



The Development of Business Styles in Post-Soviet Russia and Belarus

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In this essay, we analyze trends, habits, foreign influences, and rules that governed the development of business styles in post-Soviet Russia and Belarus. Different rates of privatization, attitudes toward a market economy, social stereotypes, and the role of moral values created very diverse markets from the economies that evolved from the time of the Soviet Union. We pay special attention to “*blat*,” the many-sided phenomenon that serves numerous social and market functions.

Analyzing business styles in Russia and Belarus is interesting because, although the two created the Union State in the 1990s, they differ in how they have developed their economies. Russia enthusiastically embraced a market economy and quickly developed it in preference to the soviet state’s command economy. Rapid implementation of new rules and customs resulted in the criminalization and bureaucratization of the Russian economy, which became as ugly and corrupt as nineteenth-century market economies. As Paul Norbury noted, “Post-Soviet Russia was marked by the misdealing of corrupt officials, financiers and gangsters, as well as soaring rates of drug abuse, racketeering and murder.”¹ Actually, bandit schemes for marketization were a main reason

¹Paul Norbury, *Customs & Etiquette of Russia* (Simple Guides Customs and Etiquette) (Sharjah, UAE, 2006), 29.

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for the collapse of the USSR (Union of Soviet Socialist Republics) itself. As Anders Aslund rightly described events in the 1980s:

As state enterprise managers were becoming increasingly independent of the ministries, they wanted to channel the fortunes in their state corporations to themselves. Managers established private cooperatives on a mass scale and attached them to “their” state enterprises to transfer dead enterprise money into their own pockets. They sold attractive goods at low state prices to their private cooperatives, which accumulated the profit. Soon, they passed on the profit to offshore companies to keep it safe abroad. This management theft mechanism was fully established by mid-1988. From that moment, it was only a matter of time before the economic system would collapse.²

As a result, the legal system and business ethics did not work properly; the situation was such that “The foreign visitor should not be shocked by influence transactions or manipulation of the law, which would typically be condemned as unabashed corruption in the West. A nascent legal system, absence of fundamental business ethics and a culture based on patronage makes such practices endemic in Russia’s newly emerging free market system.”³

The changes during the first years after the USSR’s collapse were the most terrible; competition for the privatization of state enterprises legitimized all possible means to win. For example, from one interview:

In our city was big oil refinery. It belonged to state and his manager was able even in desperate 1990s to provide workers with free of charge flats, secondhand cars, taken by big parties from Japan, and big salaries. He created a kind of communism for workers when at other factories in the region situation with salaries and work was disastrous. But Russian oligarchs decided to privatize this oil refinery. They made agreement with local corrupted governor that this oil refinery should be privatized for their own benefit and proposed to participate in this deal to the manager for portion of shares. But manager of oil refinery denied this deal. He was afraid that workers will lose their privileges under private ownership. In two weeks he was killed and one week later the oil refinery was privatized. The workers soon forgot about big salaries, free of charge cars and flats.⁴

Several years after the crash of the USSR came the first restrictions on creating businesses; according to Aslund, “murder was no longer

² Anders Aslund, *Russia’s Capitalist Revolution: Why Market Reform Succeeded and Democracy Failed* (Washington, D.C., 2007), 57.

³ Drew Wilson and Lloyd Donaldson, *Russian Etiquette & Ethics in Business* (Lincolnwood, Ill., 1996), 133.

⁴ Former Russian racketeer, regional, Russian, translation.

perceived as a permissible means in Russian big business after 1994.”⁵ Not all market competitors for profit were deterred by that restriction, however. As a result, during the 1990s, a Russian business style developed that included garish luxury in clothes and offices, aggressive attitudes toward staff, and the use of killers and terrorization in economic transactions. Big deals were conducted with the help of corrupt officials, including police officers, attorneys, and even high-ranking military personnel. Western business-style characteristics were originally adopted only as a front by this highly specialized economy, and its atavistic features were forced out only in the last several years.

One source of such uncivilized rules of business was the psychological attitude toward capitalism in the USSR. The psychological antipathy to entrepreneurship during the Soviet period was profound: “decades of anticapitalist propaganda had created a caricature of private enterprise as a vehicle for the exploitation of workers by owners, as well as one that created enormous risks, ranging from unemployment to the U.S. Depression.”⁶ Thus people considered capitalism a dirty game without rules. The other psychological reason lies in the mass propaganda during the 1990s that viewed the Western mode of life as the only acceptable lifestyle, even for those living in country where the standard of living was not very high. To raise the standard of living to Western standards became the goal for many individuals; morality was unimportant. This is a typical life story of one of the “capitalist makers” in Russia during the 1990s:

When I was 18 the USSR collapsed. I want the level of life as Americans had—in my city only two categories of people had this one—businesspersons and racketeers. I made inquiries and found that profession of businessperson is too risky compare to racketeer one—the businesspersons were often tortured or killed for their money. So I become racketeer and was in that business more than 10 years—after that I bought permission to live in Germany for me and my family through corrupted German Embassy’s official to enjoy more restful life abroad.⁷

Those in Belarus were not as enthusiastic about capitalism and took careful steps to develop market components, mainly following the Chinese model of transformation. They avoided the high degree of criminalization and corruption of the distressing Russian experience. One factor contributing to success was the slow pace of privatization, which resulted in a state sector share that remained at 75 percent in 2009. Both countries experienced a high degree influence from Western business styles, but the

⁵ Aslund, *Russia’s Capitalist Revolution*, 172.

⁶ Gail Buyske, *Banking on Small Business: Microfinance in Contemporary Russia* (Ithaca, N.Y., 2007), 52.

⁷ Former Russian racketeer, regional, Russian, translation.

influence on Russia was much more profound. In Belarus, Western business styles evolved, with Western-like changes occurring in the state sector only after 2005.

Friendship plays an important part in business in both Russia and Belarus; it often means more than money. According to a story from one of our respondents, a businessman from Moscow gave a million dollars to a friend in Belarus to start a business. The business nearly collapsed, but no sanctions were taken against the debtor, because he was an old friend of the millionaire. Both had influential posts in the Soviet Union's Komsomol (the youth wing of the Communist Party) and often traveled together in the course of their duties.⁸

Without friendship, borrowing money from New Russians is risky. Many were killed for their inability to repay their debt on time. The practice of terrorizing debtors is part of private business, not only in Russia, but also in Belarus. For example, one debtor took \$500,000 from a rich businessman in Minsk, but his attempts to repay the sum were unsuccessful because of the high interest incurred on the debt. His firm's profits were only enough to pay the interest. When he became unable to pay even that, his creditor sent him a hearse to remind him that he must pay. After getting that message, the debtor hardly drank for several days and started new business initiatives to help his firm to make money.⁹

The question of friendship cannot be analyzed fully without its association with the meaning of the word "*blat*." *Blat*, which refers generally to the informal exchange of personal favors, is defined in a very specific way in Eastern Slavic countries. It is a many-sided phenomenon. Originally *blat* arose during the time of the Soviet Union as a social mechanism aimed at compensating for the lack of a market economy. It helped people get essential goods that were unavailable in the shops via friends or friends of friends. *Blat* is also a compensational mechanism in cities for former villagers who miss traditional structures. *Blat* imitated traditional ties between relatives in the village; when villagers arrived in the city it reduced the isolation of urban life by making a virtual collective of people who became part of a *blat* network, creating structures for social networking.

Blat also created structures for collective action. Millions of people who wanted new cars in the Soviet Union searched for *blat*. *Blat* helped to restore human dignity to people in the USSR. When there were no food choices in the shops, *blat* assured that there were many different foodstuffs on one's table; it allowed individuals to overcome restrictions on their right to make choices.

⁸ Financial advisor, Minsk, Russian, translation.

⁹ *Ibid*.

Blat also established a level of sociability. Everyone who tried to make friends had blat because of their own friends, or friends of friends. Blat is not a closed system for selected people; only those without friends were without blat.

Blat can also be a mechanism for becoming rich. For example, in the USSR people who were responsible for things in short supply could easily make money by doubling the price. It was a risky, but efficient, way of creating a market mechanism in a non-market economy.

Blat provides a means of caring for friends and relatives by giving them extra things and good jobs—a way to demonstrate one's success. The more things a person is able to obtain, the more problems he resolves for his friends, and the more social capital he has in other peoples' eyes. Additionally, blat can be a means of noncommercial relating that makes money irrelevant: a way to make something that cannot be made for money.

Due to its multifaceted nature, blat either could be useful for creating a business or unsuitable. Thus, with respect to blat:

For the firms that depend on blatters to garner favor and influence with “significant others” on their behalf, the blatters represent both a blessing and a curse. From one perspective, firms cannot live without them. But from another perspective, blatters create such challenges for firms' HR managers that it is always impossible to live with them.¹⁰

Multimillionaires (of which there were 102 in Russia before the crisis of 2008) were of special interest to us. Always followed by journalists and less successful business people, multimillionaires create popular modes of behavior in business and ordinary life. They became icons of Russian business; if they made something, others wanted to copy their behavior. The prevailing opinion in Russia was that many multimillionaires did not really own the money they controlled: “They are just care of them for real owners, big state bureaucrats that cannot officially have business.”¹¹

Due to rapid privatization, accomplished via numerous violations of the law, Russia became highly differentiated, with a small rich community at the top and everyone else at the bottom. The elites took such a large proportion of the national income that the development of the economy was hampered.

¹⁰ Ruth C. May and Donna E. Ledgerwood, “One Step Forward, Two Steps Back: Negative Consensus of National Policy on Human Resource Management Practices in Russia,” in *Human Resource Management in Russia*, ed. Michel E. Domsch and Tatjana Lidokhover (Aldershot, 2006), 34.

¹¹ Professor, Moscow, Russian, translation.

In early twenty-first-century Belarus there are no multimillionaires; state ownership of large factories produces sufficient income. The Belarusian population is much less differentiated compared to Russia, and the political system is much more stable. Even the authors of the *World Factbook*, published by the U.S. Central Intelligence Agency, note that “A wide range of redistributive policies has helped those at the bottom of the ladder; the Gini coefficient is among the lowest in the world.”¹² Thus, in Belarus, Russian multimillionaires are not envied as they are in Russia; they are mostly treated as dangerous people who rob ordinary Russians.

There are also different business styles in different regions of Russia and Belarus. For example, it was mentioned in one interview:

Moscow—this is totally aggressive business aimed at capture of market. Nizhny Novgorod’ method of making business—this is quite different. This is very similar to our Belarusian way of making business—steadily, calmly, without excessive aggressiveness. Yekaterinburg—this is also quite different, they have specific steadily-aggressive way of making business.¹³

What are the pros and cons of creating a business in Russia versus Belarus? As one respondent mentioned:

Area of strength of Russian business compare to Belarusian one is more sophisticated approach, more experience in business. Belarusian way of making business is much more intuitive. In Belarus much of business interactions are made at personal contacts. And every city has its own specific, its own preferences in business interactions. And without personal contacts impossible to make anything.¹⁴

Another respondent suggested:

Russian businessmen are more maneuverable in the decision making compare with Belarusian ones, especially in critique situations or in situations when it is necessary to make speed decision, they are easily make concessions. The main reason why is the private ownership in most Russian enterprises and state ownership in most Belarusian ones.¹⁵

A manager pointed out:

Russian approach to business is more global, freer, more market oriented, Russian now working more according to Western scheme. Main problem of Belarusian business is decision making.

¹² *The World Factbook*: CIA; viewed 14 Jan. 2009. URL: <https://www.cia.gov/library/publications/the-world-factbook/print/bo.html>.

¹³ Head of private enterprise, Minsk, Russian, translation.

¹⁴ Ibid.

¹⁵ Vice-Head of state enterprise, Minsk, Russian, translation.

Paper work is sometimes more important than operational efficiency in the decision-making.¹⁶

At the same time:

Russian style of business is not equivalent to Western one. We still have similar mentality, Russians and Belarusians. Our Russian partners are ready to understand our problems, western ones are not. There are not only commercial relations with Russian partners; there is also important mental component.¹⁷

Not all respondents agreed. Some emphasized that in Belarus the judicial and moral dimensions of creating businesses differ in important ways from those in Russia. As one individual mentioned, "In Belarus more reliance on law both for state and business, in Russia it is very hard to find the truth, even for big company."¹⁸ Another confirmed that: "Main advantage of Belarusian business making is more human attitude to staff and partners than in Russia. There are also more fair relations, clear attempt to conduct transactions without deception. Perhaps this is our specific national peculiarity."¹⁹

Due to the importance of interpersonal connections, the best way to create a business in Belarus is to hire well-known local people. For example, the Russian mobile phone business Evroset hired Ales' Muhin, famous for playing a popular television intellectual in "*Chto, gde, kogda?*" (What, Where, When?), to start a business in Belarus. However, once a business is started and all necessary connections with important people have been made, foreigners often prefer to have their own management staff. For example, it is often said of Russian investors that:

The Russians appoint managers from abroad because they didn't trust in rigidity of Belarusian managers. . . . Belarusians could not demonstrate the sternness in the management that characteristic for Russian managers. And in that management change Russian owners demonstrate absolute cruelty. They have prepared matrix for making business according to experience of Western corporations and they need people that will carry out the functions precisely according to this matrix. Belarusians still considered unprepared for such work.²⁰

The other way to start a business is to find new connections via friends: "In Belarus all private business is building on informal contacts. If I want to start new direction of business I am searching people that will

¹⁶ High-level manager of big state enterprise, Minsk, Russian, translation.

¹⁷ Vice-Head of state enterprise, Minsk, Russian, translation.

¹⁸ Vice-Head of private enterprise, Minsk, Russian, translation.

¹⁹ High-level manager of big state enterprise, Minsk, Russian, translation.

²⁰ Head of private enterprise, Minsk, Russian, translation.

acquaint me with people in that business or region. They will recommend me to them and I will work as a friend.”²¹

In conclusion, business styles in post-Soviet Russia and Belarus are quite different. The main reasons for this are: the extent of private ownership in Russia, while the state prevails in Belarus; different government approaches to privatization; the role of law and ethics in the society; the different-sized economies; and a more patriarchal way of making money in Belarus.

²¹ Vice-Head of private enterprise, Minsk, Russian, translation.