their organization.

In-Group Collectivism scale measures group (family and/or organization) collectivism – pride in and loyalty to family and/or organization and family and/or organizational cohesiveness.

Gender Egalitarianism is the way in which societies divide roles between men and women. The more gender egalitarianism a society, the less it relies on biology to determine women's and men's social roles.

Power Distance is defined as the degree to which members of an organization or society expect and agree that power should be unequally shared.

Uncertainty Avoidance is defined as the extent to which members of an organization or society strive to avoid uncertainty by reliance on social norms, rituals, and bureaucratic practices to alleviate the unpredictability of future events.

The review of the dimensions of these theories has to be considered in more detail. Therefore, the comparison of the dimensions from all the theories about Russia and Finland will be presented below.

A comparison of Hofstede's dimensions between Finland and Russia is presented below at table 6 and Chart 1.

The biggest difference is in the power distance dimension. In Finland it is low (score 33) and in Russia it is very high (score 90). It means that in Finnish society respect for the individual and equality is very important. It is a guarantee of the successful development of the country. While in Russia high power distance leads to two negative consequences: the existence of irregular working days and harmful working conditions. Most employees in Russia agree to extend their working day at the request of their boss. Often, especially in private business, it is not associated with overtime. People are simply afraid to argue with the manager.

The other difference between these countries by Hofstede's dimensions is uncertainty avoidance. Finland has medium level and Russia has a high level of uncertainty avoidance. That shows that Finnish people mostly do not take risks and prepare for uncertainty situations in advance. Russia, according to Hofstede, has a high score and that means Russian people also do not like the situations of uncertainty and prefer not to take risks. But other research shows different scores in this dimension for Russia.

Individualism in Finland has a high score of 63, while in Russia it is a little bit lower - 50. That means that in Finland people stress on personal achievements

and individual rights. Group work is important, but everybody has the right of his own opinion and is expected to reflect those. In Russia collectivism is the explanation of many phenomena and moods of people, such as “wait and hope for a protection from the chief”, low personal responsibility for solving problems that people face in everyday life. According to Hofstede, this is one of the reasons for the country's poverty and the slow movement towards improvement. However, nowadays in Russian society entrepreneurs and managers are people with an individualistic culture. They would not be businessmen and managers, if they were not "individualistic."

The masculinity score in Finland is low. Hofstede sees Finland as a country of the feminine type. The deep bond of Finnish culture and nature gave rise to the persistence and performance, freedom, and lack of ambition and careerism. Finland is one of the few countries where social gender roles are not fixed, and this is a major sign of femininity. In Russia the masculinity score is higher than in Finland. Hofstede’s score shows that Russia has a medium level of masculinity, but actually Russia still has a strong masculine culture.

Table 6. A comparison of Hofstede’s dimensions between Finland and Russia

Dimensions	Finland	Russia
IDV	63	50
PDI	33	90
UAI	59	90
MAS	26	36

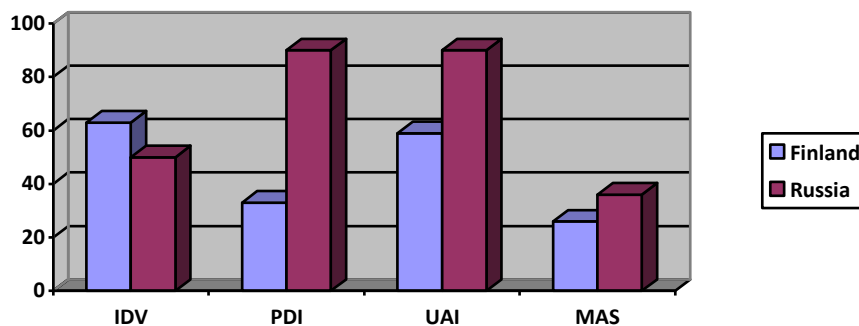


Chart 1. A comparison of Hofstede’s dimensions between Finland and Russia

A comparison of the differences in dimensions between Naumov's and Hofstede's research is considered below. As it is shown in Table 7 and Chart 2 the dimensions of these two scientists differ markedly. The reason of these differences is that Hofstede in his research about Russia used indirect data. While Naumov and his followers used a questionnaire and current data.

The biggest differences between the research are in power distance and uncertainty avoidance. Hofstede made his research in the 1960s and Naumov in 1995-1996, which can explain why the indicators differ so much. Power distance is still high in Russia, but much less than before. Nowadays, there are many companies that start to involve their employees in management processes. The indicator of uncertainty avoidance also became lower. This can be explained by the situation in the country which is more stable than before.

The indicators of masculinity and individualism also differ. In Naumov's research the masculinity dimension is higher than in Hofstede's and individualism is almost the same as Hofstede's.

Table 7. A comparison of Naumov's and Hofstede's dimensions about Russia

	Naumov	Hofstede
IDV	41	50
PDI	40	90
UAI	68	90
MAS	55	36

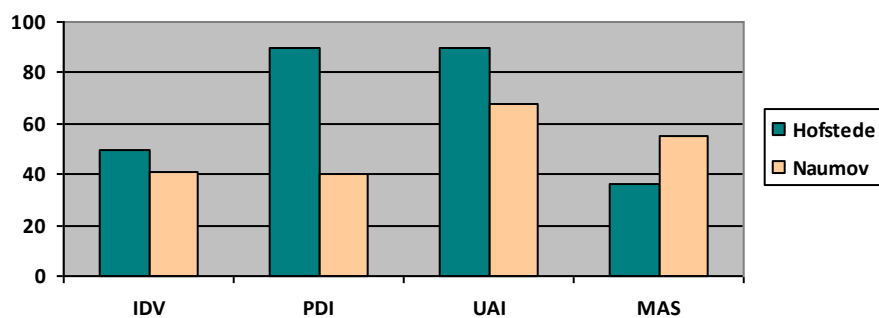


Chart 2. A comparison of Naumov's and Hofstede's dimensions about Russia

Table 8 and Chart 3 describe a comparison of GLOBE's dimensions between Finland and Russia.

Performance orientation in Russia is low and in Finland it is at the medium level. That means the societies in both countries do not strongly enough encourage individuals for improvement and development.

Assertiveness in both countries is low. It shows that people are not and do not want to be assertive, confrontational and aggressive in their relationships with others.

Future orientation in Russia is the lowest and in Finland it is at the medium level. It shows that people in Russia live with a short-term vision, without planning and investments in future. But in Finland people prefer to plan more.

Humane orientation is almost the same in both countries and at the medium level. So individuals in the countries are not encouraged and rewarded enough to be fair, generous and kind to others.

Institutional collectivism in both countries is high. Thus the institutes still support collective action.

In-group collectivism in Finland is low and in Russia it is at the medium level. This shows that individuals in Russia express pride and loyalty to their organizations and especially to families. In Finland groups (partners, families, generations, people at working place, etc.) are also tightly bond.

Gender egalitarianism in Finland is at the medium level and in Russia it is at the high level. The numbers show that Russia has achieved gender equality. But in reality there is still strong masculinity culture in Russia. In Finland men and women are equally treated.

Power distance in Finland is medium and in Russia high. It means that equality is still a big challenge in Russia, while in Finland managers and employees in the companies are equal.

Uncertainty avoidance in Finland is at the high level and in Russia it is at the low level. Thus people in Russia take risks and do not try to avoid uncertainties. They have less stress when dealing with rules and regulations. But Finns prepare for uncertainties and risks in advance.

Table 8. A comparison of GLOBE's dimensions between Finland and Russia

	Finland	Russia
Performance Orientation	3,81	3,39
Assertiveness	3,81	3,68
Future Orientation	4,24	2,88
Humane Orientation	3,96	3,94
Institutional Collectivism	4,63	4,50
In-group Collectivism	4,07	5,63
Gender Egalitarianism	3,35	4,07
Power Distance	4,89	5,52
Uncertainty Avoidance	5,02	2,88

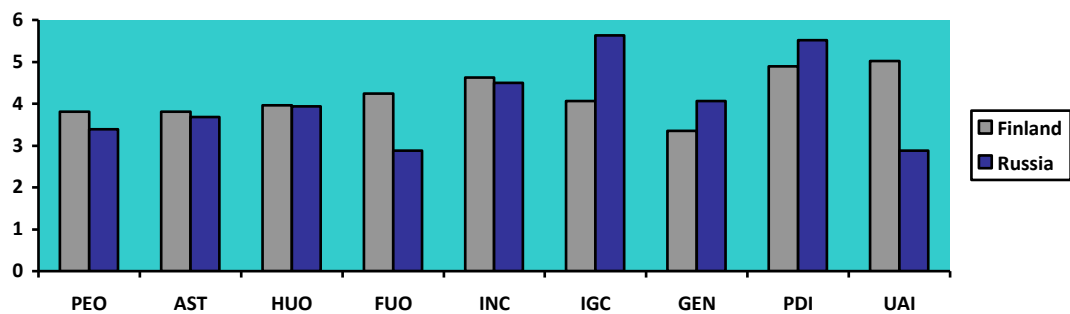


Chart 3. A comparison of GLOBE's dimensions between Finland and Russia

All these theories help to understand business cultures of different countries. The knowledge of the theories will be helpful for managers who work in the international companies. Of course the theory is not the only aspect that has to be studied to succeed, because culture is very complex to be described in the term of the dimensions. The next chapters will consider Finnish and Russian business cultures more deeply. The countries will be analyzed by Hofstede dimensions.

3 FINNISH BUSINESS CULTURE

This chapter will describe business culture in Finland. Finnish business negotiations and business etiquette will be also presented.

3.1 Finnish business culture

Finnish business culture, just like cultures of different countries, has its own characteristics and traditions.

To succeed in the arena of business in Finland it is very important to understand the norms, principles and practices of the business culture of this country. Knowing the main features of the Finnish business culture, you can better serve your customers and understand what is expected of you as an entrepreneur.

In the Finnish business community all relationships are equal. The structure of the hierarchy in this country is growing more vertically, Finns turn to each other "you", and there is no difference between men and women in business. That means low power distance and low masculinity. If there are any differences in business, they are all quickly resolved through diplomatic negotiations. This shows high uncertainty avoidance (www.infopankki.fi)

The Finns try to rationalize their time. They meticulously adhere to deadlines and other plans and require the same from others. A Finn is characterized by thoroughness and accuracy, before deciding he gathers the necessary information, but the decision is quick. All these factors show high uncertainty avoidance.

The special advantages of immigrant entrepreneurs are foreign languages and knowing cultural differences. It is better to keep in mind that Finnish colleagues or customers are carriers of their culture, which determines the relation to different things. Open communication prevents misunderstandings. It will be easier to understand the cultural background by putting yourself in the place of another. In addition, immigrant entrepreneurs can make a personal contribution to the internationalization of Finnish business culture. (www.infopankki.fi)

Finnish management, though basically democratic, differs slightly from that of its Scandinavian neighbors. Power distance is low. Finnish managers are generally well educated. They do not complain or express their feelings, but sometimes they can praise or reprimand when it is necessary. (Lewis 2008, p. 206.)

3.2 Business negotiations in Finland

The Finns are known for their punctuality, so if for any reason you are late, you must notify the Finnish partner as soon as possible. Plan of a business visit is preferable to stipulate in writing form. That shows high uncertainty avoidance. The Finns like to plan. Unlike the Americans and Germans, the Finns often discuss business at lunch.

It is better not start business negotiations with general topics, but just go straight to the point. Finns do not like the verbiage, they prefer an organized, logically built and free manner of presentation. That means low power distance. Often during the conversation Finnish colleagues will "take a pause." It is normal for them. (www.infopankki.fi)

At meetings, Finns talk about things which are absolutely necessary. If the proposal is unclear, they will repeat, summarize everything and assume that this is the best route to clarity. The Finns have more Asiatic rather than European communication patterns. They usually let others speak first and respond carefully after a pause. The Finns value silence and will often use it when communicating as a sign of respect. Statements are regarded as promises and are therefore delayed until the speaker is sure of their intentions. Finnish communication is typically direct. It shows low power distance. (Lewis 2008, p.14.)

The Finns are known as the best listeners and people who do not interrupt. They respect and value each other's opinions and give careful consideration to the proposals of others. The Finns keep high concentration at the meetings. They may give little or no feedback to a business presentation. (That shows a

high uncertainty avoidance.) Active listening is rare and this is often troubling to other nationalities meeting Finns. (ibid, p.72.)

3.3 Business etiquette in Finland

Finnish business and casual wear is quite conservative. But it is necessary to exclude bright colors, jeans are permissible only for informal meetings. For official receptions, women wear cocktail dresses and men - dark suits.

Gifts are not mandatory in business etiquette. Upon completion of the talks you can give small gifts. The Finns can also give a small Christmas gift (a book, cognac, souvenir, music - everything is acceptable for a gift), but it is not mandatory. (www.ibusiness.ru)

The managing director makes decisions in Finland. Decision-making responsibility rests with a group of senior executives. The Finns are very careful, thus they do not make a quick decision. In industry, the major role is played by engineers. The outcome of the transaction will depend on them, because management has taken a strong technical orientation.

The Finns try to avoid situations in which they can lose a control on the process. (www.ibusiness.ru)

Many foreigners find the Finns' tolerance of silence strange. The Finns avoid small talk as they consider it useless and feel uncomfortable with it.

Business entertainment takes place in any of the hundreds of city restaurants. Sometimes people go to theatre, opera, concerts or ice hockey matches with their guests. People usually arrive on time at a social event.

4 RUSSIAN BUSINESS CULTURE

The chapter will consider Russian business culture, business negotiation and business etiquette.

4.1 Russian business culture

A historical analysis shows that the Russian culture in general and business culture in particular, is relational. And that brings Russia together with many other cultural groups, such as Latin, Spanish, and Italian. Relationships are extremely significant.

The central problem in Russian organizational and business culture and management in general is how to find a rational combination of targeting efficiency on the one hand, without which there is no profit, and attitudinal characteristics of culture, on the other hand. (Lewis 1999, p.206.)

Russia is located geographically between East and West. The business culture in Russia has a number of parameters (individualism / collectivism, hierarchy / egalitarianism, etc.) that are in an intermediate position between the Western and Eastern cultures. The growth of Russian involvement in the international projects at all levels of business - from jobs to senior management. The knowledge of the polar features of cultures can navigate in situations of cross-cultural communication, optimize relationships with foreign public. Referring to the stereotypes and hyperbole, it can be defined the typical (though not absolute) line of business cultures of East and West. (Ivanov, 2005, p.16.)

Independence, individualism, egalitarianism, determination, confidence, straightforwardness, reliability, commitment, accuracy, punctuality, initiative, commitment, mobility, energy and optimism can be judged specific distinguishing features of Western business culture.

Evasiveness, hierarchy, collectivism, rituals, decorativeness, dependence, cronyism, nepotism, fatalism, and bribery are generally perceived by Russians as the specific characteristics of Eastern culture. (ibid, p.18.)

4.2 Business negotiations in Russia

Negotiations in Russia can be conducted by individuals or teams of negotiators. The Russians may be very good at exploiting disagreements between members of the other team to their advantage. This shows low individualism.

If possible, make an appointment at least two to three weeks in advance and provide details on titles, positions, and main purpose of the meeting ahead of time, as the Russians want to know whom they will be meeting. This shows high uncertainty avoidance, high power distance. Russians like to be prepared in advance. Mostly at the first meeting it is not possible to meet the CEO, the deal would be negotiated with middle managers. They can affect the final decision of the CEO, so it is better to be prepared well for the meeting with them. This shows high power distance in the organization. (Katz 2008, p.2.)

The meetings may be 10 or 15 minutes late, but the Russians expect foreign visitors to be punctual. If Russians are late more than hour or more, it is better not to show impatience, as it could be a check on you. Being patient is very important for the Russians, and if you show patience, the negotiation could be very profitable. This factor also shows high uncertainty avoidance of the Russians.

Meetings usually start with small talk, which may range from short to extensive. For the Russian side it is important at the first meeting to get to know you and assess you and your company's credibility. That is why it is better to avoid any patronizing or aggressive behavior. There could be business discussion at the meeting, but do not try to hurry with it, because it is impossible from the first meetings to lead to the final decisions. Meetings can be very long but still not reach an agreement. As a foreigner, you should understand that "final decisions" are often not actually the end of the negotiations. The results of negotiations could be more attractive and beneficial if you can hold out. It also shows high uncertainty avoidance and high power distance.

In Russia it is significant to have "connections". That is why nepotism is high in this country. It is extremely difficult to do business in Russia without help from a

local. To help with this, gifts, money or other items are often a good idea when doing business in Russia. This means low individualism. (ibid, p.3.)

Russian negotiators may try to convince you that they have the background and experience required to be successful, exaggerating their capabilities or making questionable promises in order to maintain foreign contacts.

The presentations should be short and concise. It is better to make a good first impression. The Russians are usually pessimistic, so a lack of enthusiastic responses should not discourage you. Russians may expect to discuss several details, so it is better to have enough background information. Having your handout materials translated into Russian can help in getting your messages across. (ibid, p.4.)

4.3 Business etiquette in Russia

Businessmen in Russia usually wear suits that are dark and well tailored along with good dress shoes. A businessman's wardrobe demonstrates the individual's image as a professional. Men often do not take off their jackets in negotiations. This shows high power distance. Women dress rather conservatively, avoiding overly flashy or gaudy outfits. When attending dinner in a somebody's home, casual dress of slacks and a nice shirt without a tie are appropriate. If attending dinner at a family residence, it is appropriate to bring a gift, such as a bottle of wine, dessert, or a bouquet of flowers. (www.ibusiness.ru)

When shaking hands with someone, be sure to take off your gloves, as it is considered rude not to do this. When attending any formal engagements such as theatre, it is appropriate to check your coat and other belongings at the front door of the establishment.

Be sure to have plenty of business cards with double sides of information. One side should be printed in English, the other side in Russian. Be alert and open when taking a drink or having a toast, as refusing to do so is a serious breach of etiquette. (ibid).

Business lunches and dinners are very common, and evening entertainment can be lavish. These events frequently include heavy alcohol consumption and may also extend to visits to banya (Russian sauna). They are very important as they help advance the vital process of building relationships. Refusing to participate in these activities may be taken as a clear signal that you are not seriously interested in doing business with your counterparts. Having a drink with your Russian partners is an easy way to establish good will. However, realize that they may use the opportunity to continue negotiating. Some may even pretend to be more drunk than they really are if they can use this act to their advantage. (Katz 2008, p.5.)

5 EMPIRICAL STUDY ON FINNISH AND RUSSIAN BUSINESS CULTURE

This chapter will present the empirical study about Finnish and Russian business culture conducted by the author of the thesis in 2011. The analysis of data will also be described in the chapter.

5.1 Analysis of data

The study was conducted by using a questionnaire. The questionnaire was designed in Russian and English languages and sent by email to 70 respondents, out of which 40 responded. From 40 respondents 20 were Russian and 20 were Finns.

The questionnaire consisted of 15 questions. It began with general questions about background information. Also there were questions connected with the five dimensions model of the Hofstede research. And in order to get more accurate information open questions were asked too.

As it was mentioned the questionnaire was conducted in two languages. Thus, it makes the survey clearer and more comparative.

As it is shown in chart 4 below, 60% of Finnish respondents were male and 40% were female. 55% of Russian respondents were female and 45% were male.

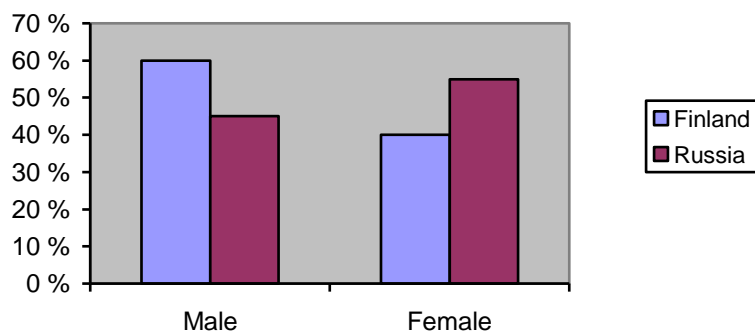


Chart 4. Gender

The ages of the respondents were grouped into categories. The results are presented in chart 5. The majority of Finnish respondents (45%) were young people at the age between 20-30 years. 35% of the respondents were people from 41 to 50, 10% were people at the age between 31-40 and other 10% - people from 50 and over. The majority of Russian respondents (70%) were also young people between 20-30 years, 15% are people from 31 to 40 years old, 10% of the respondents are people at the age between 41-50 years and 5% are people from 51 years and over.

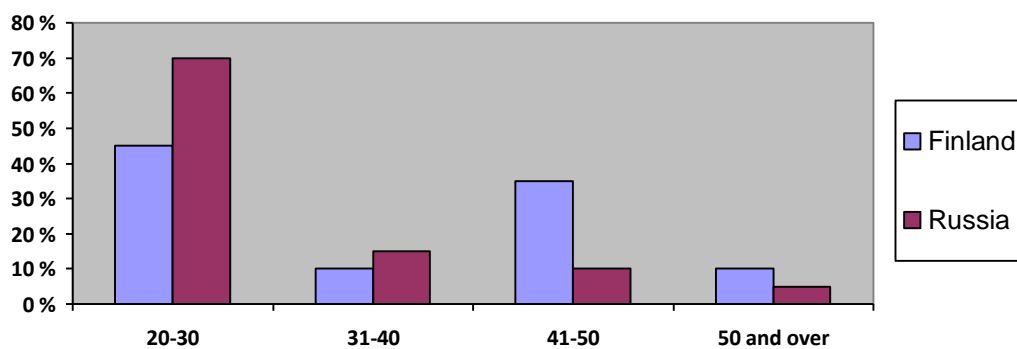


Chart 5. Age

To the question “Where do you come from?” 70% of the Finnish respondents answered from urban area/ city and 30% answered from rural area. The majority of the Russian respondents (80%) were also from urban area and 20% from rural area. The findings are presented in chart 6.

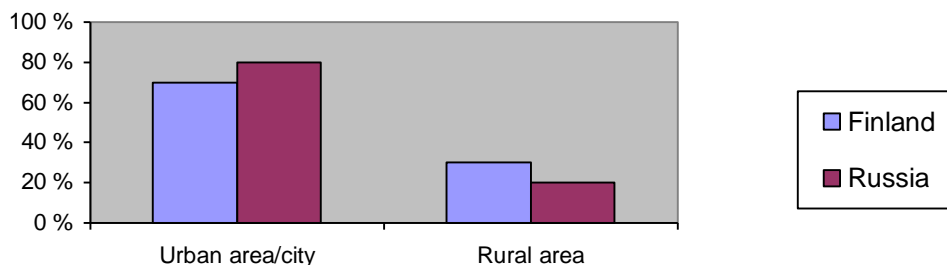


Chart 6. The results of the question “Where do you come from?”

The next question was about the length of work experience. The majority of Finnish respondents (40%) have a work experience of 15 years and over, 25% of the respondents worked from 1 to 3 years, 20% of the respondents have an experience from 4 to 6 years. 10% of the respondents has an experience of 6-10 years and the minority (5%) of the respondents have worked from 10 to 15 years. Russian respondents answered in the following way: 55% have a work experience from 1 to 3 years, 5% have worked from 4 to 6 years, 15% have an experience of 6 to 10 years, 5% of the respondents have worked from 10 to 15 years and 20% have work experience of 15 years and over. The findings about this question are presented below in chart 7.

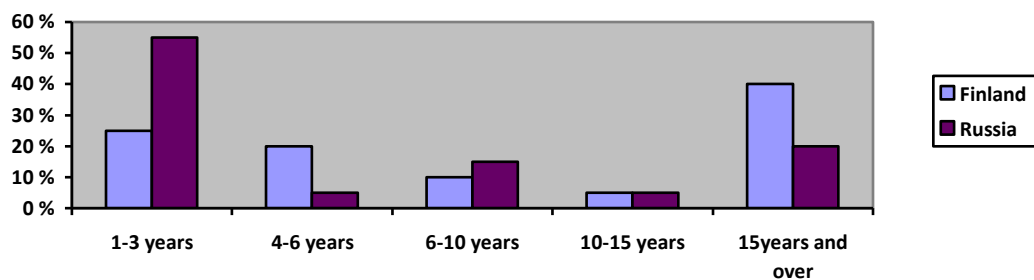


Chart 7. “How long is your work experience?”

On the question “Do you have experience in doing business or working with foreigners?” 100% of Finnish and Russian respondents answered that they had experience in doing business or working with foreigners.

The question “Can you freely ask advice or talk about your ideas with your top management?” is connected with power distance dimension. The results about this question are described in chart 8. The majority of Finnish respondents (55%) can freely ask an advice from their top management any time. 30% have to make an appointment in advance, 10% have to discuss the ideas with their own superiors and 5% can ask advice only through e-mail. As it is shown in chart 8 employees in Finland can mostly freely ask advice and talk about the ideas with the top management. It means power distance in Finland is low. According to Hofstede Finland has low power distance, too. Thus, the results of the study proves Hofstede’s score on this dimension.

According to Russian respondents the majority (60%) can also talk about their ideas in any time with the top management. 25% of the respondents answered that if they have any ideas they have to talk with their own superiors, 10% have to make an appointment in advance and 5% can offer their ideas only through e-mail. This result shows that normally most employees in Russia can talk any time with the top management of the company, which means low level of power distance. The reason of this result could be the age of the respondents because the majority of Russian respondents were young people from 20-30 with work of experience from 1 to 3 years. Thus, new generation of managers show less power distance than their senior colleagues.

According to Hofstede Russia has a very high level of power distance. But according to Naumov power distance nowadays became lower and has medium level, which was discovered in this research, too.

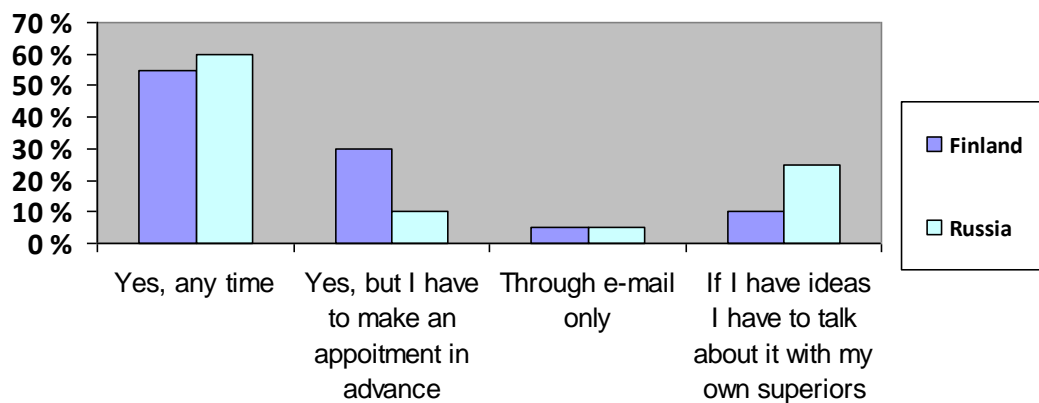


Chart 8. “Can you freely ask advice or talk about your ideas with your top management?”

The next question is connected with masculinity / femininity. Thus, to the question: “Are the executives in your company men or women?” the majority 47,4% of the respondents in Finland answered that most of the executives are men, but there are also women. 26,3% of the respondents answered that there is an equal number of men and women as executives, 15,8% answered that all executives are men, only 10,5% answered there are more female executives than male and none of the respondents answered that all executives are

women. The results that most of the executives are men are very surprising, while Finland is usually concerned as a feminine country. According to Hofstede Finland has one of the lowest scores in Masculinity dimension. But according to the respondents' answers it is shown that most of the executives are men in the companies studied.

Russian respondents answered in the following way: 45% said that most of the executives are men, but there are also women, 35% of the respondents said that at their work all executives are men, 10% answered that there is an equal number of men and women as executives, and 10% said that there are more female executives than male. As it is shown in chart 9 Russia has higher percent of men as executives. That means Russia is still a masculine country, but the number of women executives grows every day.

According to Hofstede Russia is a masculine country, but according to Naumov this level also became lower and nowadays there are many women working as managers and the result of this study on this question shows that, too, as can be seen in Chart 9.

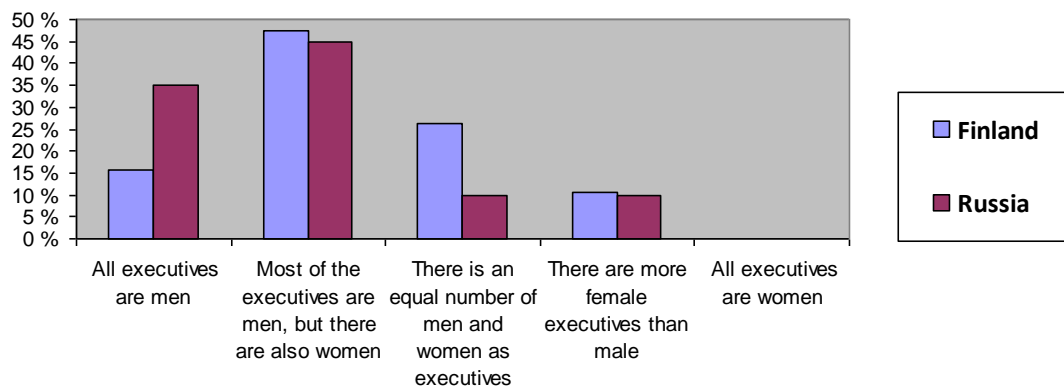


Chart 9. “Are the executives in your company men or women?”

The question “Which decisions are more valued, individual or group decisions?” is connected with the dimension individualism / collectivism. 60% of the respondents in Finland usually decide together what to do and make one decision, 10% answered that a worker does not usually do individual decisions, another 10% answered that individual decisions are valued more than group

decisions at their work, and 20% offered another option. They answered that:

- Inconvenient decisions need to come from the above, they could be called individual. Smaller, tactical decisions are often group decisions.
- It depends on the issue. Everyone must make decisions, but if there is an issue that is not simple, it requires discussion by the experts of that area and when risks and finances are concerned, the decision must be asked from the superior who has the rights.

From the results it is shown that the majority of the employees make one collective decision. According to Hofstede Finland has a medium level of individualism, and the results of the research also can be described as medium level of individualism.

The majority of Russian respondents (45%) answered that usually they decide together and make one decision, 30% said that a worker does not usually do individual decisions, 15% of the respondents answered that individual decisions are valued more than group decisions and 10% chose another option, unfortunately they did not specify the answers.

The results on this question show that in Russia most of the employees decide together what to do. That means low level of individualism. According to Hofstede and Naumov Russia has a medium level of individualism and the findings on the question prove it. The findings are presented in chart 10.

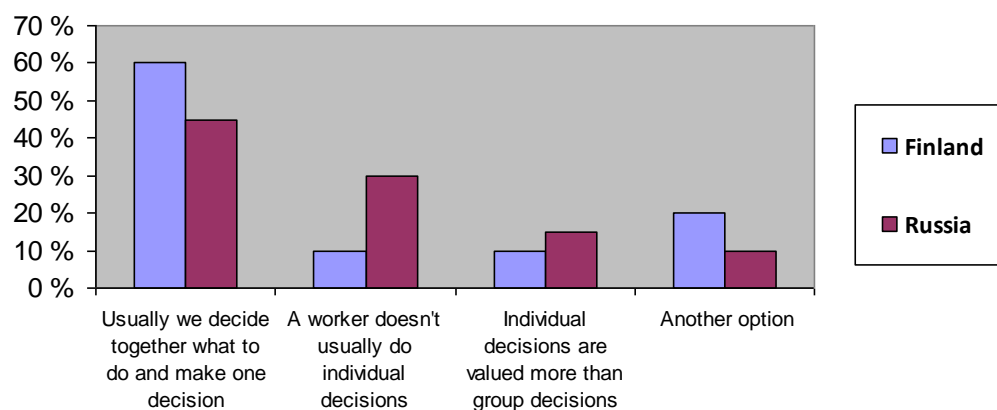


Chart 10. Which decisions are more valued, individual or group decisions?"

The next question “Do your colleagues usually tell you about their private life?” is also connected with individualism / collectivism. 60 % of the respondents in Finland answered that sometimes they discuss private life with the colleagues, 20% of the respondents do not know much about their colleagues, only some separate things. 15% answered that they know almost everything about the colleagues and 5% chose another option but did not specify it. The results describe the dimension of individualism in Finland as middle one. The majority of employees sometimes discuss private life, some of them know almost everything and some do not know anything. All these answers mean the medium level of individualism. According to Hofstede Finland has a medium level of individualism, too. Thus, the results of the study proves Hofstede’s score on this dimension.

The majority of Russian respondents (40%) answered that they do not know much, only some separate things, 30% answered that they sometimes discuss private life, 10% said that they know almost everything about the colleagues and 20% chose another option, but they did not specify it. The answers from Russian respondents show also the medium level of individualism. The results are shown in chart 11. According to Hofstede and Naumov Russia has a medium level of individualism, too. The results of the study proves Hofstede’s and Naumov’s scores on this dimension.

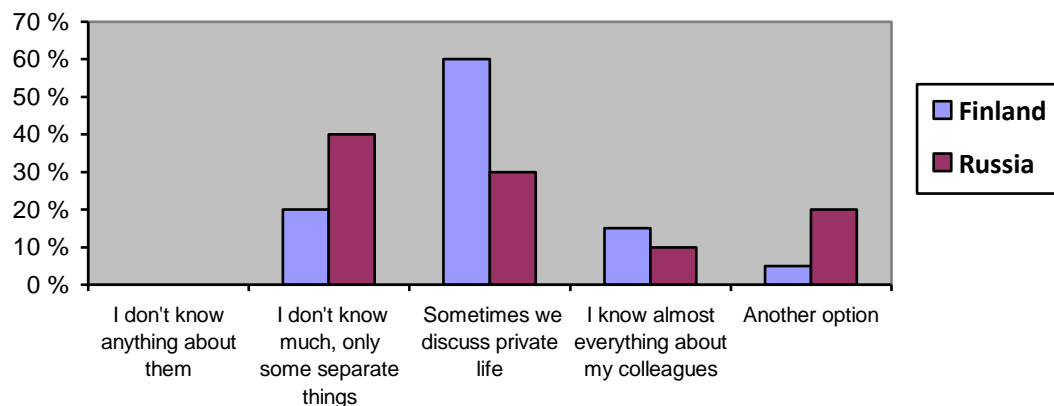


Chart 11. “Do your colleagues usually tell you about their private life?”

The question “Are people at work in general risk-orientated?” is connected with the dimension uncertainty avoidance. The majority of Finnish respondents (45%) answered that they prefer not to risk anything, 35% answered it depends on the situation, but mostly they do not take risks, 10% answered that in most cases they take risks, 5% of the respondents can take risks in order to get more money and another 5% offered another option. This option is “risks are taken and must be taken. We have a quotation rights system in place. It means that risk taking is acceptable but risks must be understood and evaluated, before the name is signed on paper.” These answers show that the level of uncertainty avoidance in Finland is high, majority of people prefer not to take risks, and even if they take it, they evaluate everything in advance. According to Hofstede Finland has a medium level of uncertainty avoidance, but according to the respondents’ answers uncertainty avoidance in Finland is high, as people prefer not to risk anything.

The answers of Russian respondents are the following: 30% answered that they can take risks in order to get more money and another 30% answered that they prefer not to risk anything, 25% said that it depends on the situation, but mostly they don't take risks, 10% of the respondents in most cases take risks and 5% chose another option. This is a very interesting results, because the answers are divided into 3 groups: they take risk, they prefer not to take risks and other said that it depends on the situation but mostly they do not take risks. Thus, most of the employees in Russia prefer not to risk. That means the level of uncertainty avoidance is medium, as respondents opinions were divided into 3 groups.

According to Hofstede Russia has a very high score of uncertainty avoidance, while Naumov’s research showed that the situation has changed and nowadays people are ready for risks and uncertain situations. This research proves Naumov’s theory. The findings are shown in chart 12.

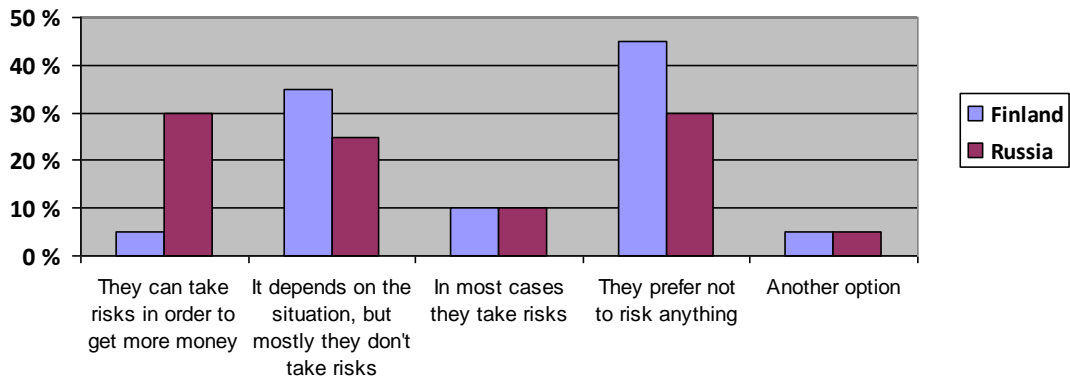


Chart 12. “Are people at work in general risk-orientated?”

The next question “Do you plan everything in advance?” is connected with the dimension of uncertainty avoidance. The answers of Finnish respondents to the question are the following: the majority (60%) mostly make plans, but not for everything, 25% plan everything and 15% only sometimes make plans. 0% answered that they do not plan in advance. Thus, the Finns prefer in most cases to make plans for themselves. This shows high level of uncertainty avoidance. According to Hofstede Finland has a medium level of uncertainty avoidance, but according the respondents’ answers uncertainty avoidance in Finland is high, as people prefer to plan in advance.

The majority of Russian respondents (55%) also answered that they mostly make plans, but not for everything. 35% of the respondents sometimes make plans, 5% plan everything and 5% do not plan in advance. These answers mean that Russian people also prefer to make plans in most cases. Thus, it shows medium level of uncertainty avoidance. According to Hofstede Russia has a high level of uncertainty avoidance, but according to Naumov Russia has a medium level of uncertainty avoidance. This research shows that uncertainty avoidance in Russia is at the medium level and proves Naumov’s theory. The findings on this question are presented in chart 13.

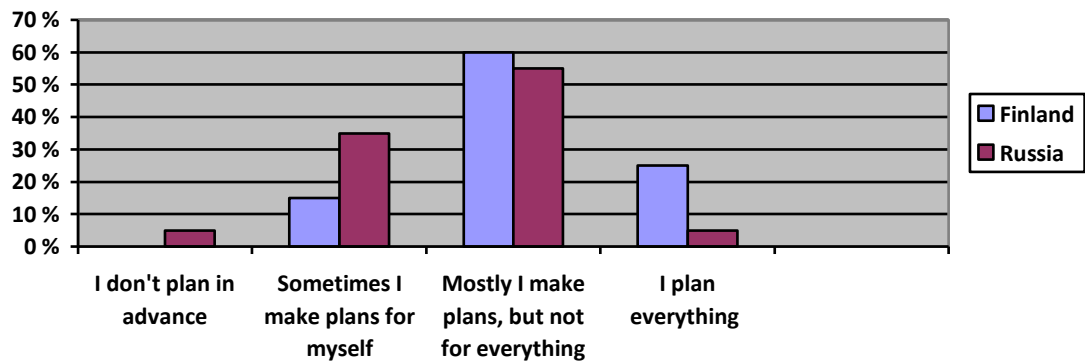


Chart 13. “Do you plan everything in advance?”

The question “Are subordinates at work usually afraid to disagree with their superiors?” is connected with power distance. 70% of Finnish respondents answered that they can say their opinions freely, 10% of the respondents sometimes say their opinions when they disagree, 5% are afraid to disagree, 5% in most cases do not say their opinions, even if they disagree and 10% chose another option. They answered: “it depends on the distance. Against top management very seldom, against middle management very often.” The results show low power distance in Finland. According to Hofstede power distance in Finland is low, too. The results of the study proves Hofstede’s theory.

The answers of the Russian respondents are the following: 45% sometimes say their opinions when they disagree, 25% can say their opinions freely, 20% in most cases do not say their opinions, even if they disagree and 10% are afraid to disagree. These answers show that the level of power distance is not high, it is medium, as the majority of people can say their opinion when they disagree. According to Hofstede power distance in Russia is very high, but according to Naumov it is at the medium level. The respondents’ answers prove Naumov’s theory. The findings on this question are shown in chart 14.

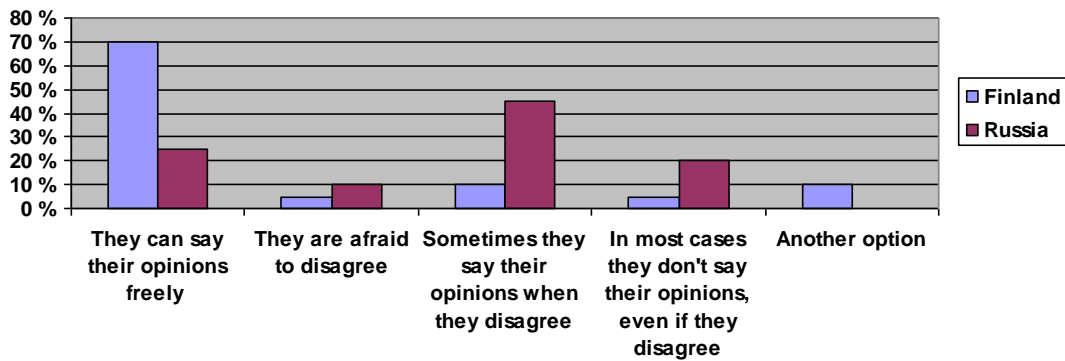


Chart 14. "Are subordinates at work usually afraid to disagree with their superiors?"

The last three questions were open questions. It helps to clarify the respondents opinions. Thus to the question "Have you encountered problems related to cultural differences between Russia and Finland? What problems have you faced?" Finnish respondents answered:

1. *Nothing special, I've been working with a lot of foreigners so it's easy to adapt. But for Finns without experience abroad it's a big cultural "shock".*
2. *In my present work I work with colleagues from all over the world. Comparing to many other cultures, working with Russian people is not very difficult. There are some cultural differences of course and different ways of making business, but nothing that I would call extraordinary. Despite all discussions in the media about the differences between Russia and Finland, I would say that we are rather similar and we understand each other in business.*
3. *Timetables are difficult to follow, changes are difficult to make.*
4. *Some behavioral codes may be different. In general, Finns are more distant and professionally oriented than Russians. Finns may be more business-oriented, in general, whereas Russians may talk about their personal things, too. And Russians don't bother very much about timetables, which may annoy Finns.*
5. *No, I haven't.*

6. *Yes sometimes, cultural problems*

7. *All cultures are different and that can also be seen between Russia and Finland. However, I try to do my best to deal with for example language barriers by trying to talk in English and by trying to express myself some other way.*

8. *Yes, I faced some problems in manner of negotiation, but it can be solved easily.*

9. *Russian people have different ways to handle problematic situations.*

10. *Not much, I feel that both sides understand the differences, which do exist, but all respect the differences*

11. *Compared to Finnish clients Russian clients often avoid admitting some problems or difficulties even they could be easily fixed when brought to notice. With Russian clients it is typical that first everything takes very long time to prepare without any hurry and then suddenly things become very hurry*

12. *Russia lacks result orientation, people concentrate more on their own area and minimizing risks. However, Russians are more flexible than Finnish people.*

Russian respondents answers:

1. *No problems*

2. *Finns are not emotional; they think for a long time*

3. *The difference in mentality*

4. *The main problem, the differences in mentality. The fact that the Russians can act carelessly and unpunished, the Finns follow law and contracts.*

5. *Yes, the language barrier*

6. *Yes. Different attitude to time. Accuracy and punctuality more typical of Finnish culture.*

7. *In my opinion, Russians prefer to risk more than Finns. This can be as*

positive or negative trait in business.

8. The problem of "generality" of the Russians and "concealment" of facts. For the Finns this is prohibited. Finnish people working in Finnish companies in Russia do not understand realities in Russia. They argue that "the Russians always lie, when, the Russians perceive this as" just not giving all information".

These answers show that Finnish and Russian respondents have faced some problems.

The next open question was "How does Russian or Finnish culture affect doing business?" Finnish respondents answered:

1. Finnish people are not networked like it's needed in Russia and they don't understand the need to discuss a lot about things, this is concerning not only Russia but a lot of other southern countries in Europe and the world. Nordic business culture is very different from the rest of the world.

2. I do not want to emphasize the stereotypes too much. Finns are slower but considering the risks and feasibilities more carefully than Russians. Russians get excited and sometimes the enthusiasm is lost after some time. But this is not always the case. I have seen that more and more Russian business people make longer term plans and consider the finances. Finns sometimes lose business because risk is considered too high. Sometimes it is good, sometimes bad.

3. When Finns say "yes", it means business, whereas Russians can say "yes", but it may mean "no", in the end. This may be related to Russians seeming to be afraid of giving negative information, whereas Finns can easily deliver information about bad or unfavorable things.

4. Sometimes it is rather difficult to get open and clear information about the business and organization of a Russian company. Finnish business is more open and feeling confident even in early phases of cooperation. This takes longer with Russians.

5. *They have near geographical location which makes them cooperate more efficiently , but however due to cultural differences it's important that each party understand to behave in the manner that the country requires , and these can lead to a positive approach when making businesses.*

6. *Both cultures have their own style of doing business. Finnish people tend to follow their own way and Russian follow their own way. Sometimes it might be good to compromise.*

7. *It doesn't affect on doing business*

8. *Russian people don't consider risks very carefully, whereas Finns take everything into account.*

9. *Both affect, of course. Russian culture is more 'today', Finnish more rational and long-term. Charisma is more valued in Russian culture, in Finland logic and trustworthiness. In Russia more emphasis on person.*

10. *People can enlarge their impressions on international affairs.*

11. *There are no such a big differences between cultures*

12. *The long break of 70 years has really grown us apart although neighbors. I also believe that religion Orthodox/Lutheran is basis for differences. Russians, Italians and French seem to understand each other much better.*

Russian respondents answered:

1. *I do not know*

2. *Difficult to answer but I think Russian business culture does not exist. We just took over all the Western model and all. Finnish culture should also not be very different from the standard European business culture. The only thing it seems to me that Finnish young people can not quickly build a career or succeed, there is much more attention to the experience, and consequently on the age.*

3. *More bureaucracy in Russia*

4. *Finns are very punctual and terse, Russians are not so punctual and*

emotional when making decisions

5. Representatives of different business cultures in different ways do business.

6. Firstly, great news is that between our countries there is a possibility of a joint business. Secondly, we are neighboring countries - and thus we can expand business and cultural ties. High-speed train Allegro and visa-free travel are also enable positive business in the countries.

7. Completely different culture. Russian employees live by changing mode, timetables are not too binding and important. A lot of things it should have been done yesterday, the Finns have all planned and they will never retreat from the plans, even if the situation gets out of control and we must act quickly, forgetting about the previously established acts.

8. I think it all depends on the specific people working in these companies. But of course there is the effect since we have different approaches to work. Finns are more responsible and pragmatic in comparison with Russian partners, which are more ready to take a risk, even if they do not have a concrete plan of actions. But in the end this neglect often leads to losses or failures.

All respondents have different answers, but almost all agree that business culture affect doing business.

The last question was "How would you describe your own business culture and communication patterns in it?" Finnish respondents answered:

1. Work with colleagues and customers in Russia is similar as with those in any their country and all parties are treated in such a way that they get the products and services as agreed. We expect the same from our colleagues and end customers.

2. I always try to establish good personal relations with the Russians I am dealing with. Checking their personal and company backgrounds, if it is possible, is important. In communication, openness always pays off in the long run. And always deliver according to the contract.

3. *Finland: rational, long planning, execution according to plan*
4. *Toleration to groups different ideas , taking into account all possible solutions , risks . customer satisfaction is vital.*
5. *Open and immediate.*
6. *I always follow the contract*
7. *We are pretty work oriented. We like it when things are going smoothly and we also appreciate respectable discussion between the partners.*

Russian respondents answered:

1. *I do not know*
2. *Chief who tries to be friend with at his subordinates, but in reality it is completely untrue. All who are beneath him have rather informal relationship (between the managers).*
3. *Observe business etiquette and interpersonal skills*
4. *As a symbiosis of different cultures that had (have) an impact on my view of life.*
5. *Business culture - is, above all, spiritual values, environment and way of doing business in the business. In our business, we would like to note the following: honesty, transparency, commitment to the company, motivation and individualism. With regard to communication patterns, it is dialogical and persuasive technology, motivation and control.*
6. *Rather closer to "Russian" culture. Absolutely, because Russian companies (even with foreign capital) should be managed not on Western methods, where any employee can be replaced, and there is a strict hierarchy, but rather by control, knowing that you work with Russian people, who need understanding and interest . Motivation (not necessarily even financial, but ideological) will increase the work of Russian staff at times.*
7. *each partner should 100% understand and realize their responsibility in the*

partnership, to know their responsibilities. Communication is the key to success in any business.

These open questions help to analyze cultural differences in more detail.

From the respondents' answers it is shown that the biggest differences, which can affect on doing business between Finland and Russia, are connected with uncertainty avoidance. The majority of the respondents answered that the Finns and the Russians have different attitude to timetables, risks and problematic situations. They answered in the following way:

The Russians are more risk-orientated than the Finns.

Finnish people always follow timetables and contract, while for Russian people timetables are not too binding and important.

Russian people have different ways to handle problematic situations. Russian clients often avoid admitting some problems or difficulties even they could be easily fixed when brought to notice.

The respondents' answers emphasize the difference in uncertainty avoidance between Finland and Russia. It proves that Finland has a high uncertainty avoidance and Russia has lower, at the medium level.

The next difference between the countries is connected with power distance. The respondents answered:

When Finns say "yes", it means business, whereas Russians can say "yes", but it may mean "no", in the end. This may be related to Russians seeming to be afraid of giving negative information, whereas Finns can easily deliver information about bad or unfavorable things.

These answers describe Russia as a high power distance country, because employees are still afraid to disagree or say "no". While in Finland power distance is low and it is normal for employees say everything directly, whether it is positive or negative information.

6 CONCLUSIONS AND RECOMMENDATIONS

This chapter will describe the major thesis outcome. The recommendations will be premised on the research findings about business cultures of Russia and Finland.

6.1 Conclusions

The problem of this research was to identify cultural differences that Russian companies encounter in Finnish markets. The data used for this thesis were theoretical and empirical. The survey for the empirical data was conducted using a questionnaire. The questionnaire was designed to answer particular questions, which were connected with Hofstede's dimensions.

The analysis of data in this research showed surprising results. The survey results differ in many aspects from Hofstede's theory on Finland and Russia.

The results of the study show that power distance in Finland is low. The majority of the Finnish respondents answered that they can mostly freely ask advice, talk about the ideas with the top management and can say their opinions freely. The answers on open questions show the same results. Thus, it proves Hofstede's theory to be right.

In Russia power distance is at the medium level because the majority of the Russian respondents answered that they can also talk about their ideas in any time with the top management, but only sometimes say their opinions when they disagree. The answers on open questions support this, since the respondents answered that employees in Russia are still afraid to give negative information. The results of the survey of the Russian respondents were very surprising, because according to Hofstede, Russia has a very high power distance. However, according to Naumov power distance nowadays became lower and has medium level, which was discovered in this research, too.

The results of the study on uncertainty avoidance showed that in Finland it is at the high level, since the majority of the Finnish respondents answered that they prefer not to risk anything and mostly they make plans, but not for everything.

The answers on open questions also show that uncertainty avoidance in Finland is high. The respondents answered that Finns always follow the timetable, the contract and they are not risk-orientated. This result differs from Hofstede's theory, which says that uncertainty avoidance in Finland is at the medium level.

The answers of the Russian respondents showed that uncertainty avoidance in Russia is at the medium level because the majority of Russian respondents answered that they mostly make plans, but not for everything. And on the question "Are people at work generally risk orientated?" the respondents' answers were divided into 3 groups: 30% answered that they can take risks in order to get more money and another 30% answered that they prefer not to risk anything, and 25% said that it depends on the situation, but mostly they do not take risks. It means that the level of uncertainty avoidance in Russia is medium. The answers on open questions also prove this, as the majority of the respondents said that Russian people are more risk-orientated than the Finns, although they do not follow the timetables and the contract, as the Finns. According to Hofstede Russia has a very high score of uncertainty avoidance, while Naumov's research showed that the situation has changed and nowadays people are ready for risks and uncertain situations. This research proves Naumov's theory.

The results of the survey on masculinity show that in Finland it is at the medium level, as the majority of the Finnish respondents answered that most of the executives are men, but there are also women. The results are very surprising, while Finland is usually concerned as a feminine country. According to Hofstede Finland has one of the lowest scores in the masculinity dimension. But according to the respondents' answers most of the executives are men in the companies studied and this shows a medium level of masculinity.

The majority of the Russian respondents answered that most of the executives are men, but there are also women. That means Russia is still a masculine country, but the number of women executives grows every day. According to Hofstede, Russia is a masculine country, but according to Naumov this level

also became lower and nowadays there are many women working as managers and the result of this study on this question shows that, too.

Individualism in Finland according to the results of the study is at the medium level. The majority of the Finnish respondents answered that they usually decide together what to do and make decision together and sometimes they discuss private life with the colleagues. According to Hofstede, Finland has a medium level of individualism, and the results of the research also can be described as medium level of individualism.

The results of the survey show that in Russia the individualism level is medium, as the majority of the respondents answered that they usually decide together and make decision together and they do not know much about their colleagues, only some separate things. According to Hofstede and Naumov Russia has a medium level of individualism, too. The results of the study proves Hofstede's and Naumov's scores on this dimension.

The results of the study are shown in chart 15.

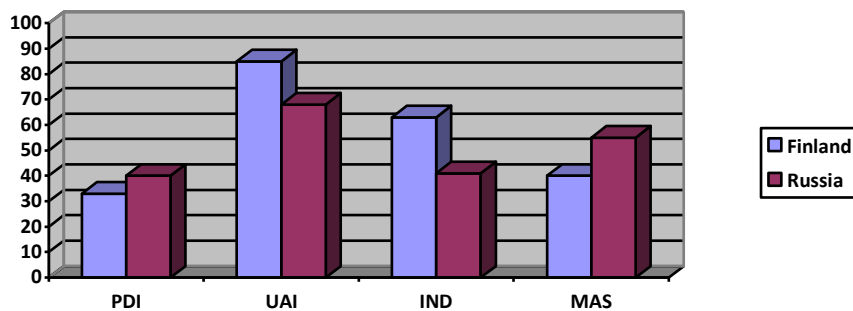


Chart 15. The results of the study on comparison of the Hofstede's dimensions between Finland and Russia.

6.2 Recommendations

Economically and politically Finland has been named as one of the most stable countries in the world. Thus, Finland has continued to attract Russian companies due to economic success, high standards of living and flourishing

business developments. Doing business successfully in Finland requires a thorough comprehension of Finnish business culture.

There are some tips about business etiquette and negotiation in Finland; it will serve as a valuable resource for Russian companies in negotiations with Finnish partners.

The Finns are known for their punctuality, so it is better not to be late at the meeting, but if you are late, you must notify the Finnish partner as soon as possible.

During negotiations with the Finns it is better just go straight to the point. Finns talk about things which are absolutely necessary. They prefer an organized, logically built and free manner of presentation. If the proposal is unclear, they will repeat, summarize everything and assume that this is the best route to clarity.

The Finns are known as the best listeners and people who do not interrupt. They respect and value each other's opinions and give careful consideration to the proposals of others.

Gifts are not mandatory in Finnish business etiquette. Upon completion of the talks you can give small gifts.

The analysis of the study shows the differences in Hofstede dimensions between Finland and Russia. The results of the survey differ in many aspects from Hofstede's theory.

The most surprising results on Finland were masculinity and uncertainty avoidance. According to Hofstede Finland is a country with low level of masculinity, but the survey showed that masculinity in Finland is at the medium level. Also the results of study showed that the level of uncertainty avoidance in Finland is high, which differs from Hofstede's theory. According to Hofstede uncertainty avoidance is at the medium level.

The results of the study on Russia differ from Hofstede's theory in almost all

aspects and thus, prove Naumov's theory. The survey showed that power distance in Russia is at the medium level, uncertainty avoidance is at the medium level, too. Russia is still a masculine country, but the number of women executives grows every day and level of individualism in Russia is medium.

The analysis showed that business cultures of Finland and Russia differ a lot from each other. Russian companies have to understand the differences between the countries. Thus, the companies can avoid mistakes.

If Russian businessmen want to be successful in Finland they should follow the timetables, as the Finns always follow them and they do not like rush and unpredictable changes. This factor is very significant because for Russian people it is usual to change the timetable or something else at the last moment. The Russians are more risk-orientated than the Finns and this factor can also interrupt doing business.

Russian companies should respect contracts and authorities, as in Finland rules are very strict. What is written in the contract should be done. Russian companies should consider this very carefully.

Russian companies should give negative information directly, as Finnish business is open and employees are not afraid to give negative information to the top management.

The results of the survey showed that these factors are very significant for the Finns when they are doing business. Thus, Russian companies in order to succeed in Finnish markets should consider them.

Finland is a highly developed European country with a market economy, which has long-standing economic ties with Russia. The government is business-friendly and the country has a developed infrastructure, a skilled workforce and competitive operating costs. Finland is one of the least corrupt countries. Due to these factors Finland is very attractive market for doing business for Russian companies.

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APPENDICES

Appendix 1

1(3)

1. What is your gender?
 - Male
 - Female
2. How old are you?
 - 20-30
 - 31-40
 - 41-50
 - 51 and over
3. Where do you come from?
 - Urban area/ city
 - Rural area
4. How long is your work experience?
 - 1-3 years
 - 4-6 years
 - 6-10 years
 - 10-15 years
 - 15 years and over
5. Do you have experience in doing business or working with foreigners?
 - Yes
 - No
6. Can you freely ask advice or talk about your ideas with your top management?
 - Yes, any time
 - Yes, but I have to make an appointment in advance
 - Through e-mail only
 - If I have ideas I have to talk about it with my own superiors
 - Another option

7. Are the executives in your company men or women?
 - All executives are men
 - Most of the executives are men, but there are also women
 - There is an equal number of men and women as executives
 - There are more female executives than male
 - All executives are women
 - Another option
8. Which decisions are more valued, individual or group decisions?
 - Usually we decide together what to do and make one decision
 - A worker doesn't usually do individual decisions
 - Individual decisions are valued more than group decisions
 - Another option
9. Do your colleagues usually tell you about their private life?
 - I don't know anything about them
 - I don't know much, only some separate things
 - Sometimes we discuss private life
 - I know almost everything about my colleagues
 - Another option
10. Are people at work in general risk-orientated?
 - They can take risks in order to get more money
 - It depends on the situation, but mostly they don't take risks
 - In most cases they take risks
 - They prefer not to risk anything
 - Another option
11. Do you plan everything in advance?
 - I don't plan in advance
 - Sometimes I make plans for myself
 - Mostly I make plans, but not for everything
 - I plan everything
 - Another option

12. Are subordinates at work usually afraid to disagree with their superiors?
- They can say their opinions freely
 - They are afraid to disagree
 - Sometimes they say their opinions when they disagree
 - In most cases they don't say their opinions, even if they disagree
 - Another option
13. Have you encountered problems related to cultural differences between Russia and Finland? What problems have you faced?
14. Does Russian/Finnish culture affect doing business?
15. How would you describe your own business culture and communication patterns in it?

1. Ваш пол
 - Мужской
 - Женский
2. Ваш возраст
 - 20-30
 - 31-40
 - 41-50
 - 51 и больше
3. Откуда Вы родом?
 - Городской район / город
 - Сельский район
4. Ваш опыт работы
 - 1-3 года
 - 4-6 лет
 - 6-10 лет
 - 10-15 лет
 - 15 лет и больше
5. Есть ли у Вас опыт ведения бизнеса или работы с иностранцами?
 - Да
 - Нет
6. Можете ли Вы свободно спрашивать совета или говорить о Ваших идеях с высшим руководством?
 - Да, в любое время
 - Да, но я должен назначить встречу заранее
 - Только через электронную почту
 - Если у меня есть какие - либо идеи, я должен говорить о них с моим собственным начальством
 - Другой вариант

7. В компании, где Вы работаете, руководителями являются мужчины или женщины?
- Все руководители – мужчины
 - Большинство руководителей – мужчины, но есть также и женщины
 - В компании равное количество мужчин и женщин руководителей
 - Женщин- руководителей больше чем мужчин
 - Все руководители – женщины
 - Другой вариант
8. Какие решения ценятся больше на Вашей работе, индивидуальные или групповые?
- Обычно мы решаем вместе с коллегами что делать и принимаем одно решение
 - Работник обычно не принимает индивидуальных решений
 - Индивидуальные решения ценятся больше чем групповые
 - Другой вариант
9. Ваши коллеги рассказывают Вам об их личной жизни?
- Я ничего не знаю о них
 - Я не знаю много, только отдельные вещи
 - Иногда мы обсуждаем личную жизнь
 - Я знаю практически все о своих коллегах
 - Другой вариант
10. В целом люди, работающие с Вами в компании способны на риск?
- Они могут рискнуть, чтобы получить больше денег
 - Зависит от ситуации, но в большинстве случаев они не рискуют
 - В большинстве случаев, они рискуют
 - Они предпочитают не рисковать
 - Другой вариант

11. Планируете ли Вы все заранее?

- Я не планирую заранее
- Иногда я строю планы для себя
- В большинстве случаев я строю планы, но не для всего
- Я планирую все
- Другой вариант

12. Подчиненные на работе боятся не соглашаться с их начальниками?

- Они могут высказывать свое мнение свободно
- Они боятся не соглашаться
- Иногда они высказывают свои мнения, когда не согласны
- В большинстве случаев они не высказывают свои мнения, даже когда не согласны
- Другой вариант

13. Сталкивались ли вы с проблемами, связанными с культурными различиями между Россией и Финляндией? С какими именно проблемами Вы столкнулись?

14. Как Финская и Российская культуры влияют на ведение бизнеса?

15. Как бы вы описали свою собственную бизнес культуру и коммуникационные модели в ней?