Cross-Cultural Differences in Logistics and Adaptation To Them: The Case Of A German Logistics Services Provider Entering The Russian Market

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CROSS-CULTURAL DIFFERENCES IN LOGISTICS AND ADAPTATION TO THEM: THE CASE OF A GERMAN LOGISTICS SERVICES PROVIDER ENTERING THE RUSSIAN MARKET

Vitaly Brazhkin
University of West Florida

ABSTRACT

This paper explores obstacles to doing business related to the logistics industry in the emerging Russian market, ways of dealing with these obstacles and the role of culture in problem definitions and solutions. The paper is based on the case of a German logistics services provider entering and operating in the Russian market. Data were obtained from interviews of top managers of its Russian subsidiary and analyzed using qualitative research methods. Findings show that the firm treats difficult logistics problems in Russia as business opportunities and applies its traditional strengths reflecting its national and organizational culture to overcome the obstacles and problems. However, the firm must rethink its business strategy and step out of its traditional cultural comfort zone to deal with specific obstacles explained by “high power distance” and other dimensions of the Russian national culture.

INTRODUCTION

This is a case study of one interesting cross-border business venture: a German logistics company entering the Russian market. Russia, with a surface area of 17 million km$^2$, is by far the largest country in the world (The World Factbook, 2020), and arguably presents the ultimate challenge in logistics. Harsh Russian winters, particularly in Siberia, serve as a world-wide definition of extreme cold. Critically important also are the logistics infrastructure (ports, roads, warehouses), customs, information systems and the operating environment of business in general. The World Bank takes most of these factors into account to rank 160 nations on a logistics performance index (LPI), a measure of how a country’s logistics is conducive to international trade (The World Bank Group, 2018). Russia is #75, with an LPI of 2.76.

By contrast, Germany (LPI = 4.20) is number 1 (The World Bank Group, 2018). The German Autobahn is a world standard of a good road. Just as German roads, equally known (and admired) are German cars. The automotive industry around the world is widely recognized to be the driver behind logistics development and the leader in logistics innovation. The choice for this case study of a German logistics provider specializing in a wide range of logistics services for the automotive industry provides a rare opportunity to look deeper into a potentially conflicting interaction of the ultimate German precision and sophistication entering its almost extreme opposite in the Russian market.

While the business challenge and potential cultural clash for which this case sets the stage may be intriguing, there is also a pragmatic reason for conducting this study. Russia’s population is 142 million (The World Factbook, 2020). It is a lucrative market for transnational corporations around the world, and one of the least tapped into. Russia, the biggest part of the Soviet Union, remained clad in an iron curtain for seven decades in the 20th century and was largely an enigma for the rest of the world. After the collapse of the Soviet Union in 1991, it went through a tumultuous transition of its social and economic system to something akin to free-market capitalism. The time that passed since then is too short to reveal the country’s true nature and character for foreign firms to be comfortable doing business there. Nor did the international academic community have a good chance at researching it yet. There are few answers in the pre-Soviet period too. Russia had not been
capitalistic or a commercially-oriented country by western standards during the tsarist rule (Tongren, Hecht and Kovach, 1995).

Many companies entered the new market only to learn that their initial ideas and models on how to operate there simply did not work. Only 5% of the American companies in Russia showed a profit in the early stages (Tongren, Hecht and Kovach, 1995). Some companies, such as Walmart, left the market (Schell, 2011). Others, such as Auchan and DHL, are very successful. Many problems of entering the Russian market, logistics-related or otherwise, seem to be on the surface and well-known. Tongren, Hecht and Kovach (1995) speak of “endless problems of permits, raw material shortages, culturally-based worker sloth and transportation problems.”

However, the Russian problems should affect everyone in the same way. Why should some companies, all of them successful in their home markets and largely around the world, be able to operate profitably in Russia, whereas others should fail and withdraw? Some academic research described in more detail in the next section points to cultural differences between the countries as a possible explanation. However, national cultures alone cannot explain such opposite results for Auchan and Carrefour, the two major French retailers. Auchan has been very successful, while Carrefour withdrew from the Russian market after two failed attempts to enter it.

Among success factors, organizational culture and strategy in a foreign market are commonly considered of key importance. Thus, the scope of this research is the role of national culture, organizational culture and the strategy of logistics services providers entering an emerging market.

Specifically, the research questions that guide this study are:

1. What are the various logistics problems that a German logistics services provider has encountered in its Russian market?

2. What strategies are used to overcome these problems?

3. What role does cultural difference assume in both the definitions of and solutions to logistics problems encountered by the company?

The remainder of the paper has the following structure. The next section presents a review of relevant literature and conceptual frameworks used in the study. After that, the study method is explained. Findings reflecting the research questions above follow. The paper concludes with a summary of findings, acknowledgement of limitations, and suggestions for future research.

**LITERATURE REVIEW AND CONCEPTUAL FRAMEWORKS**

There are two areas of empirical literature that are important for this article. One deals with national cultures, the other with studying organizational culture and strategies.

This study relies on the widely accepted definition of national culture by Kluckhohn:

“Culture consists in patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values.” (Kluckhohn, 1951).

Following Kluckhohn’s (1951) definition of culture Dutch social sciences researcher Geert Hofstede added a handy “shorthand” definition as “the collective programming of the mind that distinguishes the members of one group or category of people from another” (Hofstede, 2001). Culture includes values, which are invisible, and manifests itself in symbols, heroes and rituals, collectively called practices. (Hofstede, 2001).
The main contribution of Hofstede’s work was the creation of initially four, later five and then six dimensions of culture: power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity, long-term versus short-term orientation, and indulgence versus self-restraint. Any national culture can be compared to others along these dimensions. Since many of the phenomena in this study can be tied to these dimensions and their consequences, the six dimensions as well as their most salient consequences that have a bearing on this study are briefly described further. A comparison of Germany and Russia’s scores on these dimensions is presented in Figure 1.

According to Hofstede (2001), power distance is “the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally.” In his study, Russia ranked very high on the power distance index, whereas Germany’s score is low.

Uncertainty avoidance is “the extent to which a culture programs its members to feel either uncomfortable or comfortable in unstructured situations” (Hofstede, 2001). The two countries do not differ much on this dimension: Germany’s score is high, Russia’s very high.

Individualism (vs. collectivism) refers to “the degree to which individuals are supposed to look after themselves or remain integrated into groups, usually around the family” (Hofstede, 2001). Germany scored high on individualism in Hofstede’s study, Russia’s score he described as low to medium.

Masculinity (vs. femininity) refers to “the distribution of emotional roles between the genders” (Hofstede, 2001). “Tough” masculine societies are opposed to tender “feminine” societies. Germany is high on masculinity, Russia is low.

Long-term orientation (vs. short-term) “refers to the extent to which a culture programs its members to accept delayed gratification of their material, social, and emotional needs” (Hofstede, 2001). Both Germany and Russia score high on this dimension.

FIGURE 1
GERMANY AND RUSSIA’S SCORES ON HOFSTEDE’S CULTURAL DIMENSIONS

Compiled using data from Hofstede Insights (2020).

Notes: PD - power distance; UA - uncertainty avoidance; Indiv. - individualism (vs. collectivism); Masc. - masculinity (vs. femininity); LTO - long-term orientation; Indulg. - indulgence (vs. self-restraint).
Indulgence (vs. restraint) refers to the extent to which people try to control their desires and impulses. Both Germany and Russia score low on this dimension, implying that it is common for people in these cultures to exercise self-restraint.

For each of the dimensions, Hofstede listed “consequences” – associated practices that can be observed, including those related to the workplace. Relatively close scores of Russia and Germany suggest that both societies are likely to display a variety of similar “consequences”.

Among the features Russia and Germany share, the most relevant to this study are the following:
- uncertainty in life is a continuous threat to be fought;
- need for clarity and structure;
- higher stress and anxiety;
- only known risks are taken;
- inner urge to be busy;
- conservatism, law and order (opposed to openness to change and innovation);
- top managers involved in operations;
- suspicion of foreign managers;
- fear of failure (opposed to hope of success);
- strong appeal for technological solutions;
- belief in specialists and expertise (Hofstede, 2001).

The differences in scores on the other dimensions imply a likelihood of differences in attributes of the two societies. Those most interesting for this study are summarized in Table 1.

In summary, Russia and Germany are positioned on the opposite ends of several cultural dimensions, which may imply a cultural shock for a German company entering the Russian market. Hofstede’s cultural dimensions and consequences showing both similarities and differences between the two countries as described above were used to identify and analyze the observed phenomena. They were considered as a basis for deductive codes for data analysis in this study. The method is described in more detail in the next section of the paper.

The works of two other researchers, Edward T. Hall and Mildred R. Hall, are relevant to this study. In Understanding Cultural Differences (Hall and Hall, 1990), the authors, based on in-depth open-ended interviews, described cultural differences in

### TABLE 1

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Germany</th>
<th>Russia</th>
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<tbody>
<tr>
<td>Power distance</td>
<td>All should have equal rights</td>
<td>Power holders are entitled to privileges</td>
</tr>
<tr>
<td></td>
<td>Decentralized decision structures; less concentration of authority</td>
<td>Centralized decision structures; more concentration of authority</td>
</tr>
<tr>
<td></td>
<td>Less corruption</td>
<td>More corruption</td>
</tr>
<tr>
<td></td>
<td>Openness with information</td>
<td>Information constrained by hierarchy</td>
</tr>
<tr>
<td>Individualism</td>
<td>High employee commitment to organization</td>
<td>Low employee commitment to organization</td>
</tr>
<tr>
<td></td>
<td>In business, task and company prevail over personal relationships</td>
<td>In business, personal relationships prevail over task and company</td>
</tr>
<tr>
<td></td>
<td>Competition stimulated</td>
<td>Economic monopolies</td>
</tr>
<tr>
<td></td>
<td>Laws and rights supposed to be the same for all</td>
<td>Laws and rights differ by group according to tradition</td>
</tr>
<tr>
<td></td>
<td>Direct communication style</td>
<td>Implicit communication style</td>
</tr>
<tr>
<td>Masculinity</td>
<td>Preference to earn more</td>
<td>Preference to work less</td>
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Adopted from Hofstede (2001).
communications as well as other practical cultural dimensions for several nations, including Germany, but not Russia.

Hall and Hall’s findings relevant for this study are listed below:

· Germany is high on monochronism: people prefer to focus on one task at a time.
· Germans look for consensus in decision making. It takes longer, but then they stand firm on it. This persistence and stubbornness is often the reason for business success.
· Germans are obsessed with details.
· “German businesses plan for the future, methodically building a solid foundation. They are not preoccupied with immediate results.”
· “Power is the name of the game in the German business.”
· “Intellectual power seems to rank the highest in Germany.”
· “Order is a dominant theme in German culture… None of this drive for order, however, prevents Germans from being creative.”
· Decentralization and compartmentalization are common for German businesses.
· Germans place high value on quality of products and services.
· Germans follow rules and expect others to do so (Hall and Hall, 1990).

The words and parts of phrases above boldfaced above were considered as a basis for deductive codes for the data analysis in this study.

To sum up this stream of literature, the national cultures have been well studied. However, due to Russia being closed to the rest of the world until relatively recently, there is definitely a lack of empirical studies on the country. Most recent publications addressed largely to businessmen and offering practical advice on doing business in Russia (Morrison, Conaway and Borden, 1994; Tongren, Hecht and Kovach, 1995; Gesteland, 2005) are not based on empirical studies and do not fill the void.

The second area of literature, research in organizational culture and business strategies, has been so potent that there are whole volumes written with a goal to provide some guidance in this field (Alvesson and Berg, 1992; Askanasy, Wilderom and Peterson, 2000). A brief review below covers only those organizational culture and strategy typologies of firms that were actually used to analyze the data in this study.

J. Steven Ott summarized prior research to provide a broad descriptive definition of organizational culture as follows:

“Organizational culture is the culture that exists in an organization, something akin to a societal culture. It is made up of such things as values, beliefs, assumptions, perceptions, behavioral norms, artifacts, and patterns of behavior. It is a socially constructed, unseen, and unobservable force behind organizational activities. It is a social energy that moves organization members to act. It is a unifying theme that provides meaning, direction, and mobilization for organizational members. It functions as an organizational control mechanism, informally approving or prohibiting behaviors (Ott, 1989).”

According to Ott, organizational culture has three sources, which are also dependent on each other to some degree:

1. The broader societal culture in which it resides.
2. The nature of an organization’s business or business environment.
3. The beliefs, values and basic assumptions held by the founder(s) or other early dominant leader(s) (Ott, 1989).
In “Competitive Strategy” (1980), Michael E. Porter identified three generic strategies of successful businesses: overall cost leadership (cost advantage over competitors); differentiation (higher pricing reflects uniqueness of additional value to the customer); focus strategy (concentrating on a particular segment of the market: geographical, product line, etc.) (Porter, 1980). Later empirical research, such as by Dess and Davis (1984), supported his findings. This typology is used in the paper to compare the studied firm’s operations in Europe and in Russia.

One of the early empirical studies was conducted by Miles, Snow, Meyer, and Coleman (1978). They examined organizational adaptation to environmental change and uncertainty. According to them, each firm has to solve three broad adaptation problems: entrepreneurial (definition of the product/service to sell and the target market/segment), engineering (operational solution) and administrative (rationalizing and stabilizing the business through the process of leadership and control) (Miles et al., 1978). Based on the firm’s strategy to approach these problems, it can be classified as primarily Defender (protecting its turf by becoming efficient in a narrow product and/or market under control of “mechanistic” structure and process based management), Prospector (pursuing new product and market opportunities with flexible technology and facilitation from the management), Analyzer (recognizing differences in products and markets and pursuing and balancing both defender and prospector strategies where appropriate), and Reactor (inconsistent non-proactive response to environmental change and uncertainty resulting in perpetual state of instability) (Miles et al. 1978).

As part of the data analysis, this study attempted to link the studied firm’s strategy in Russia to these well-recognized strategies described above. The method used in this study is presented in more detail next.

**METHODOLOGY**

For situations lacking prior developed research streams, qualitative methods of research are more advantageous than quantitative. As some readers may be unfamiliar with qualitative research methods, a brief overview is provided below.

Qualitative research differs substantially from quantitative. The “purpose of qualitative research is to understand and explain behavior, beliefs, identify processes and understand the context of people’s experiences” (Hennink, Hutter and Bailey, 2011, p.17). Qualitative research does not involve statistical data analysis. Instead, textual data are collected, e.g., through interviews, and analyzed. The nature of the analysis is interpretive: the researcher seeks “to interpret the meanings that participants themselves give to their views and experiences” (Hennink, Hutter and Bailey, 2011, p.17). Without seeking generalization, qualitative methods allow exploring the context and uncovering potential links between phenomena that can further be put to test by quantitative methods in subsequent research (Charmaz, 2006). Table 2 shows key differences between qualitative and quantitative research as summarized in the methodological work of Hennink, Hutter and Bailey (2011).

Qualitative research is not just one fixed method but a “broad umbrella term that covers a wide variety of techniques and philosophies” (Hennink, Hutter and Bailey, 2011, p.8). We followed a typical route identified by Hennink, Hutter and Bailey (2011) for research situations with available conceptual frameworks. The data were collected through in-depth interviews. The transcripts were analyzed for initial codes. In qualitative research codes refer to topics, issues, opinions and ideas discussed by the participants (Hennink, Hutter and Bailey, 2011). We used both deductive codes (those motivated by conceptual frameworks and theories) and inductive codes (issues raised by the participants themselves). The process of further interpretation of the codes resulted in writing of memos and ultimately a theory usually referred to as a grounded theory in qualitative research.

Grounded theory was first proposed by Glaser and Strauss (1967). It does not refer to a “grand,” formal theory, but to a substantive theory addressing specific problems in clearly defined areas (Charmaz,
To illustrate, this study resulted in a grounded theory that describes perceptions of the Russian business environment by a German firm and ways it finds to be successful in that market. The theory is called “grounded” because it is well supported by data, or in other words, grounded in data (Hennink, Hutter and Bailey, 2011). For example, textual data analysis resulted in 240 initial codes and in this paper we use over 20 quotes from the interviews as textual data to support our inferences. The quotes were chosen based on their relevance, brevity and expressiveness.

The lack of research on Russia’s national culture in general and its effect on logistics in particular has already been noted. Industry level statistical data collected by the government are not considered to be public information there. In addition to just recently opening to the world, the profound character and dynamic pace of the country’s changes would make the analysis of macro data difficult, if not impossible. This underscores the importance of qualitative methods traditional for analysis of cultures but rarely applied to the field of logistics.

Table 2

<table>
<thead>
<tr>
<th></th>
<th>Qualitative Research</th>
<th>Quantitative Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective</td>
<td>To gain a detailed understanding of underlying reasons, beliefs, motivations</td>
<td>To quantify data and extrapolate results to a broader population</td>
</tr>
<tr>
<td>Data</td>
<td>Data are words (called textual data)</td>
<td>Data are numbers or numerical data</td>
</tr>
<tr>
<td>Study population</td>
<td>Small number of participants or interviewees, selected purposively (non-randomly)</td>
<td>Large sample size of representative cases</td>
</tr>
<tr>
<td>Data collection</td>
<td>In-depth interviews, observation, group discussions</td>
<td>Population surveys, opinion polls, exit interviews</td>
</tr>
<tr>
<td>methods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analysis</td>
<td>Analysis is interpretive</td>
<td>Analysis is statistical</td>
</tr>
<tr>
<td>Outcome</td>
<td>To develop an initial understanding, to identify and explain behavior, beliefs or actions</td>
<td>To identify prevalence, averages and patterns in data. To generalize to a broader population</td>
</tr>
</tbody>
</table>

Adopted from Hennink, Hutter and Bailey (2011).
This study was based on three semi-structured interviews of the top managers of a Russian subsidiary of a German logistics services provider. Face-to-face interviews were chosen for the study to take full advantage of the flexible, exploratory nature of the method and its strengths in gaining in-depth information on the questions of research interest and possibility of illustrations from real life of the company and personal experiences of the interviewees.

The rationale behind choosing this company within the logistics industry and the choice of nationality of the company were discussed in the opening section of this paper. The company is privately owned. It provides specialized logistics services to major customers in a variety of industries around the world. Its main market is Western Europe and Germany in particular, and it is prominent in automotive logistics. In the light of the business strategy typologies discussed previously, the firm’s strategy in its home market may be described as that of differentiation (on quality) and focus on specific industries and larger companies. This is a Defender type of strategy.

It is customary for logistics providers to follow their larger clients around the world, so the decision to start operations in the Russian market is both driven by opportunity and desire to continue to serve existing customers in their new market. The firm entered the Russian market through an acquisition. The top managers of the subsidiary were a German general manager and two Russian managers responsible for transportation and warehousing services, respectively. These managers were viewed as charged with the task of cross-cultural adaptation of the German company to the Russian market and possessing a degree of “biculturality” needed for the task as described by Hofstede (2001).

**FINDINGS**

The findings section of this paper is organized along the first two research questions (problems in the Russian market the firm encountered and solutions it implemented), with insights into the role of culture (the third research question) incorporated into the two.

**Problems the Firm Encountered in The Russian Market**

The analysis of data revealed that all issues reported by the interviewees dealt with Russia-specific problems the firm faced and they all fell under two categories: those of a logistics nature and those that are not.

The interviews identified a variety of logistics-related problems specific to Russia that concern warehousing, such as low degree of automation and inadequate warehouse management systems, and transportation, particularly international: long distances involved, seasonal shortage of truck capacity, and complexity of border crossing and customs clearance. The latter was brought up by all the three interviewees:

- **General Manager (GM):** *So we have problems with the customs, with import logistics and with dependency on Russian carriers. We also have a problem on the distribution side in Russia.*

- **Warehouse manager (WM):** *The problem is that we are separated by distances, unfortunately. Besides these distances, there also appear different borders.*

- **Transportation manager (TM):** *… the customs clearance procedure in Russia, it is rather complex. It has at the moment nothing in common with the one in Europe…*

However, the company has an interesting approach to these problems. For a problem-solving company, problems are not obstacles; they are business opportunities:

- **GM:** *I want to point out that we are here to solve these problems. This is exactly what we tell the government officials, because [for the government] to solve everything is not necessarily beneficial*
for us, especially the customs issues in Russia. It is better for us, because not everyone can solve those problems internally. The more difficult the problem, the more the client is willing to pay for its solution.

This approach falls under the Prospector strategy of adaptation to the business environment. It is also indicative of the value placed on intellectual power by Germans as described earlier by Hall and Hall (1990).

However, it is problems outside the area of logistics that are the real obstacles to business of the firm. The worst of them are man-made. In fact, the human factor is the main problem:

TM: Before I speak about any logistics difficulties, I will begin with the fact that we encountered a problem with personnel. The problem with personnel was that the people who graduated from respective colleges here in Russia specializing in automotive business ... left those schools with a very theoretical kind of knowledge that was little applicable to practice. In other words, a graduate of one of those schools was little different from a person without the specialized education.

TM: So I can designate it as a problem, because in my opinion people are key to any development, and so we still encounter this problem up to now... This problem, in contrast to Germany, I can point out as the main issue.

The human factor problem that is often cited as the reason for a variety of failures in the conduct of business is also diplomatically referred to as the “mentality” or “certain cultural traits” problem. From a foreigner’s perspective it manifests itself in poor communication, disrespect for deadlines and outright dishonesty and cheating at work – things that go against the traditional German cultural values:

WM: Let’ begin with the easiest, something that is obvious to any foreigner who comes to Russia. It is communication, something a foreign citizen is used to... That is practically immediate communication, in other words, any, absolutely any question, even request, should receive a response immediately. Not an answer necessarily, but some kind of reaction.

WM: Second, all that concerns deadlines. This already directly affects quality... Just a response by the deadline. Or the work fulfilled by the deadline. There are some situations here when a foreign citizen fails to find understanding while communicating with Russians.

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TM: At the moment, the existing system allows the drivers, and I will use strong language, to cheat their fleet owners financially with profit for the driver himself. There is work to stop it, and we fight this too. We already went to the border and discussed various situations that arise there.

The human factor problem cannot be easily solved by training or other typical means the company uses at home. When it becomes a great obstacle (and risk), such as when the firm considered buying a fleet of trucks, the options are clear: either accept the risk or back off. In line with the Defender’s strategy and an apparent culture of low, calculated risk projects only, the firm has backed off, at least for now (German persistence may dictate a comeback when the situation improves):

TM: Even so there are always some loopholes left and some options they [drivers] can try, so we looked very carefully at potential problems several times, all possible nuances of purchasing our own fleet, because there is demand in the market, but every time we would find that it is not yet beneficial in the end. That’s why we work based on contracts
that exist with our partners, carriers directly, on a permanent basis. This is more profitable currently. We’ll see what happens to the market in the future; perhaps we’ll come back to this question a fourth time.

The last phrase suggests that the firm does not expect the Russian mentality to change, but will go ahead with the project as soon as there is enough profit to justify the costs associated with risk of losses due to employee dishonesty, a very pragmatic approach characteristic of the company’s culture and in line with its national culture.

Predictable from Hofstede’s very high power distance index, everything related to the Russian government and legal system is likely to be different from the situation in Germany and perceived as a problem by the firm’s management. The interviews show that the Russian government indeed plays a huge role in the way business is conducted:

- Laws and rule-making are complex and often unpredictable
- Formal and informal approval for any business project is necessary
- Preferential treatment is common and will benefit some but will put others at a disadvantage

WM: …if we speak of Russia, this is relatively strict… relatively high level of regulation in customs law – everything that is connected with actual movement of goods and services across the border.

Not seeing the regulatory role of the Russian government in primarily fighting abuse, the German manager appears to be genuinely surprised at the perceived lack of logic behind a new government policy (an abrupt decision to move customs clearance from Moscow to the border)

GM: The problem was that behind the change in politics was nothing, meaning there was no infrastructure on the border. We were very surprised.

Fortunately, the power game is Germans’ strong point. The interviewed managers know how to deal with the government:
- stay informed to allow sufficient time for planning,
- fit the government policy,
- start from the top to get an approval for a project,

GM: We petitioned the chamber of commerce and received a confirmation that we will be warned about further closings of the posts.

GM: I want to make a point that German politicians are constantly in contact with us… We are in close relations with the German embassy, the foreign trade mission, we have meetings with those secretaries in the German government who are in charge and who always offer their help here, in the Russian business market.

GM: So we as a company made the decision to offer our “knowhow,” come with our clients and invest our money so that we will fit into the plan of changing the customs policy of the Russian Federation.

GM: We have heard of this [government red tape] and we have made a decision specifically about our project … to go another way. In the very beginning we involved the Chamber of Commerce. They immediately organized a meeting for us on a very high level [of the government]… thus we went from top down… Based on our experience we think that this is how business should be conducted in Russia.

A couple of conclusions follow from the quotes above. First, it is obvious that as predicted from Hofstede’s high uncertainty avoidance index, the firm is building a structure (process) to protect itself and guarantee some time to react to any negative
development. It appears that after a few mistakes and close calls, the firm has learnt how to deal with the Russian government. The solution is based on the firm’s traditional German strengths, which also appear to be a part of its organizational culture: learning, reliance on analytical solutions, and using power to its advantage. This resonates with qualities of the German national culture described by Hall and Hall (1990) we identified in the literature review.

While the problem of finding a way to deal with the Russian government is perceived by the management as solved, another problem, also partially connected to the government is still a major stumbling block: an uneven competitive playing field perceived by the management as unfair, as expected from the high individualism score of Germany on this cultural dimension, according to Hofstede (2001).

The uneven competitive playing field is a result of two factors:

- preferential treatment of other companies by the government (a consequence of a high power distance index and being relatively low on individualism);

- presence of extremely low cost competition in the logistics services market (in contrast to Europe) due to a difference in the legal and business environment and apparent preference of low price over quality by local customers.

GM: The problem is that our competitor ... is closely connected to [a government-owned company]. On the political level they have different opportunities than we do; thus, specifically, our capability is not quite realized.

GM: We almost brought this project to a certain stage of completion, but the [competitor] took this part of the business right from under our nose, having better conditions and better rates, than we could get on the market.

TM: So working with larger carriers that carry full insurance we certainly as intermediaries of sorts are not always in the position to offer the best delivery. Because a big company that has such insurance policy already offers rates substantially higher than those smaller companies. And respectively with our markup that is put on top, it is not always competitive.

Thus, Russia presents a variety of challenges for a German logistics firm, from internal, personnel, issues to unique macro problems of market competition and the role of the government. Things work very differently in Russia, and while this fits well with the Russian national culture, it is often a shock and a surprise to the German company. However, the company is not deterred and is actively looking for solutions.

Solutions to Problems
The principal solution the firm is in the process of implementing is a major one: a shift in strategy. The firm realizes that it has to leave the comfort zone of stable operations and display flexibility and creativity – the Prospector strategy qualities while keeping its market focus, quality differentiation European strategy. The company relies on its culture-based strengths but has to be creative (these qualities are part of German national culture according to Hall and Hall (1990)):

- Unique technical or process oriented solutions,
- Meticulous planning followed by quick practical action,
- Taking calculated risks, including investment risks,
- Long-term business orientation

GM: We recognize that placing a bonded customs warehouse in ... [location] is the first step. The second step will be right when we get a license for it. We will create there a hub to receive consolidated cargoes, clear them through the customs and provide distribution. In this way we
will connect Russia with Western Europe and then we will need to set up there a very competitive distribution of consolidated cargoes. At the moment, we are researching the market, and very likely we will buy certain structures to ensure this task.

The firm treats difficult logistics problems in Russia as business opportunities. It applies its traditional strengths reflecting its national and organizational culture such as strong analytical approach and searches for technology- and process-based solutions to overcome these problems. However, it also encounters specific threats explained by a very high power distance in the Russian national culture to doing business in Russia: human resources problems, a big role of the government in business, and an uneven competitive playing field. Unable to conduct business as usual in the Russian market, the firm must rethink and adjust its European business strategy of market segment focus and quality-based differentiation to include a third dimension, uniqueness of a logistics solution. This requires the firm to show flexibility of operating outside its traditional cultural comfort zone. In terms of strategies identified by Miles et al. (1978), the firm tries to pursue a Defender strategy in the Russian market, but often finds itself a reluctant Prospector, as it must respond to a dramatic change in the environment. Fortunately, its national and organizational cultures support the relatively independent structure of the Russian subsidiary’s operation, so the response is usually more than adequate and the company secures its position for the future in the market. Overall, this makes the company fall under the Analyzer strategy because the firm attempts to minimize risk while maximizing the opportunity for profit, the very definition of the Analyzer strategy (Miles et al., 1978). The company’s response to threats from the environment is consistent, not limited to a particular frame and often involves a major change in the operation. The only peculiar feature is that the company would rather be a Defender, its traditional German domestic strategy, but it is realistic and sees that it must make an adaptation to a specific market situation.

CONCLUSION
As has been noted in the beginning of this article, there is an acute lack of academic literature on logistics realities of the new Russia as well as studies that look into aspects of its national culture and its manifestations in business. There is not much written on the role of national and organizational culture of a company in adaptation of its foreign subsidiary to the host country’s culture. This study does not fill that void. It is merely a small step. Yet, it is valuable in that it describes some of the real logistics problems of doing business in Russia today as well as other obstacles to doing business in Russia and one way to deal with them.

The study certainly showed a great degree of influence of the national culture of the home country and the part of it that was ingrained in the organizational culture of the company on the company’s behavior in the foreign market whose national culture is very different. The findings do not seem to support Hofstede’s conclusion that “foreign subsidiaries of multinational organizations function internally more according to the value systems and beliefs of the host culture, even if they formally adopt home-culture ideas and policies” (Hofstede, 2001). In fact, the contrary seems to be true for the studied company, however, the qualitative method used in research does not assert any generalizability of the findings. Rather, the study demonstrated that the home country’s effect is extremely strong and is more in line with findings of Alder (1996), and Laurent (1983).

The study uses a method that is outside the mainstream of logistics research, but it is the very method that allows a deeper look at the company’s strategy in a foreign territory. This adds an additional perspective to the typology of Miles et al. (1978) that assumed that the company is anchored in its environment and adopts the strategy in a stationary situation. In the increasingly global business world, third party logistics services providers often must follow their global customers around the world and offer the same logistics services, and often with an expectation of the same quality but better price, as they do in their primary markets. This study sheds a light on a situation where such logistics intermediary,
driven by a dual desire of serving its global customers and pursuing profitable business opportunities in the new market, already has a previous business strategy, but is now forced to adjust it on the go, not having planned for it. As a result, the home country strategy, while still having a preferred status, is complemented by a different strategy, but only to the degree where it is necessary.

The study has a number of limitations. No measure of business success of the company is provided. Private companies do not report data to the public and may keep their subsidiaries in a foreign market for some time for strategic reasons even if they are not profitable. Profit is also not necessarily a good measure of success in a new and growing market, nor is market share. A survivor principle in the new market is not applicable either. Another limitation is a relatively narrow scope of a case study of just one logistics firm. Broader and more in-depth studies could follow. They may deal with logistics services providers from other countries. An interesting research question would be to compare effects of different types of market entry, as well as the motivation behind it (those reluctant and cautious market entrants following their customers versus true Prospectors looking for new opportunities).

Despite the limitations, this study provides a validation of several theoretical frameworks and a context for future research. On a practical level, it offers a deeper insight into the business realities of the Russian logistics market, the challenges it poses for foreign firms and the potential solutions to the problems.

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**BIOGRAPHY**

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