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Western Divestments from Russia: Cultural Specifics of Firms that Stay

Master's Thesis by the 2nd year student
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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

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АННОТАЦИЯ

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Описание цели, задач, и основных результатов	<p>Основная цель исследования состоит в том, чтобы понять, могут ли определенные культурные особенности сделать западные ТНК более устойчивыми к давлению дивестиций в России. Вопросы исследования заключаются в том, какая организационная культура есть у западных ТНК в России, а также влияет ли страна, в которой базируется ТНК, на культуру ТНК в России, и происходит ли культура ТНК в России в большей степени из их страны происхождения или является организационной культурой. Процесс исследования включал в себя обзор литературы и рыночных факторов, опрос, распространенный среди сотрудников западных ТНК в России, и анализ примеров из практики нескольких компаний, которые остались в России и которые ушли с рынка. Результаты опроса показывают, что результат-ориентированная организационная культура, как правило, является наиболее распространенной. Результаты тематического исследования отражают этот вывод: каждая компания демонстрирует свои особенности. Похоже, что культура каждой компании проистекает из ее российских сотрудников с незначительным влиянием страны происхождения ТНК. Представляется, что повышенная гибкость с точки зрения организационной культуры в рассмотренных случаях дает положительные результаты.</p>
Ключевые слова	ТНК, организационная культура, национальная культура, иностранные дивестиции

ABSTRACT

Master Student's Name	William Kirill Clark
Master Thesis Title	Western Divestments from Russia: Cultural Specifics of Firms that Stay
Faculty	Graduate School of Management
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Description of the goal, tasks, and main results	<p>The primary goal of the study is to develop an understanding of whether certain cultural characteristics may make Western MNCs more resistant to divestment pressures in Russia. The research questions are what sort of organizational culture do Western MNCs in Russia have, if any, to consider whether the country from where the MNC is based affects the MNCs culture in Russia, and whether the culture of MNCs in Russia derives more from their country of origin or is an organizational culture. The research process was a literature and market factor review, survey distributed to employees of Western MNCs in Russia, and a case study analysis of several companies which both remain in Russia and have divested. The survey results imply a result based organizational culture is generally the most pervasive. The case study results mirror this finding with each company displaying some peculiarities. It appears that the culture of each company stems from its Russian workforce with minor effects from the MNCs home country. It appears that increased flexibility in terms of organizational culture, in the cases examined, yields positive results.</p>
Keywords	MNCs, organizational culture, national culture, foreign divestment

TABLE OF CONTENTS

1. INTRODUCTION	7
2. THEORETICAL BACKGROUND	9
2.1. Foreign Divestment	9
2.2. Organizational Culture	10
2.2.1. Culture Defined	10
2.2.2. National Culture	11
2.2.3. Corporate Culture	13
2.3. Cultural Influence on Foreign Divestment	15
3. METHODOLOGICAL FRAMEWORK USED	16
3.1. Research design	16
3.2. Selection of companies	18
4. EMPIRICAL RESEARCH	19
4.1. Introduction: Characteristics of Western MNCs in Russia	19
4.2. Case of Danone	32
4.3. Case of Proctor & Gamble	36
4.4. Case of Unilever	40
4.5. Case of MediaMarkt	44
4.6. Case of Shake Shack	46
5. CONCLUSION	49
6. LITERATURE	51

1. INTRODUCTION

Foreign Divestment (“FD”) by Multinational Corporations based in the West (“Western MNCs”) of their investments in Russia has increased in the past few years. Foreign divestment has historically received less attention than inbound mergers and acquisitions (“M&A”) and foreign direct investment (“FDI”), despite also being of critical strategic importance to most Western MNCs. Western MNCs have historically engaged in FDI in Russian for a number of reasons, as reported in the literature. Most research suggests that the loss of competitive advantage has been a primary motivator, while cultural drivers have received more limited attention (Groysberg et al, 2018). This paper examines one critical cultural factor driving FDI by Western MNCs in the context of several specific cases. In particular, this analysis is focused on the perceived differences between dominant corporate culture of the typical Western MNC and their Russia-based wholly-owned subsidiaries, as well as more broadly the differences between the national culture of the parent organization of the Western MNC and the Russian market. In this regard, the analysis attempts to identify certain critical success factors related to this important cultural phenomenon. In order to uncover some insights in this area, this research looks at several cases of two separate types. The two separate types of cases examined are companies which have left Russia and companies which have remained in Russia.

It is important to first recognize what foreign divestment is and what causes it. Regarding the first point, divestment is one of many terms used to describe the same thing: the sale or elimination by other means of certain company assets. In this article we describe a more specific form of divestment. One in which a company based abroad sheds its assets in a foreign country (in this case Russia.) Other terms that have been used and can be used to describe this same phenomenon are divestiture (Song, 2014), withdrawal, winding down of operations, shut down, disinvestment, de-internationalization, divestiture (Shapiro, 2019) and market exit. Foreign divestment is in essence a downsizing in company assets and might take the form of the shutdown of a department, or entire company in a foreign market. Broadly there are three different forms that divestment can take. First, is a closure or liquidation. This is when a business just decides to close its operations and business. Second, is a reduction in operations through a reduction in investment. This is often referred to as disinvestment or starvation. Finally,

divestiture refers to the sale of a subsidiary to another company or government. (Steenhuis and Bruijin, 2009)

Foreign divestment can occur for a number of reasons. Most literature focuses on specific factors that could result in a bad outcome or exert divestment pressure in some other way. There remains no comprehensive theory on what causes firms to divest. Common explanations described by Benito and Welch (1997) are disappointing performance, inadequate analysis prior to investment, poor market conditions, insufficient resources, various external pressures, poor management, or a revision in company strategy that leads a subsidiary to become redundant. Ovin (2021) identified that poor media coverage of inbound international M&A may contribute to negative outcomes. The research also found that developed economies generally had more favorable media coverage of inbound international M&A when compared to developing economies. It is safe to extrapolate that this attitude to foreign M&A activity is extendable to other forms of foreign business activity.

The research goals of this article were exploratory and there were no intentions of proving any sort of causation between a particular type of culture and success in Russia. The research seeks to answer several questions. Namely, what sort of organizational culture do Western MNCs in Russia have? That is, if they do have some sort of common culture at all. Additionally, does the country from which an MNC seem to exert any affect the Russian subsidiaries corporate culture? The final research goal was to understand what factors played into the organizational culture of the companies in Russia. This is related to the previous question: Does it appear that the country of origin of the MNC affects the organizational culture much or does the domestic workforce of the company overshadow some of these larger values.

2. THEORETICAL BACKGROUND

2.1 UNDERSTANDING FOREIGN DIVESTMENT

The explosion of FDI by Western MNCs after the Second World War has been well studied in the academic literature, while FD as a phenomenon has been a neglected area of research (McDermott, 2010). Seminal work on the topic from the 1980s by Jean Boddewyn (1983) explores whether FD may be caused by the absence of factors that suggest the potential for FDI. He identified several factors that may cause a company to engage in FDI, some of which are the dissolution of competitive advantage, the inability to profitably exploit its competitive advantage, or the inability to realize an internalized competitive advantage in the foreign country (Boddewyn, 1983). Recent research had introduced a more varied understanding of the factors that influence FD decisions by Western MNCs. In addition to considerations about the exploitation of competitive advantage and profitability, real options theory, prospect theory, and the theory of bounded rationality all serve as moderating factors in FD decisions (Panibratov and Brown, 2018).

In a field ripe for more study, particularly little research has been devoted to the topic of FD in emerging markets. (Li & Liu, 2015; Malik, 2003) This is particularly true in the context of the Russian market; thus, this article will focus on FD from Russia. There has been a wave of divestment of US and EU based MNCs from Russia since the implementation of American and EU sanctions against Russia, and countersanctions against the US and EU from Russia, in 2014. Some Western MNCs have decided for a variety of reasons that the risks or challenges associated with doing business in Russia have made it not worth the added difficulties post-2014. However, others have decided to stay and continue investing in their operations in Russia.

Western MNCs entered Russia en masse following the collapse of the Soviet Union in 1991. Until this time, the Soviet market was effectively closed off to FDI in any form. For many Western MNCs, the opening of the Russian market represented a potentially very lucrative investment opportunity, which would likely experience high rates of growth following anticipated market reforms and political liberalization. According to data from the World Bank, from 1999 to 2008, Russia's annual GDP growth rate ranged from a low of 4.7% in 2002 to a high of 10% in 2000. Substantial growth rates were accommodative to FDI. However, after 2008 growth rates dropped off significantly and have since to recover to levels seen in the early 2000s

(The World Bank, n.d.). This is in large part due to sanctions programs implemented by the West and Russia against each other beginning in 2014 creating uncertainty for many Western MNCs (Farchy, 2014).

2.2 ORGANIZATIONAL CULTURE

2.2.1 Culture Defined

Culture has been defined and redefined countless times. In 1952, Kroeber and Kluckhohn reviewed over 150 different definitions of culture before proposing their own. (1952) Robert Steare, British consultant and corporate philosopher, describes culture as “the way human beings behave together – what they value and what they celebrate.” (Hill, 2012)

Culture can have a number of positive and negative effects on the success and likelihood of increasing FDI. A useful model for understanding different types of cultures called “Sphere of influence” was developed by Professors Susan C. Schneider and Jean-Louis Barsoux (2003). Their model is based on the consideration of five different types of culture: 1) national culture, which deals with history of a country, its geography, weather conditions, or religious attributes, 2) regional culture, which is similar to national except may deal with a smaller geographic location, 3) professional culture, which deals with education, training, selection, socialization, and peer pressure, 4) functional culture, which refers to the type of tasks being performed, environment, or time horizon, creating a unique culture, and 5) industry culture, which refers to a culture that is developed within a specific economic sector because of specific resources, technologies, products, markets, or competitive advantages specific to that industry. In addition, all MNCs have their own unique culture, referred to herein as corporate culture, is often the result of its founder or current leadership, the history of the business, and affected by the MNC’s current stage of development (Schneider, S. C., Barsoux, 2003). This framework is a useful tool for identifying discrete types of cultures in the analysis presented in this paper.

The intersection between corporate culture and national culture is particularly important to explore to better understand some of the challenges that foreign firms may have in operating in Russia. Barkema et al. (1996) refer to this intersection as “double layered acculturation.”

How cultural distance may affect divestment decisions is not clear as there are contradictory studies on the topic. Li and Guisinger (1991) found that cultural distance does play a role. On the other hand, Benito (1997) found no such link.

2.2.1. National Culture

Geert Hofstede (1980) developed an enduring model that is useful for examining national culture in the 1970s based on an analysis of IBM surveys of their employees in over 50 countries. Hofstede's model originally contained four dimensions: these were individualism versus collectivism, high versus low power distance, high versus low uncertainty avoidance, and masculinity versus femininity (Hofstede, 1980). In 1988, Hofstede (1988) added short-term versus long term as a dimension. In 2010, he added indulgence versus restraint (Hofstede, 2010). Hofstede (2010) is careful to note that these dimensions refer to societal, as opposed to individual characteristics. There is a wide range of personalities in a society, and this should not be used to stereotype individuals. Still, these dimensions can help explain why companies of a certain national origin may have an easier time operating in the Russian market.

Individualism (as opposed to its opposite in this model, collectivism) refers to how much people are resistant to forming societal groups. Members of individualist societies believe in caring for themselves or their immediate family, privacy, and stating one's opinion. Americans score very high in individualism in this model. Collectivism refers to how much people in a society believe themselves to be part of a larger whole, it refers to how much value they place on belonging, maintaining harmony, and avoiding saying "I." Collectivist societies are more common in Eastern countries.

Power distance is defined as the willingness of less powerful members of society to accept the inequality of the situation. In societies with a high power distance, it is just accepted that power will be distributed unequally. Some other characteristics of such societies are children are taught obedience, corruption is commonplace, and there is high income inequality. Low power distance societies can be characterized by beliefs that usage of power should be subject to judgement, employees' input can be valuable, and a more even distribution of income is just.

Uncertainty avoidance refers to a society's tolerance for ambiguity. In societies with strong uncertainty avoidance, unstructured environments are considered threatening and

something to be avoided. Members of such a society show higher levels of stress, reject deviance in people or ideas, and expect authority to set rules and have answers. A society with weak uncertainty avoidance, on the other hand, tends to accept lower levels of certainty, express greater tolerance, and dislike rules.

Masculinity refers to the extent to which traditionally male values such as assertiveness and competitiveness are emphasized as opposed to traditionally female values—modesty and caring. Masculine cultures are those which involve a high degree of assertiveness, emphasis on work over family, and appreciation for strength and those who possess it. Feminine cultures value a higher degree of modesty, work-life balance, and sympathy for those with less strength or power.

Short-term versus long-term orientation describes differences between societies with a high level of flexibility versus those that more heavily emphasize traditions. Some more characteristics of societies with long-term orientations are an emphasis on important things to come in the future, the importance of adaptability, moral relativism, believing in the importance of effort and thrift. Societies with short-term orientations place a higher emphasis on events that have already occurred, believe in universal guidelines, have higher degrees of patriotism, and place a high emphasis on luck.

Indulgence versus restraint refers to the extent to which a society is open to the fulfilment of human desires that lead to enjoyment and fun. Indulgent societies have a higher number of people who refer to themselves as happy, people perceive themselves to have a higher level of control in their lives, are more likely to take leisure seriously, and more likely to have a memory of positive emotions. On the other hand more restrained societies can be characterized by a smaller degree of people who describe themselves as very happy, less of a sense of volition in their lives, less importance placed on leisure activity, and a higher emphasis placed on maintaining societal order. (Hofstede, 2011)

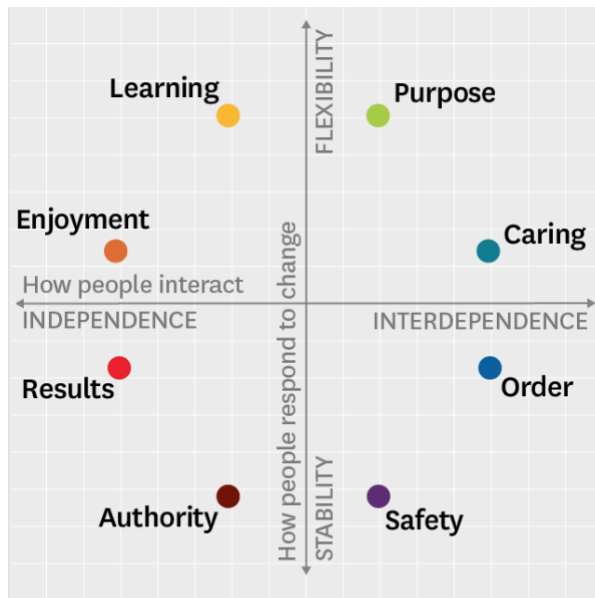
2.2.2. CORPORATE CULTURE

Within organizations a powerful way of observing or recognizing a culture was developed by Edgar Schein (1985). His model of culture described three levels. First are “artifacts.” These are clearly visible behaviors or observable characteristics such as office design or uniforms. The next level is “espoused values.” These are the values and beliefs that members of a culture adhere to. These are ideas that can be discussed such as trust and corporate traditions. Finally, “basic assumptions” are the most fundamental level of culture. These include subconscious assumptions and mental models. These are rarely articulated and difficult for someone within an organization to necessarily recognize. Basic assumptions include common understandings of social relationships: for example, how acceptable is it for employees to socialize, irrespective of espoused values that might place emphasis on collaboration (Schein, 1985).

Research from Groysberg et al. synthesized much of the significant works on culture from leading academics and developed a comprehensive model of corporate culture. (2018) They first identified four characteristics that help to define culture. First that it is shared. It is not just a mean of individual personalities but rather shared norms, behaviors, and assumptions of a group of people. Second, it is pervasive throughout an organizations hierarchy and can be seen both physically and understood through stories told among members of a group. Third, it is enduring and serves to direct the behavior of its members. The fourth and final characteristic they identified of culture is that it is implicit: While culture might not always be expressed explicitly, people naturally understand what it is, recognize it, and respond to it.

They then suggest that in order to understand the culture of a specific organization it is useful to consider two different characteristics—highly independent versus highly interdependent, and stability versus willingness to adapt. The spectrum of highly independent versus highly interdependent refers to the way people interact within an organization. In organizations that have a more independent culture, there is greater emphasis placed on individuals and competition. On the other hand, in organizations that have a more interdependent culture there is a greater emphasis placed on collaboration and the success of the group as a whole. The spectrum of stability versus willingness to adapt refers to how people respond to change within in organization. When stability is dominant in a culture there is a greater emphasis

placed on predictability, consistency, and keeping things the way they are. On the other hand, in organizations that have a flexible culture there is a greater emphasis placed on innovative thinking, openness to different ideas and people with differences, and long-term orientation. (Groysberg et al, 2018)



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(Groysberg et al, 2018)

Based on these factors it is then possible to identify companies as one of eight different types. A caring culture is one that can best be described as promoting trust and relationships between employees. A purpose-driven culture is one where idealism and commitment to certain values is paramount among employees. Learning cultures are concerned with discovering new ways of doing things: employees are very open minded and look for new innovations. A culture that is enjoyment-centric values fun and enjoyment above all. Results based cultures are all about achievement and accomplishing goals. Authoritative cultures value bold decision makers and can be characterized as highly competitive places where people seek to further themselves. A safety culture is predictable and prioritized planning, exercising caution, and reducing risks. A culture

where order is most important emphasizes the following of rules: the importance of shared norms and traditions are highly important, and people don't want to stand out.

Eastern European companies have been found to most commonly exhibit features of a stable culture. More specifically, they have been found to have cultures that align with caring, results, and safety corporate cultures. (Groysberg & Cheng, 2020)

2.3. Cultural Influence on Foreign Divestment

Research on the effects of country culture on foreign direct investment has produced results that suggest foreign firms will have a preference for investing in countries with low levels of uncertainty avoidance and high levels of trust. In addition, the research suggests that high levels of uncertainty avoidance will moderate the relationship between host country trust and FDI: In other words, when uncertainty avoidance increases, the relationship between host country trust and FDI lessens (Bhardwaj et al., 2007).

Azevedo (2011) found that even in situations where there are substantial cultural differences between groups who are working together, there is a tendency for them to develop "discourses of proximity." This sort of phenomenon may help people from even very different national and corporate cultures to work together.

3. METHODOLOGICAL FRAMEWORK USED

3.1. Research design

The research method adopted in this analysis of the various cultural factors that might mitigate foreign divestment is exploratory and qualitative, given the limited research in this field. As part of this exploratory research, a mixed methodology is utilized to provide a range of inputs, which is a useful tool for identifying cultural insights from a variety of stakeholders and sources. The most substantial portion of the research is focused on primary and secondary sources.

The overall goal behind this research is to determine which cultural factors will mitigate FD decisions. Information on FD decisions, however, is limited, and it is expected that many of the decision makers involved in making a decision are not likely to be willing to speak on the record (Duhaime & Grant, 1984). To aid in developing an understanding of the internal culture of typical Russian subsidiaries of Western MNCs, a survey was created and distributed to Russian employees of such firms. The survey sought to collect fundamental information about the employees understanding of the culture in the companies in which they worked. Questions were formulated in order to gauge general questions about the culture. For example, how clearly communicated is company culture? Or what kind of benefits do you receive working at this company? The bulk of the questions sought to understand how much employees or managers identified the culture of their company with characteristics identified earlier in section 2.2.2. Initially, we were able to obtain 125 results. However, after cleaning the data and removing answers with companies which could not be identified or were not based in Europe or North America, we were left with 101.

The rest of the research focused on analyzing two different types of cases. First, we looked at several different MNCs who are based in either Europe or North America and operate in Russia. Then, we looked at firms which exited Russia in the past few days. A variety of sources were consulted in order to gain an understanding of both the formally stated values and informal cultural attributes of the companies in their home countries and in Russia. Formally stated values and ideals were found on company websites and company documents. Gaining an understanding of informally stated values required interviews with employees of companies, and these were conducted when possible. Multiple employees and managers at all the companies

analyzed were contacted via email, LinkedIn, or some other messaging service. All employees or managers who responded affirmatively to interview requests were then called and interviewed. In the course of research for this article, unfortunately but unsurprisingly in accordance with the secretive nature of divestment decisions, only employees or managers from companies which have remained in Russia responded affirmatively to interview requests. In order to allow the interviewees to speak as freely as possible and receive their consent to conduct it, all the interviews are conducted anonymously.

An interview was conducted over the phone with all who responded in order to allow for a natural discussion so that a maximum number of insights could be gleaned about the companies and their culture. The exception was Danone where the manager was willing to do an in person interview. All interviews followed a relatively standard formula. First, in order to set the tone of the interview, it was explained that the purpose of the interview was to understand how the company operates in the Russian market and cultural factors that affect its operations. The first question asked of all interviewees was how prevalent are values inside the company? The second question was how formal are interactions inside the company? That is, do employees interact with each other using the informal *ty* or *vy* (analogous to the French *tu* and *vous*, respectively.) The next question was about the process of work inside the company: Is there more of an emphasis on following specific rules and processes, or is there more flexibility and emphasis placed on learning and applying the learned concepts to dynamic situations? According to your knowledge, to what extent are decisions made inside of the company or by foreign management abroad? This question was helpful for gauging the extent to which employees were are to exercise their own discretion in decision making. If the interviewee had worked at any other corporation in Russia that was of Russian origin, it was also asked how this differed. The answers to all interview questions can be found in the cases where employees or managers agreed to them. They are edited only for length and clarity, but the meaning is carefully maintained.

To understand a variety of opinions of the work environment and culture at the companies', online job reviews were also consulted on websites like Indeed. These were useful to understand if there was a common thread of employee complaints or factors which appealed to employees or managers.

Additionally, customer reviews of businesses were consulted on Tripadvisor or Google Reviews to consider what customers thought about employee interactions with them or amongst themselves. This was useful in businesses that operated in customer facing roles.

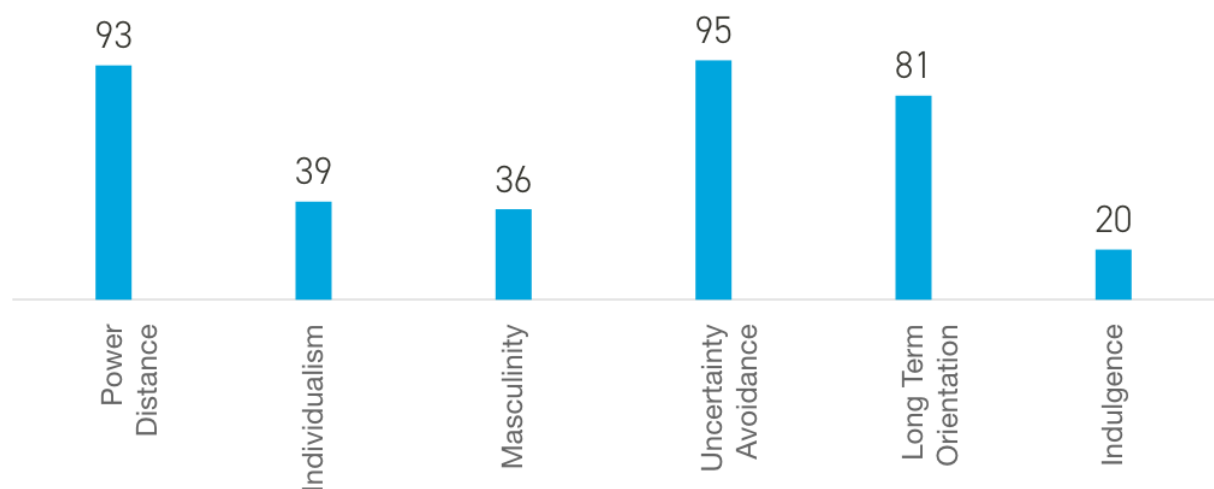
3.2. Selection of companies

The companies were selected based on the criteria that they are large multinational corporations which conduct business in Russia through a subsidiary. There was a desire to pick companies from different countries to allow for comparison of different national characteristics of the country of origin. All the companies selected were based in either Europe or North America. These are the United States (Proctor and Gamble and Shake Shack), the United Kingdom and the Netherlands (Unilever), France (Danone), and Germany (MediaMarkt.) The companies which divested were selected based on the criteria that they divested recently: MediaMarkt left in 2018 and Shake Shack left in 2019. While there were many divestments of MNCs in the years immediately following 2014, the trend has slowed in recent years.

4. EMPIRICAL RESEARCH

4.1. Introduction: Characteristics of Western MNCs in Russia

Using the Hofstede (2010) model and research insights, several aspects of Russian culture were considered, focused primarily on the specific challenges that typical management of Western MNCs might experience in conducting business in Russia.



Characteristics of Russian culture according to Hofstede model. Accessed on April March 30, 2021 <https://www.hofstede-insights.com/product/compare-countries/>

Power Distance is very high in Russia, where strict hierarchies are rigidly adhered to in most organizations. High level management is expected to take the role of a decision maker and lower-level employees do not expect to make a large impact. Those with power in Russian society, in general, often place higher value on status symbols and engage in higher levels of conspicuous consumption to demonstrate such power differentials.

Individualism is not particularly high in Russia, suggesting a larger emphasis is placed on the collective. The success of society, which itself is an organization, or family should be prioritized over personal goals. As such, there is a greater emphasis placed on personal relationships in such a society.

Masculinity is also relatively low in Russia, according to the model. This suggests a feminine society, where living well and modestly is valued higher than being competitive. Russians are generally reluctant to boast about their achievements and such behavior from peers is typically not well received.

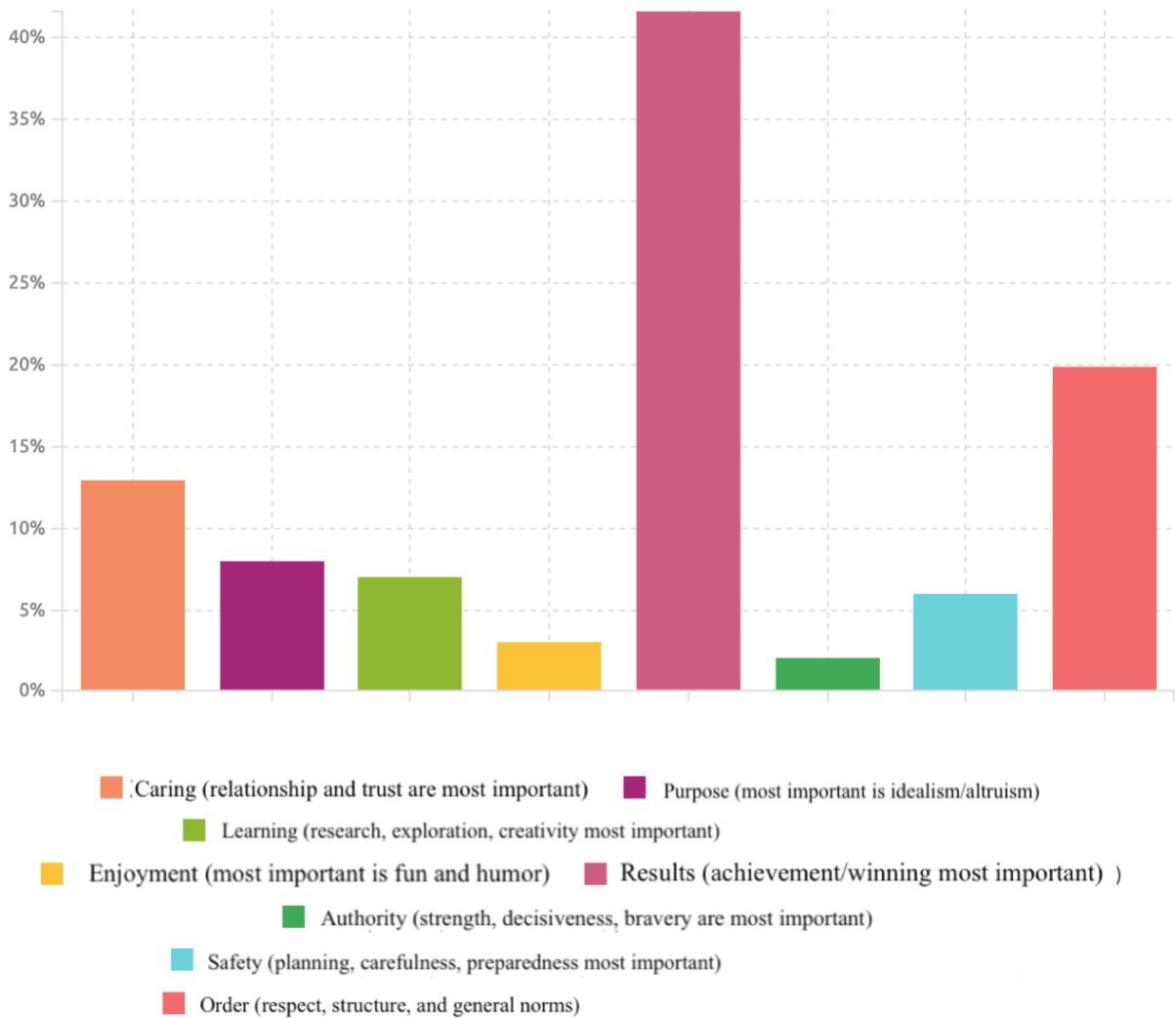
Russian culture scores highest on uncertainty avoidance above all other factors, such that Russians are particularly uncomfortable dealing with ambiguous situations. Russia is filled with bureaucratic systems in order to avoid uncertainty. This suggests that presentations should be comprehensive and filled with data. Informal interactions might be taken as a sign of disrespect.

Russians also score quite high on the Long-Term Orientation metric, from which it is possible to infer that Russians place a relative high value on financial saving and education. This metric suggests pragmatism and a willingness to adapt to changing conditions.

Russians score quite low on indulgence, from which it is possible to conclude that there is a lower perception of volition in one's life, less importance placed on speaking out, less emphasis placed on relaxing—in fact, leisure might illicit feelings of guilt. (Hofstede Insights., n.d.)

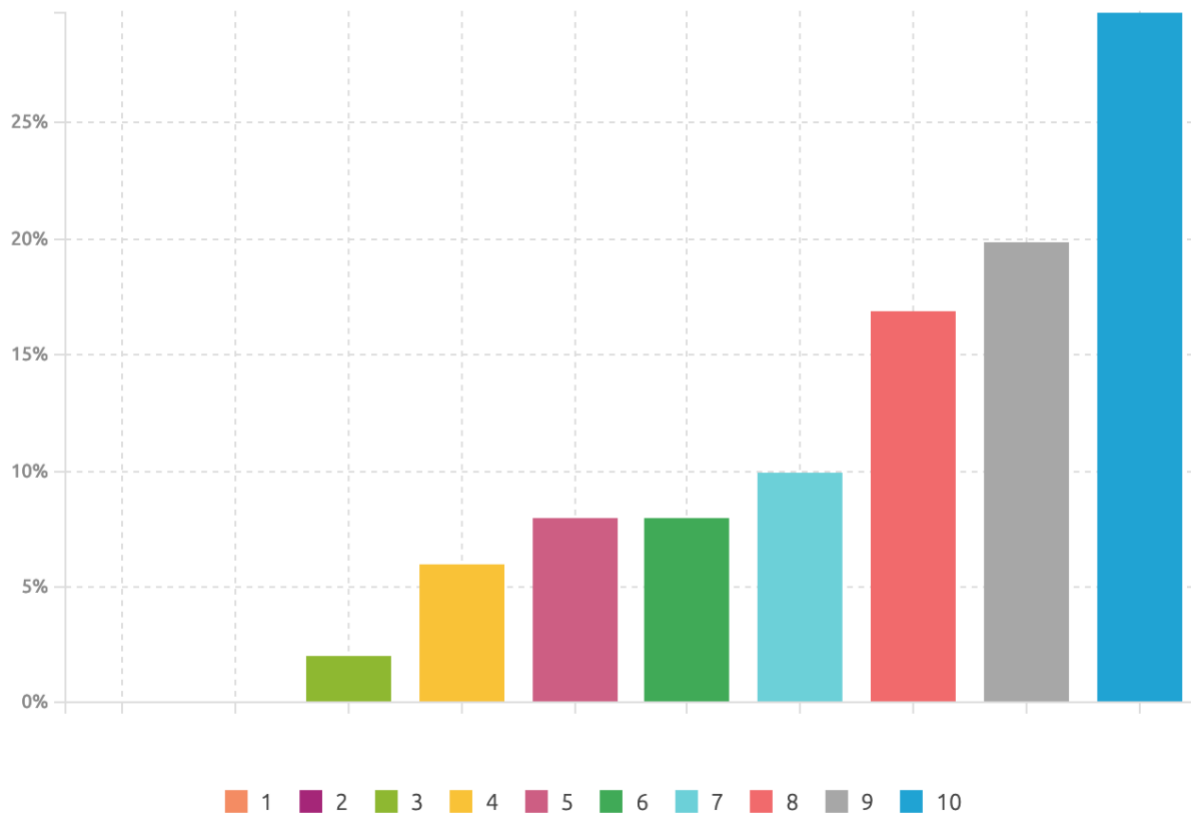
The survey distributed to employees of Western MNCs in Russia produced noteworthy results. When employees were asked to select the culture that they thought best matched that of their company a large plurality of 42% selected “Results (achievements and winning are most important).” In second and third place came “Order (respect, structure, and general norms)” and “Caring (relationship and trust are most important)” with 20% and 13%, respectively. Interestingly, looking at this result according to the Groysberg model, this suggests the most prevalent culture of Western MNCs in Russia is one that values independence and moderate stability.

What do you think? Which culture is dominant in your company?



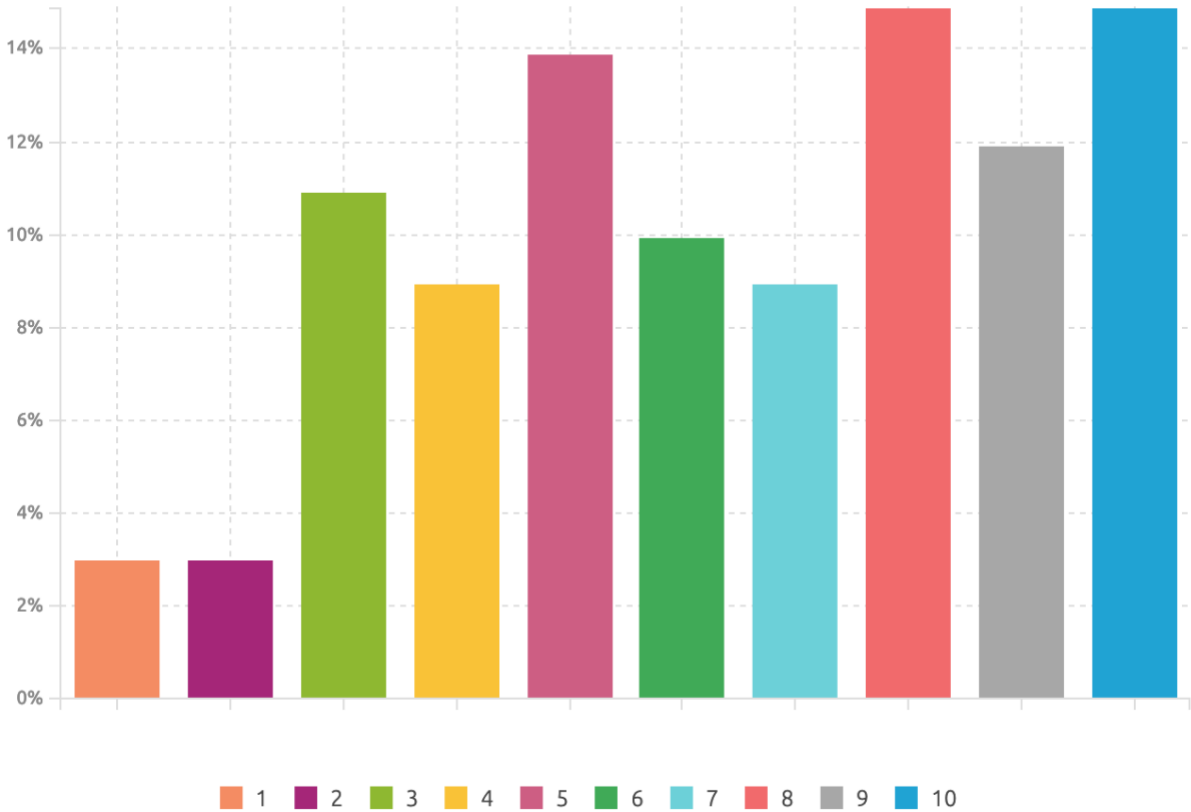
Most respondents said that the values of the company were very clear.

On a scale from 1 to 10, how clear are the values in your company?



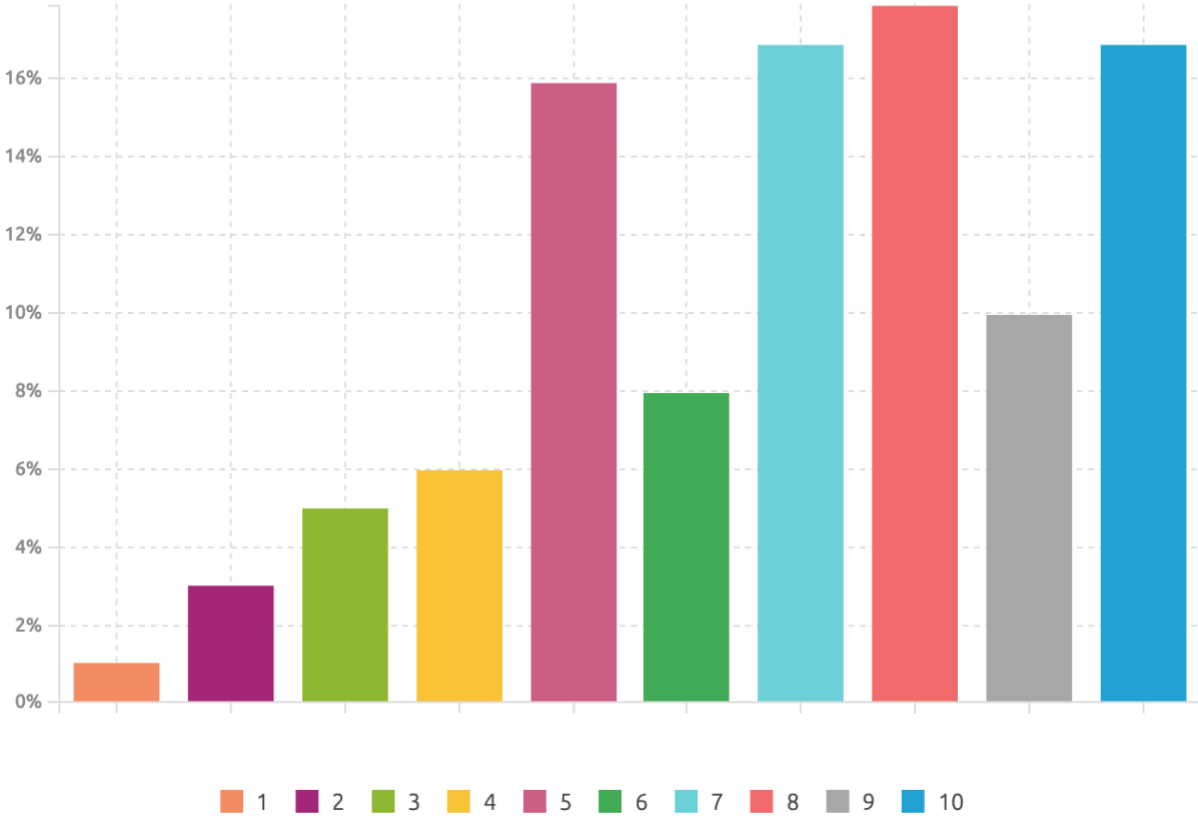
Regarding formality in internal communication within companies the results were more mixed with slightly more respondents answering that their company has formal internal communication.

On a scale from 1 to 10, how formal are internal communications inside your company? (10 being most formal)



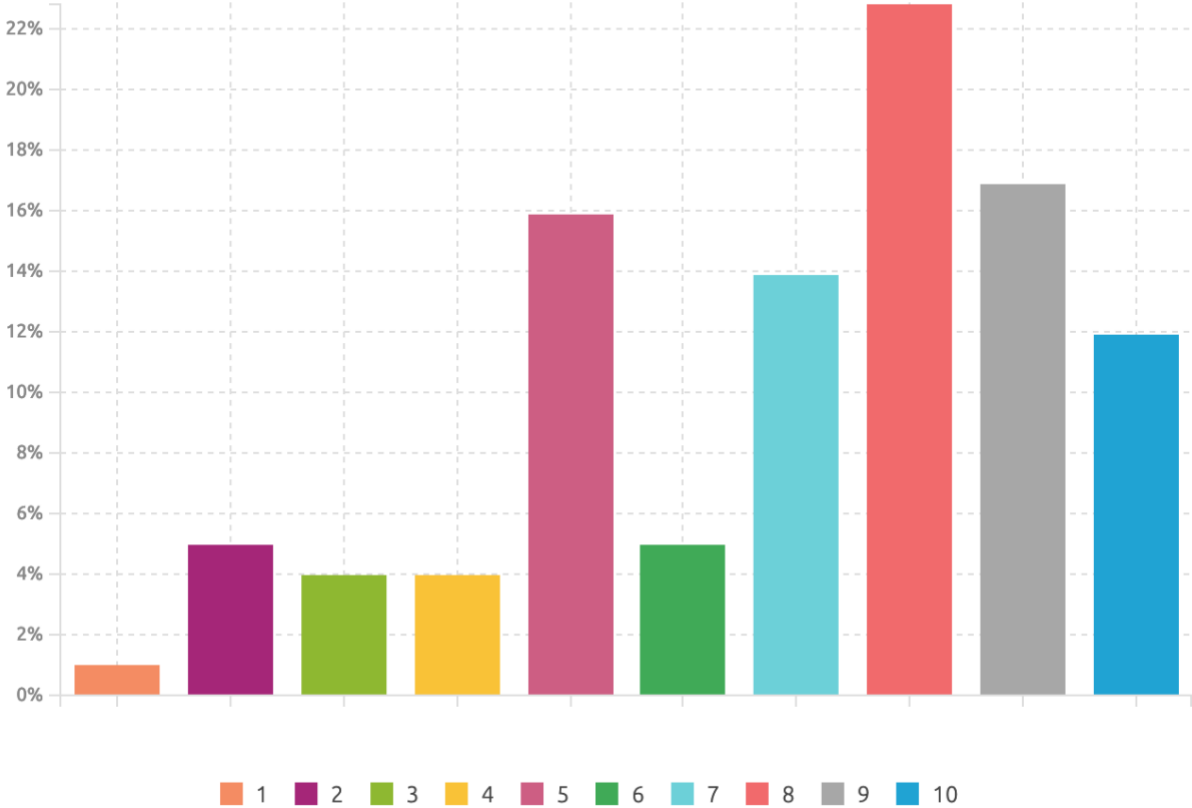
When asked about how possible it is to disagree with one's boss within their company, most respondents said it is possible.

On a scale from 1 to 10, how possible is it to disagree with your supervisor or manager in this company? (10 being possible)



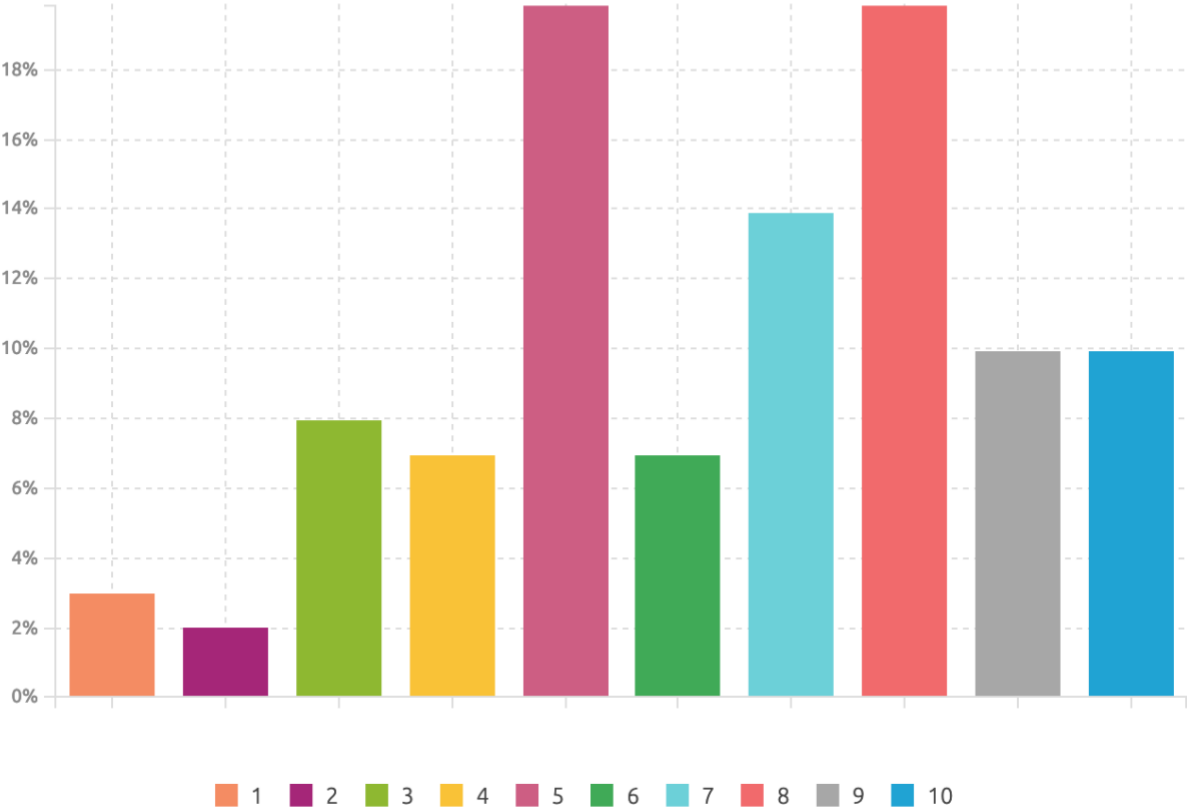
Most respondents answered that colleagues within the company were friendly toward one another.

On a scale from 1 to 10, how friendly are colleagues with one another? (10 being very friendly)



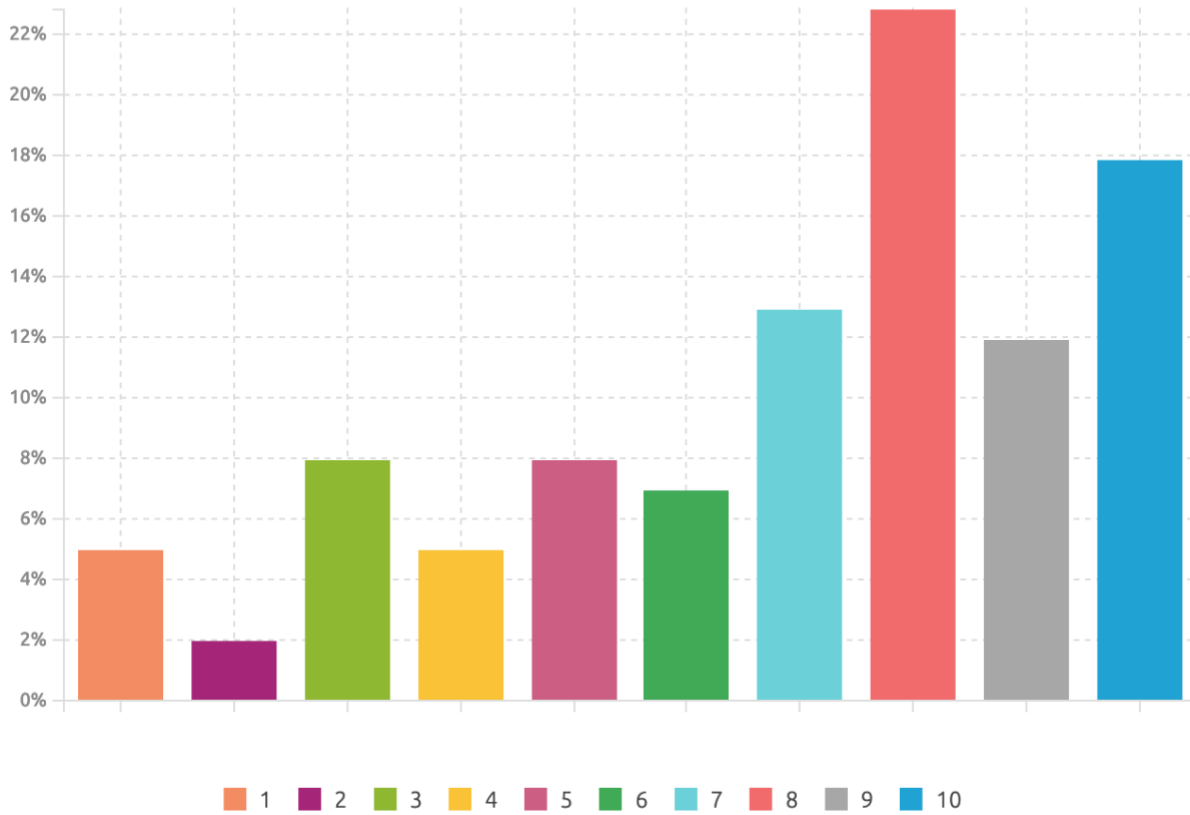
Most respondents answered that people within the company feel comfortable in uncertain situations.

On a scale from 1 to 10, how comfortable are people in your company with ambiguous situations?



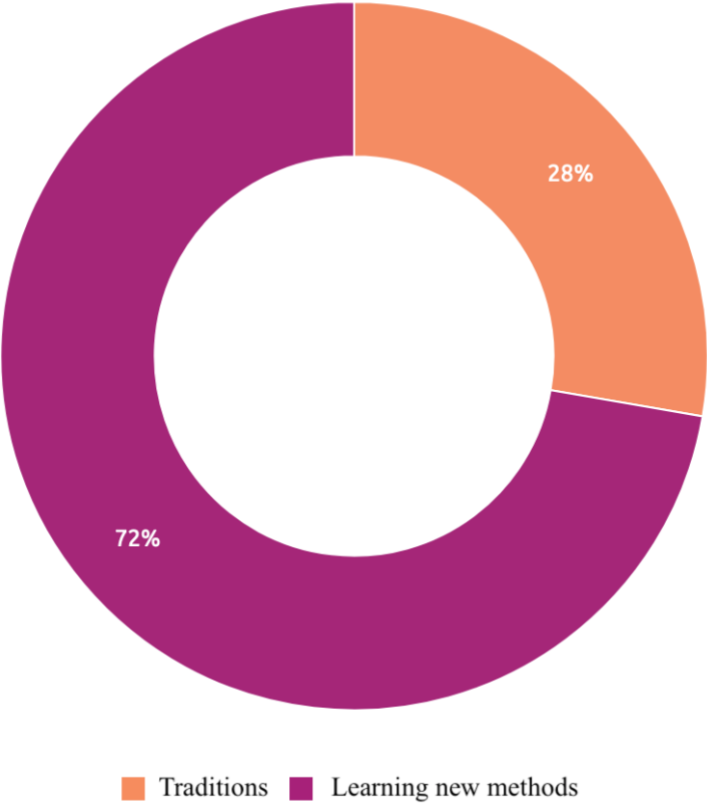
A vast majority of respondents answered that it was very acceptable to spend free time with colleagues during or after work.

On a scale from 1 to 10, how acceptable is to to spend free time with colleagues during or after work?



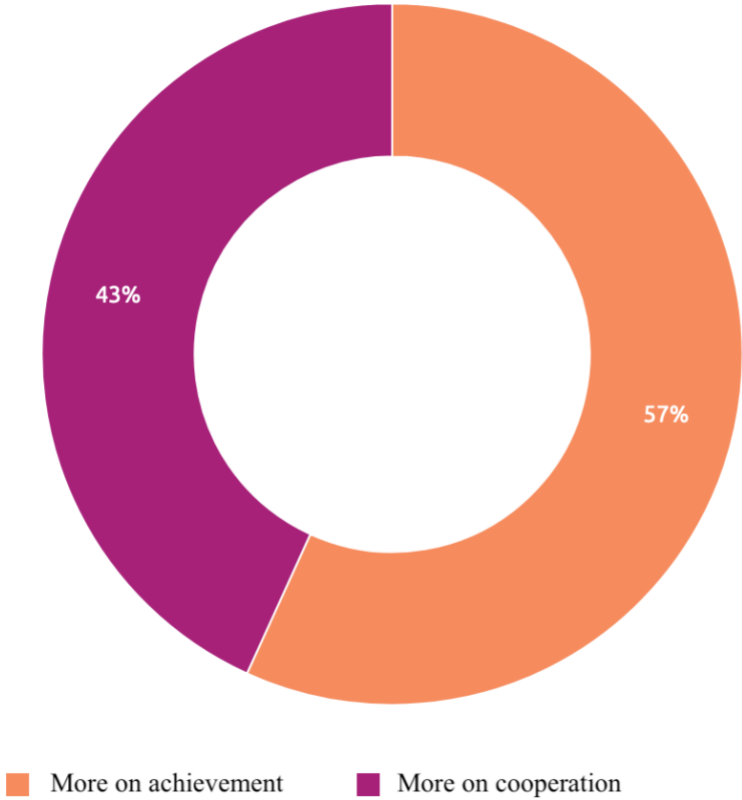
Asked what they thought was more important in the company “Learning new methods” or “Traditions,” 72% answered “Learning new methods” compared to only 28% who said “traditions.” This suggests a degree of flexibility in work behavior according to developments in processes and management thinking.

What is more important in your company, traditions or learning new methods?

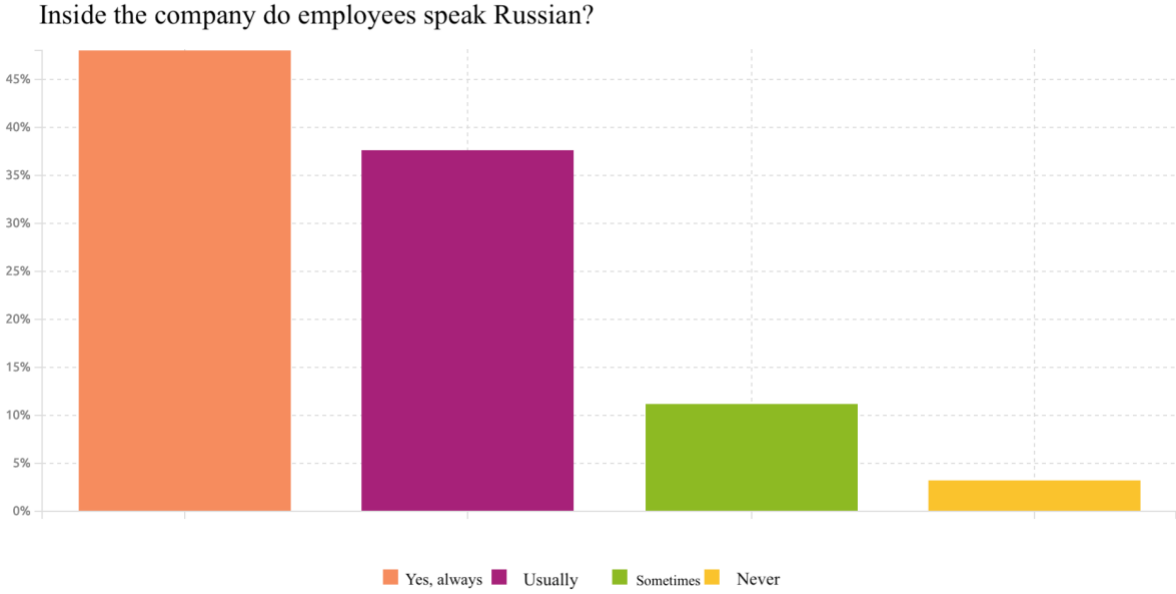


When asked whether within their company success was most important or cooperation, a narrow majority of 57% answered that success was more important versus 43% who said that cooperation was more important. This suggests that the corporate culture of foreign MNCs in Russia is tilted slightly toward independence as opposed to interdependence, according to the Groysberg model.

In your company is more emphasis put on achievement or on cooperation?

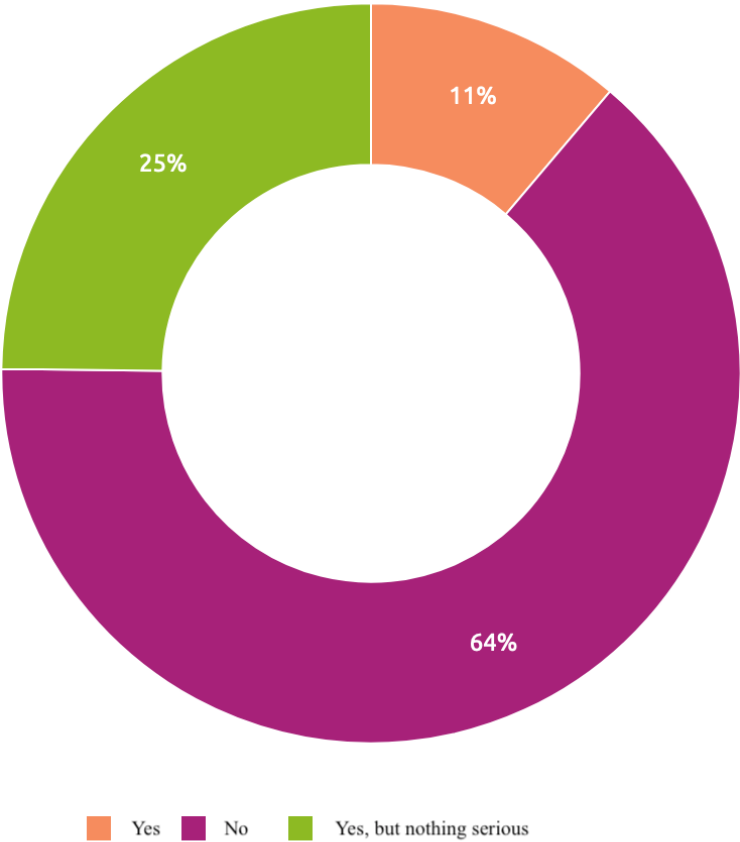


86% of respondents answered that they either always or mostly speak in Russian inside their company. This makes sense and furthers the point that the workforce within foreign MNCs in Russia is comprised primarily of Russians. This homogeneity of the workforce within Russia means that Russian national cultural characteristics are particularly likely to exhibit themselves in the organizations.



Asked about whether they experienced or witnessed any issues in communication with Western management, 64% said no, 25% said yes but nothing serious, and 11% said yes. It is interesting to note that while a majority of employees or managers found that there were no communication issues between the subsidiary and foreign management, still 36% observed some sort of challenges.

If you communicated or witnessed communication with Western management, did you witness any communication problems?



When respondents were asked to write what sort of benefits they experienced at work, the most common response was free meals, followed by cultural events, and finally cultural some sort of pleasantries associated with their place of work (table tennis, video games.) These sorts of responses make sense given earlier answers that spending time with coworkers was very

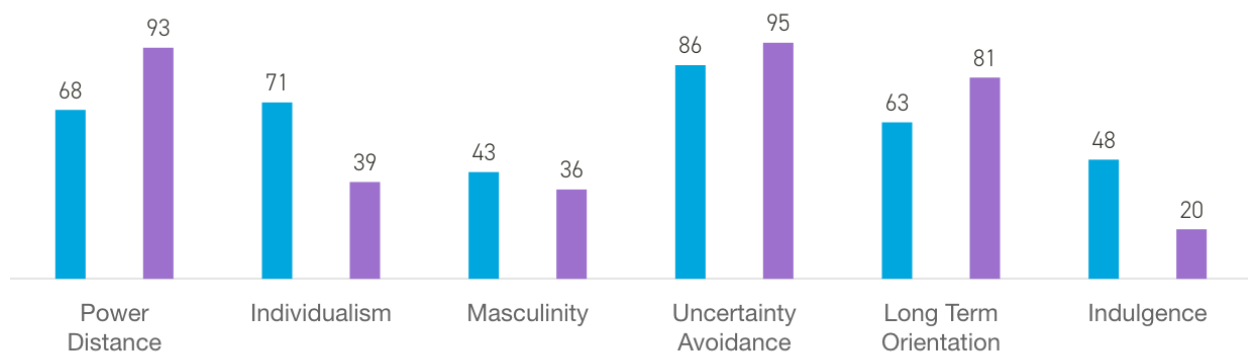
acceptable. The final question of the survey asked whether respondents had anything to add. Most answers were not particularly substantive or helpful in developing any further perspective; however, one employee of IKEA answered “With the arrival of Russian management, company values and traditions stopped being followed and became forgotten. They exist only in words, but not in practice.” It seems that within Western MNCs that operate in Russia, where Russian management operates, a Russian culture and way of doing things permeates the organization.

4.2. Danone Case

Danone is a French company, and it is worth first examining cultural differences between France and Russia to determine whether or not there are any factors that stand out. Hofstede’s framework provides a useful tool to consider these differences.

Danone was founded in 1919 in Barcelona, Spain. In 1929, Daniel Carasso, son of the founder, founded Danone in Paris, where it remains headquartered today. In 1942, Danone expanded to the US after an acquisition of a yogurt producer in New York. Separately, during this same period of time BSN became France’s largest drink and baby food producer through a number of significant acquisitions, including Evian. In 1972, BSN’s chief executive Antoine Riboud made an impassioned speech about the role of business leaders, arguing for a comprehensive approach to corporate social responsibility, a first for French business. Daniel Carrasco saw a match between the social mission and international ambitions of the two companies and in December 1972 a merger was announced. After the merger the company expanded rapidly across Europe and the world. It entered the Russian market in 1992, after the fall of the Soviet Union. In the years since it has championed a number of socially responsible initiatives to support its employees, external stakeholders, and environmental causes. For example, in 2009 Danone launched the Danone Ecosystem Fund with a 100-million-euro donation. That particular fund seeks to stimulate economic and social value through small non-profits in local economies. In 2010, Danone deepened its commitment to the Russian market through an acquisition of Unimilk, owner of successful brands such as Prostokvashino and Tëma. This acquisition tied Russia with France as the largest regional market for the company. In recent years Danone has reiterated its mission to bring health to the largest number of people possible through food. (Danone, 2016)

Considering the Hofstede cultural factors, we can identify several differences between French and Russian national culture, although in general they are not particularly different. In Russia since the power distance is especially high, it remains even higher than in France. In Russia the degree of individualism is lower than in France. This combination of lower individualism and a high power distance suggests a higher degree of comradery among lower level staff in Russian organizations. In France the level of individualism suggests people focus more internally. The lower level of indulgence in Russia as opposed to in France may bode well for the French perception of work in the Russian subsidiary. There are enough commonalities between Russian and French culture that it seems unlikely that these national cultural characteristics will create any significant challenges.



Characteristics of Russian (purple) and French (blue) culture according to Hofstede model. Accessed on April March 30, 2021 <https://www.hofstede-insights.com/product/compare-countries/>

Danone has had an impressive commitment to socially responsible initiatives that can be traced back to its founding. Their commitment has been so substantial that their CEO found himself removed after an attack from activist hedge funds concerned that he was not doing enough to bolster the organization's profits compared to rivals (Abboud, 2021). Only time will tell if this affects their values but at the present moment Danone appears to have a very well-established purpose driven culture for a range of societal causes.

In France, Danone is known to have a relaxed culture where employees, even executives, do not wear ties often and address each other using the informal “*tu*.” (Colchester & Passariello, 2011) In Russia the situation was judged to be similar.

In 2020, Danone wound down a direct-to-consumer online retail platform it launched in Russia November 2017. Reasons suggested for the close down of the business unit are that there were no added benefits for consumers as opposed to ordering directly from grocery stores: Danone products are ubiquitous in grocery stores, and some offer their own delivery in as little as 15 minutes. Still, despite this, Russia remains Danone’s fourth largest market by revenue. (Sukhorukova & Levinskaya, 2020) The launch and unwinding of the business unit might instead speak to an innovative and experimental business culture.

Most recent reviews of employment at Danone suggest a positive work environment. One review on Indeed that captured the mood of many of the positive reviews described an interesting and diverse work environment with many opportunities to learn. The same review said a negative aspect of working there was tied to a large number of political decisions and global management. (*Campus atmosphere (always something to learn)*, 2018)

An interview conducted with someone who recently worked in a management role at Danone Russia was helpful for understanding the corporate culture of the company. Questions and answers are translated from Russian to English and edited for length and clarity, but the meaning is carefully maintained. The first question asked was how clear are the corporate values in the company?

Everything is very clear in the company. The first training you receive during onboarding is about the values within the company. There are clear corporate values and codes. You need to behave in accordance with the values and codes at all times. There is an acronym that for the values that people behave according to in Danone: HOPE. The emphasis here is on flexibility and a focus on people. This is more important than process and almost more important than even business results. The most important thing is that it is a comfortable workplace for people. These values and codes are reminded everywhere from screensavers on computer screens to training and reminders from human resources.

How formal were communications within the company? Did you and your colleagues refer to each other using the informal *ty* or formal *vy*? (analogous to the French *tu* and *vous*, respectively)

If we are talking about the level of hierarchy and bureaucracy within the company, then it is quite low. Everyone within the company communicates using “ty.” Everyone sits in an open space office. Even the CEO of Danone Russia sits in an open space office with everyone else. There is no dress code. There are no specific hours of work. If you are a person who needs to sleep a bit more in the morning and prefer to get up later that’s okay come to the office at 11:00. There’s no problem with this. There is an understanding that people work according to their responsibilities and not just for a certain number of hours. There is an internal saying that at Danone if you have an idea it is really possible to realize it.

Is work at Danone conducted in accordance with a certain set of rules and regulations or do you operate more independently according to your training?

Everyone new in the company is given a mentor. This is someone who has worked in the company for a long time and holds some sort of managerial role. This helps a lot as this allows you the chance to ask any questions that you may have. You have sessions every month with this mentor. In terms of formal trainings, there are a lot. There is the corporate university, as it is called. The usefulness of this is another question but it is a resource that the company provides nonetheless. Within your work, of course, if you have any questions you go to your manager and they will either help you with your problem or connect you with someone who can. There are no problems with this. People are prepared to share information. There are no stupid questions. It is important to just ask and everyone is prepared to answer them.

What is your understanding of who makes the decisions at Danone Russia? In other words, how independently does it operate from Danone’s global management?

The story of Danone allows Danone Russia to be particularly localized. That is to say that decisions are made locally. As Danone is an FMCG company the focus is on brands and products. When it first entered Russia it entered with its global brands like the yogurt Danone,

Actimel, Nutrilon, and Evian, I believe. If we are talking about a global brand like Evian, then everything is released in Europe and America and adapted to various markets. You can't make an advertisement for Evian in a green tone because the brand is blue and red. All the decisions that have to do with a product are made locally. The question of what to do is local. The question of how to do something is global. So while there are certain ways that a brand needs to be presented the question of how specifically to do this in a given market is made by a Vice President of Marketing, for example.

You have also worked at a completely Russian company. How does it differ from Danone?

First, the level of hierarchy in the Russian company I have worked at is much higher. Not only is communication not done using "ty", but you need to refer to coworkers by their full names. You are not allowed to contact someone directly without first clearing this with a supervisor. The processes and procedures are more important than business. The format of the mail, template, and header are more important than content.

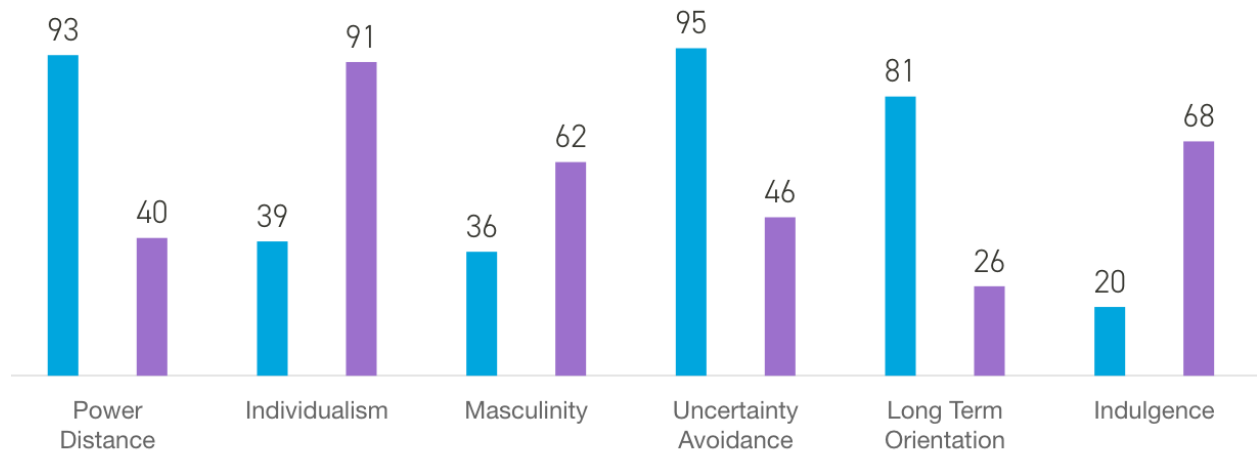
Taken together, the culture of Danone within Russia is described my most as quite flexible with a good degree of interdependence from colleagues. The explicitly expressed values of the company as one with a higher purpose seem to be reinforced among the people who work there. While there is a high power distance in France and Russia, the corporate culture seems to overpower these cultural dimensions at least with respect to formality in the workplace.

4.3 Proctor & Gamble Case

P&G is an American company so it is worth investigating national cultural differences between the United States and Russia to consider where issues or positive factors could arise. As in the case of Danone, Hofstede's framework provides a useful tool to consider these differences.

Proctor & Gamble (P&G) was founded in 1837 by William Proctor and James Gamble through a merger of their soap and candle businesses. P&G has created a large number of different brands including Tide in 1946, the first liquid synthetic detergent (Brittanica, n.d.). P&G entered Russia in the early 1990s under Chief Executive John Pepper, developing a partnership with Saint Petersburg State University. It was unprofitable for much of the first

decade of its operations in the country, but P&G invested in forging relationships, education to create a competent workforce, and resisting corruption. Eventually this led to profitable business and significant growth (Seregin, 2012).



Characteristics of Russian (Blue) and American (Purple) culture according to Hofstede model. Accessed on April March 30, 2021 <https://www.hofstede-insights.com/product/compare-countries/russia,the-usa/>

There are several substantial differences between Russian and American culture that can be seen immediately when looking at the Hofstede model. The power distance is much higher in Russian than in the United States.

Similar to Danone, in recent history P&G has placed a high emphasis on promoting corporate social responsibility causes. Perhaps because of its product lineup, or due to unique characteristics of it being an American company, P&G has placed a higher emphasis on promoting value such as fairness and equality. (Baar, 2020) P&G faced substantial pressure to from activist hedge funds several years ago because of charges it had an insular culture, tended to only promote from within, and make important decisions about what to do in foreign markets from Cincinnati, Ohio. (Nicolaou, 2017) In the years since, it appears that P&G has managed to become more agile in its decision making by reducing the amount of time that it takes to make certain decisions. (Terlep, 2019) Aside from just producing, marketing, and selling consumer goods in Russia, P&G has leaned on its competence in developing local relationships and has

collaborated with the State Russian Hermitage Museum to sell products with art on them and promote the museum. (RBC, 2020)

Reviews online from employees who worked at P&G were relatively positive. There were quite a few negative reviews left from people who did not manage to secure an offer which perhaps points to the desirability of working at P&G in Russia. A moderately positive review that reflected others of a particular type noted organization, and on time, official pay. However, it noted that there was little room for career growth (*Stable salary without career growth*, 2021)

A discussion conducted with an account manager who recently worked at P&G in Russia was helpful for understanding the corporate culture of the company. Questions and answers are translated from Russian to English and edited for length and clarity, but the meaning is carefully maintained. The first question asked was how clear are the corporate values in the company?

I'll explain it like this: The first day that I came to the company we had onboarding that included information about the values, company mission, corporate culture. However, after that meeting, we no longer had any reminders about these things. For some reason, although I don't know, I'm inclined to think that in the United States there is a greater emphasis placed on maintaining these corporate values. Perhaps it differs in different departments here but for me this was my experience.

In response to questions about the nationality and language of his colleagues, the interviewee explained that absolutely everyone he worked with and knew of in the company was Russian and Russian was the language used in all day-to-day communications inside the company. The exception to this was that company documentation, education, educational materials, and webinars were all in English.

As for whether a greater emphasis is placed on following established rules and procedures, or education and adapting techniques to new circumstances the interviewee answered resoundingly that the situation at P&G was the latter.

Exactly, it is flexible. You really need to spend a lot of time learning during onboarding then continuously learning more. A concrete example: In sales, we learned about Persuasive Selling

Format (A style of presentation used by P&G) then went to some store and used the methods we learned. It was cool. We learned together in small teams and were able to use the methods right away.

How formal were communications within the company? Did you and your colleagues refer to each other using the informal *ty* or formal *vy*? (analogous to the French *tu* and *vous*, respectively)

Communication within the company is fully on ty. Everyone is very friendly and open. However, during the time that I spent at a P&G factory there was a lot of politics that related to safety. This perhaps does not have to do so much with formal/informal communication; however, I wanted to note it because it meant that there were a lot of rules that needed to be followed in the sort of environment. In total though, it was quite informal.

Do you think this style of informal communication is normal in a Russian company? Do you think it stems from the fact that the company is American?

I think it's normal and I feel more comfortable working in an environment where all coworkers refer to each other informally. I think it's more likely that the informal style of communication in the workplace stems from the type of people that work in the company. They have also become accustomed to informal communication. I don't think that there is some sort of directive from P&G in the United States that employees should behave informally. It is just accepted and employees feel comfortable with it.

To what extent are decisions made at P&G Russia made by Russian management versus global P&G management?

There is a global goal in the company that different regions and their respective subsidiaries are supposed to follow. Russian P&G of course needs to follow these. However, as far as most decisions go within Russia, these are made internally by Russian management.

At the end of the interview, the manager added a few of his thoughts about P&G Russia. In many ways it follows the typical model of a global corporation. There are lots of trainings, interest and sports clubs, bonuses, various discounts and insurance. He added that he believed that P&G operated in Russia in a distinctly Russian style.

Does the company operate more according to some American system or to a Russian one? To that I'm inclined to answer that it operates according to a Russian system. Despite the fact that this is an American company, people here work in their own way, with a Russian style, with Russian politics. I think the way the company operates in the United States and here is quite different because you need to consider the Russian mentality. Our customers here who order products from P&G are completely different people as compared to those who order products in the United States. So this needs to be considered and the working process needs to be adapted.

P&G has managed to recognize the importance of certain behaviors that have helped it to succeed in the Russian market. It's commitment to the country through partnerships with leading universities helped it develop a local talent pool with a rich understanding of peculiarities in the Russian market. P&G also appears to have a culture of flexibility within its Russian workforce. None of the complacency described by articles critical of its culture in the United States was described by its employees in Russia. P&G's relatively hands off approach allows its educated workforce to apply the latest thinking in management and internal processes to the Russian market.

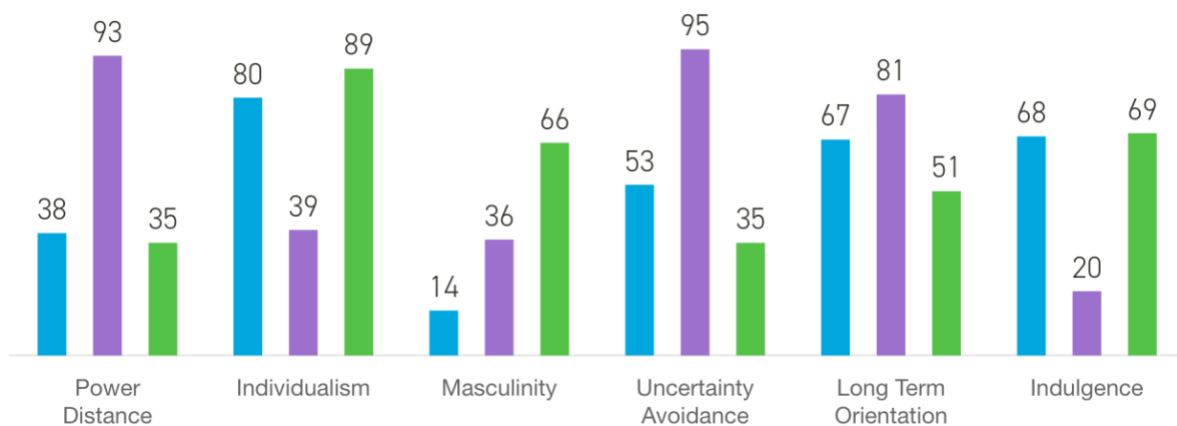
4.4 Unilever Case

Unilever is comprised of two related parent holding companies, one in England and the other in the Netherlands, with over 500 brands that manufacture soap, food, and other consumables. Although separate entities the two companies operate as one and are comprised of the same people. Unilever is descended from several companies founded in the 1800s. The original products produced were dairy and margarine. Later in 1885, they began producing soap with innovative marketing. The company today focuses on home products. After an acquisition of the American company Bestfoods in 2000, Unilever became one of the largest food

companies globally. (Brittanica, n.d.) Similarly, to Danone and P&G, Unilever through official statements describes its commitment to operating its business in socially responsible ways. In the latter half of the 20th century, Unilever was known for having a group of executives that rotated through different countries who were sometimes known as the “Dutch Mafia.” (Di Norcia, 1991)

Unilever entered Russia in 1992 and has since developed at least seven separate manufacturing sites in the country, making a total investment of almost 1 billion USD in 2011. Like Danone, it has acquired Russian brands such as the ice cream company Inmarko and ketchup company Baltimor. Unilever has placed well in Russian surveys as a pleasant place to work: It was recognized as the best employer of the fast-moving consumer goods sector in 2011 according to surveys conducted by Universum, Changellenge Academy, the Future Today and Finance University (Odintsova, 2011.)

An analysis of the national cultural difference that Unilever global management may experience in Russia is complicated by the Dutch-British heritage of the firm. Nonetheless, according to the Hofstede model the United Kingdom and the Netherlands are not too dissimilar in most cultural metrics aside from masculinity, where the British score much higher than the Dutch. In this sense we can still judge Unilever as culturally a very Western European company in contrast to the Russian market, which shows more definitively Eastern characteristics.



Characteristics of Russian (Purple), Dutch (blue), and British (green) culture according to Hofstede model. Accessed on April March 30, 2021 <https://www.hofstede-insights.com/country-comparison/the-netherlands,russia,the-uk/>

An interview conducted with someone who recently worked in marketing at Unilever Russia was helpful for understanding the corporate culture of the company. Questions and answers are translated from Russian to English and edited for length and clarity, but the meaning is carefully maintained. The first question asked was how clear are the corporate values in the company?

They don't speak so much about their values. They don't announce to us "These are our values." I never heard anything like this during any meeting. With the coronavirus situation, they provided us with a lot of information about what the virus was and what we should be doing to produce sanitizers/ antiseptics/soaps. They told us early on based on information from around the world that this was expected to boost sales in Russia. However, with respect to values, honestly after working there I'm still not sure what they are. I can discuss the values of certain brands but not of Unilever as a company. Every week or two there is a meeting with Regina Kuzmina Executive Vice President of Unilever Russia/Ukraine/Belarus, where she relays the status of the company, how it is doing in sales in Russia, which categories are doing well or poorly. These meetings are for all employees of the company. I think it's very useful and healthy information. Aside from this, I often received global newsletters in English about how the company is doing overall. I also worked in Gazprom and Sberbank and we never received such a broad range of information in such an open manner.

How formal were communications within the company? Did you and your colleagues refer to each other using the informal *ty* or formal *vy*? (analogous to the French *tu* and *vous*, respectively)

Well between colleagues in one department everyone communicates informally and with your manager you communicate informally, using "ty." Even with the manager of the North-West region you still communicate informally, using "ty." Then with the national management, it is customary to speak with them formally, using "ty." People at work were quite friendly. A few

times, my manager dropped me off at the subway. This was cool. Everyone would eat together. "Oh it's 12!" and the whole department would go eat together. I would go get coffee with a friend often. Before coronavirus, everyone in my department went climbing together and they ordered pizza.

How is education at Unilever?

I would say that there was a lot of learning by doing. If you are not sure how to do something you go to a colleague or your manager and they explain how to do it or do it better. They test you occasionally on your knowledge of statistics, sales. Employees have yearly goals that they discuss with their managers, then after a year they give themselves a review, receive a review from their manager. Based on this there is a discussion as to whether or not the goals were met and if they were then bonuses are based on this.

How about rules and procedures at Unilever?

There were certain documents that needed to be filled out and sent by certain times on certain days. There were certain standards that always needed to be filled out according to.

What is your understanding of who makes the decisions at Unilever Russia? In other words, how independently does it operate from Unilever's global management?

The Russian office decides most if not all the decisions within the company. There are sales goals set globally; however, the plans and specific goals are set within Russia at the appropriate level of management.

You worked in other companies in Russia that were not subsidiaries of Western MNCs, how does the culture differ at Unilever Russia?

I think people at Unilever Russia are more flexible. At Gazprom to get a meeting with someone you needed to fill out 1000 emails, agree on a time, maybe in two weeks, and here you can just

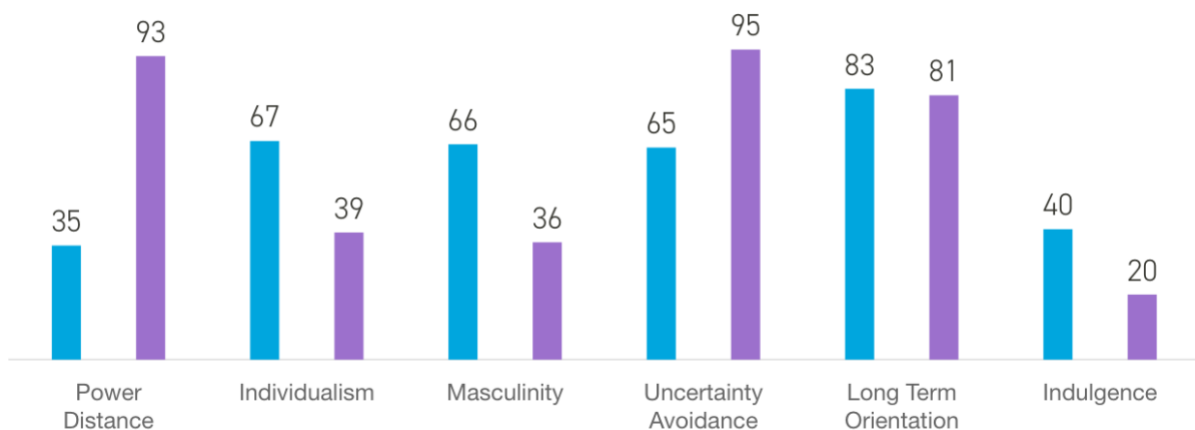
have a five-minute call on Microsoft Teams and find out what you need to find out. I think this is much cooler and more effective in terms of work efficiency. On the other hand, I think that in Unilever sometimes people forgot about the barriers between work and life. Particularly with the pandemic this could be felt very strongly. People might call you after work at 19:00, you might get a message on WhatsApp at 21:00 with ideas on what to do, or “I need this as soon as possible.” So, this wasn’t great.

Unilever in Russia is a bit more rigid in its functioning compared to Danone and P&G. There is a degree of flexibility, but it appears relatively more inclined toward a culture of stability. With respect to the independence/interdependence dimension, it appears more independent, with people more or less working on their own tasks. That being said, people are very open to socializing with their coworkers.

4.5 MediaMarkt Case

MediaMarkt is a chain of German electronics stores owned by Ceconomy AG. It has over 800 stores in 13 different countries. The first MediaMarkt store was opened in Munich, Germany in 1979. It sells a large range of electronic products. It was the first type of store to offer a range of electronics products in one store. In 1990, the company expanded to Austria. Throughout the 1990s it continued to expand, opening locations across Europe.

There are a number of differences between Russian and German culture. In Russia the power distance is much higher and there is a greater degree of uncertainty avoidance present. German culture is more masculine than Russian culture and a bit more indulgent, although both are relatively low. German culture is more prone to promote individualism.



Characteristics of Russian (Purple) and German (blue) culture according to Hofstede model. Accessed on April April 10, 2021 <https://www.hofstede-insights.com/product/compare-countries/russia,the-usa/>

MediaMarkt entered Russia in 2006 through the launch of two stores in Moscow. (MediaMarkt, n.d., "History" section) By 2018, when MediaMarkt announced it would be divesting of its operations in Russia through a sale to rival retailer M.Video, it had over 60 stores in the country. This amounted to a market share of 3-3.5% according to Director General of InfoLine Ivan Fedyaikov. Fedyaikov described the decision to exit to be the result of several management missteps. There was slow development despite a changing retail market in Russia and decision making took longer than necessary. There was a high emphasis placed on large store presence despite growing popularity of ecommerce shopping. These are all factors that competitors developed which granted them a significant competitive advantage. Andrey Karpov, the president of the Russian Association of Retail Market Experts, chalked up the slow decision making and many of the problems that stemmed from this to the foreign nature of the company. "Decisions are made in Germany, based on a number of factors, they [German management] are not guided by today, but in fact by the indicators of yesterday, and by the time when the decision is made the situation often changes," Karpov said. (Malyutin, 2018) This level of inflexibility and complacency seems that it may have cost the company. In addition, according to employee

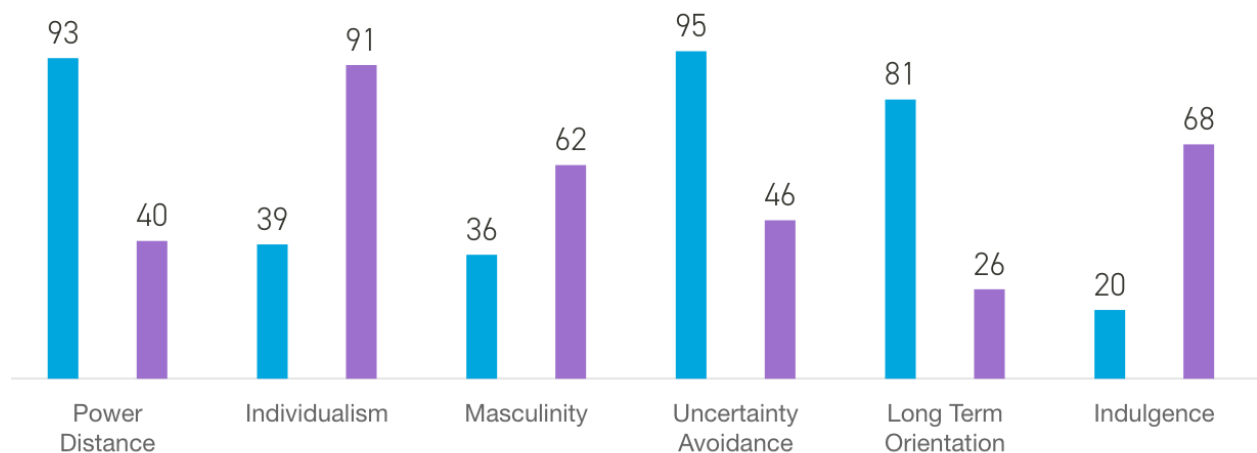
reviews, there were strict demands to reach sales quotas and unpleasant aspects to the work environment. (*Work at MediaMarkt: Reviews of employees of the employer MediaMarkt, 2018*)

The divestment of MediaMarkt was not as simple as a straightforward sale. Through its company MediaMarktSaturn, Ceconomy AG acquired 15% of M.Video which is in turn owned by Safmar group. The deal was completed on 31 August 2018. In Ceconomy’s 2018 financial report, the company described the completion of the sale of MediaMarkt’s Russian stores the resolution of “the Russia issue.”

MediaMarkt was quite inflexible in its operations in Russia and did not adapt to changing market conditions. While it is possible there was openness to adaptations the rigidity of the culture may have hindered this. There was quite a bit of independence in the way that employees interacted management regarding their sales targets.

4.6 Shake Shack Case

Shake Shack is an American fast-casual burger chain that was founded as a hot dog cart in New York in 2001. Three years later it grew into a stand and has since expanded globally. The chain is known for using higher quality ingredients despite serving traditional American fast foods. The founder, Danny Meyer has a background in fine dining and has emphasized the importance of customer experience and hospitality at his restaurants. Meyer is also the owner of Union Square Hospitality Group. The CEO of the company Randy Garutti studied hospitality at Cornell University.



Characteristics of Russian (Blue) and American (blue) culture according to Hofstede model.
Accessed on April 10, 2021 <https://www.hofstede-insights.com/product/compare-countries/russia,the-usa/>

As has already been noted in the P&G case, there are several substantial differences between Russian and American culture that can be seen when looking at the Hofstede model. The power distance is much higher in Russian than in the United States.

Shake Shack entered Russia in 2013. It sought to target a more upscale demographic than McDonalds. Meyer told the Moscow Times “McDonald’s obviously was the pioneer in bringing the American hamburger to Russia, but they brought the fast-food experience. They did not bring the fine casual experience. Hopefully we will be able to pioneer a different way to experience a hamburger.” At the time the company had 24 restaurants in five US states. Internationally, it had locations in the UK, Turkey and the Middle East. The entry decision was informed by a perception from management that Russians were a significant customer group at the restaurant’s New York and Dubai locations. Randy Garutti, the company CEO, remarked that he could not walk down a street in Manhattan without hearing Russian and that his 5-year-old son’s best friend was Russian, and concluded that the chain would be a hit with Russians in Russia as well. Meyer said that a problem he heard from others that he would have in expanding to Russia was inhospitable employees who would not smile; his initial comments in 2013 suggest that this is not the case. Meyer said that he found employees who did not have to be trained to smile. (Booth, 2019) Initially the chain shipped beef from Australia and some other ingredients from the US with the goal of migrating to local ingredients in time. By the next year the burger chain reported that it was having trouble with its ingredient supply chain and relied almost exclusively on a single supplier for beef. (Giammona, 2014)

In 2019, Shake Shack announced they were closing all three locations in Russia while continuing to open more locations elsewhere. The venture proved unsuccessful. Many TripAdvisor reviews complained about the price and portion size of the food at Shake Shack. This is despite an analysis that found that the price of a Shake Shack meal in Russia was the least expensive compared to in any other country. Adjusted to US Dollars, the price of a Shake Shack meal (for the sake of analysis, computed as the total price of a standard burger, a shake, and fries, all ordered separately) in 2014 in Russia was \$12.38, compared to \$13 in the United States, and

\$20.66 in London. Complaints continued even after the price of food was reduced. Shake Shack entered confidently and believed its brand and high-end burger concept would attract customers. This appears to have been a misplaced belief from foreign management who were reluctant or unwilling to adapt to market realities. Shake Shack in Russia operated too stably and with little evidence of interdependence, suggesting a results-based organization. It seems plausible that it was not well established enough for such a cultural model to allow it to develop to the rapidly changing market conditions.

5. CONCLUSION

There is of course a variety of factors that influence a country's decision to continually invest in a country. These factors acquire additional significance when pressures to divest grow as in the case of Russia post-2014. All of the companies considered in this article have substantial revenues from their global operations. The firms considered who have stayed in Russia have developed operations in the country and this must have been a factor in them remaining in the country. Nonetheless, they share cultural characteristics that appear to endow them with additional success in their Russian operations. Instead of trying to impose a uniform culture from the home country of the Western MNC, these firms all allow for a high degree of flexibility in their subsidiaries. Indeed, if a cultural characteristic is to be singled out as appearing to help these companies operate in Russia it appears to be flexibility. This characteristic in addition to delegating much work to Russian management, has allowed these companies to operate natively in the Russian market despite their foreign origin.

Based on the results of the survey it appears that most Western MNCs in Russia have a cultural orientation toward being results based, meaning that there is a degree of independence and slight skew towards stability. The factor of independence was in line with the findings from the cases, while the cases of Danone and Proctor & Gamble demonstrated a more flexible organizational culture. MediaMarkt and Shake Shack appeared, on the other hand, to be quite rigid in the cultural orientation of their Russian operations. This may have negatively impacted their performance on the Russian market.

This study makes several theoretical and practical contributions. The theories central to the framework of the survey are heavily reliant on both Groysberg and to a lesser extent Hofstede (Groysberg, 2018; Hofstede, 2011). The notion that corporate culture is affected by national culture was later somewhat developed by Groysberg (2020). Nonetheless, no theoretical framework has been developed that suggests how different national cultures may affect the corporate culture of a foreign MNC in a different country. This article, through an exploration of various factors, suggests that an analysis of cultural factors can help managers determine how successful an M&A transaction or market entry may end up being. This may help bring clarity to the “double layered acculturation” phenomenon identified by Barkema (1996). Culture is of

importance in understanding the willingness of particularly subsidiaries to make decisions independently or receive feedback effectively

There are several limitations to this study. Primarily, the cases of companies analyzed was limited in scope and number. For this reason, the results should not be generalized and interpreted as suggesting a causation between culture and the success of certain cultures on the Russian market. Additionally, the qualitative and exploratory case study method of research introduces the potential for bias. Maximum effort was exerted in order to remain objective; however, this possibility is intrinsic to the method of research.

Further research can further explore some of the identified factors that are likely to play a role in the success or longevity of foreign MNCs operations in Russia in a more quantitative manner. In particular, the role of flexibility in the organizational culture of these organizations is worth examining further and attempting to measure. Our exploratory study revealed this factor to be of interest. Further research may be able to reveal a correlation between flexibility and certain management initiatives or other factors.

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