From shadow into the light

Russian business over the past 30 years through the eyes of its “fathers and sons”

1,001 opinions (not indifferent)
This survey explores how the mood in the Russian business community has changed since thirty-odd years ago, when the first PwC office was established in Moscow, albeit as Price Waterhouse (the name “PwC” was coined in 1998 after the merger with Coopers & Lybrand). It’s been conducted with the aim to reflect on what Russian business has gone through, as well as what lies ahead.

Is thirty years a long time? Victor Hugo once wrote, “Forty is the old age of youth; fifty is the youth of old age.” In this paradigm, we have not yet reached even the old age of youth. However, we have witnessed some tremendous changes. As if two eras flashed...

Our colleagues from the NAFI Research Centre polled 1,001 respondents who were in their thirties and experienced the fall of the USSR and the emergence of an independent Russia, as well as those who were born in the period. All the respondents represent (or represented) small, medium or large businesses. In addition to this anonymous survey, we carried out a series of long interviews – mostly with our colleagues who were with the firm in Russia from the very beginning and some currently well-known business leaders.

The range of opinions we received was diverse.

Tam Basunia, a veteran of the firm who was sent to Moscow from London to test the waters, recalls, “It was an extremely difficult time. A similar situation existed in Germany in the 1920s. I think it’s remarkable that Russia didn’t verge towards extremism, this is to the credit of the Russian authorities but more so to the Russian people. Those years were, no doubt, difficult for the country, but one could see the beginning of Russian entrepreneurship.”

* The first line from “Butterfly in the Hospital Orchard” by Soviet poet Arseny Tarkovsky (d. 1989) (English translation by Philip Metres and Dimitri Psurtsev from I Burned at the Feast, a collection of poems by Arseny Tarkovsky)

**Flying from shadow into the light**, 
She is herself both shadow and light. 
Where did she come from, this being 
Nearly naked of markings? 
She looks like she’s hopping. 
She must be from Asia – 
There’s no one quite like her here...

The first line became popular in the 1990s when it was used as a slogan for MMM (a large pyramid scheme). Tarkovsky used the word “China” instead of “Asia” in his poem. But apparently it was lost in translation.
Richard Paterson, who was appointed the firm’s Energy & Utilities Leader in the 1990s, recalls, “Where we might complete an audit of an international client three months after the year end, in the early days it was well over a year at the Russian client. Partially, it was a simple lack of preparedness. The companies did not know what exactly to provide to the auditor.”

“Wild business reigned,” Ravil Sanzhapsapov, an entrepreneur from Ekaterinburg, then a shuttle trader, recalls. “Our working method was: go there, buy there and sell here. The shelves in the stores were empty. There was no competition either. But there were a lot of criminals. You could get mugged at the market, or someone could steal your shoes. Doing business back then exacted a much higher mental toll. You could make money easier but within 12 months inflation would reduce your profits to nothing.”

Together with other outstanding personalities, Ravil’s daughter, Guzel Sanzhapsapova, one of the leading social entrepreneurs in Russia, who in 2018 celebrated her thirtieth birthday, gives in our report her own assessment of the realities then and now.

As for the survey highlights, here they are in a nutshell.

Today’s thirty-year-olds tend to be sentimental about the past. A little over half of our younger cohort believe that it was hard to do business in the 1990s, while around 70% of those who were actually engaged in entrepreneurship at the time have no doubt that it was really hard. The majority of respondents agreed that doing business today is easier (more services are available, criminal organizations have subsided, there is more opportunity) and pointed out that increased competition is a key differentiator between today’s environment and that of the early 1990s. However, every second young respondent believes that the business climate has gotten worse over the last 30 years.

Both camps believe that the ability to do business in Russia has improved in some areas (political stability, it’s easier to launch a business, loans are more readily available).
The only areas where they believe that things have become worse is in regard to fuel and electricity costs and people's qualifications. Is this nostalgia for the USSR or an indication of a larger problem?

According to the survey respondents, the core business risks in the 1990s were killings, physical assaults and threats to family members. Today, the biggest risks are a damaged business reputation, imprisonment or forced emigration. Is it a progress? On the one hand, fearing for your life and those of your nearest and dearest has subsided, and this, of course, is a good thing. On the other hand, all these pessimistic thoughts about going to jail or being forced to emigrate...

Fedor Tyutchev once wrote, “The history of Russia before Peter the Great is an endless dirge, and after Peter the Great – an endless criminal case.” Here is a tough question for you: where is the dividing line in the history of the Russian business? Let’s take a pause and think about it.

The situation is simpler with corruption, because nothing changes. “If I fall asleep, wake up 100 years later and somebody asks me, what is going on in Russia, an immediate answer will be: people keep drinking and stealing,” wrote Mikhail Saltykov-Shchedrin in the nineteenth century. Isn’t it naive to expect changes within thirty years?

Around 70% of the respondents said that the level of corruption in business-government relations has either increased (38%) or remained the same (30%). However, the thirty-year-olds are more pessimistic than the sixty-year-olds.

All tend to agree that it was much harder to do business with fairness and integrity in the 1990s than it is today. Even more striking, however, was that around half the sixty-year-old respondents and forty percent of the thirty-year-olds claim it is impossible to do business fairly these days.

Respondents named MMM, Gazprom and YUKOS as the three most famous companies of the 1990s, although the latter gained popularity only in the middle of that decade after the notorious loans-for-share auctions.
Both the older and younger respondents recognized Boris Berezovsky, Mikhail Khodorkovsky and Roman Abramovich as the most famous Russian business moguls of the 1990s (in this exact order). However, the younger group also decisively included Anatoly Chubais, who at the time was only a civil servant. Young people do not seem to distinguish between the government and the business community when thinking about the privatization in the early 1990s.

Our survey respondents frequently characterized the business leaders of the 1990s as “thieves, bandits, crooks,” “impertinent, sharp-elbowed” and “unscrupulous, ruthless.” In contrast, today’s business leaders are defined as “qualified, competent,” “intelligent, well-educated” and “responsible.” It’s almost an idyllic image. However, all of a sudden it turns out that these “qualified and well-educated” leaders are at the same time the “greedy profit seekers” to a greater extent than those thirty years ago. How could one explain this?

It’s quite a difficult task. But this “intricate squiggle”, as Boris Yeltsin, Russian President in the 1990s, used to say in regard to confusing situations, can also be traced in the respondents’ answers to questions about how Russian business has evolved. Based on the data we received, business in Russia has become far more professional, law-abiding, etc. Nonetheless, at the same time, respondents believe that the business community’s commitments to social responsibility either have not changed much (22%) or have even backtracked (21%). The combined 43% is not a number that can easily be dismissed.

The most distinctive difference between the thirty-year-olds and the sixty-year-olds lies, it appears, in their attitudes towards private life and healthy living. According to our respondents, 81% of today’s business leaders value sports and consider themselves health conscious, while only 7% of their senior colleagues considered such things important in the 1990s.
The same ratio stands true for the value attributed to private life, family (57% and 15%, respectively) and philanthropy (65% and 16%). Sixty-two percent of today’s business leaders allocate considerable time to their hobbies. “What!? Hobbies?!” we hear someone screams from the 1990s. Only 15% of business leaders in that era, respondents believe, devoted time to hobbies.

Another prominent positive trend is the growing empowerment of women in business. Seventy-seven percent believe that women in Russia have received more opportunities to engage in business in the past 30 years (only 8% disagree).

Finally, a hefty 70% of our respondents, mainly from the thirty-year-old camp, believe that the regulation of business by the government is too stringent and would like to have some greater freedom. No comments here.

Let’s look at what the future might have in store for us. More than half of respondents (56%) believe that the next 30 years will, most likely, see Russian business evolve in a positive direction. However, one out of five is certain the Russian business is destined to stagnate, and another fifth believe that there will be no change. On this question, there are more skeptics among the business leaders from the 1990s.

Ksenia Ryasova, President, Finn Flair, commented, “Now we are stagnating as in the 1970s. It’s somewhat boring... I can’t think of what Russian business will look like in thirty years. I believe it useless to do so.

People say that Russian business differs from Western business because we always plan for a year or three years at best, while in the West they plan for five-year or even longer. I believe it’s close to the truth. When someone talks about developing a strategy spanning many, many years, it only makes me laugh.

In Russia, you have to be ready to notice and ride the next big wave coming. Building a thirty-year strategy in Russia makes as much sense as waiting for the grass to grow.”

Can this skeptical mindset explain, if only partially, one of our survey’s findings? Those who established businesses in the 1990s, more than their younger counterparts, prefer that their children and grandchildren would be employed rather than self-employed.

Nevertheless, let’s not sink into pessimism too deeply, repeating after Oscar Wilde, “Nothing is impossible in Russia but reform.”

In an interview for our survey, Wilde’s compatriot, Mary Dejevsky (a columnist at The Independent who worked for The Times in Moscow in 1988-1992, shared her strong conviction that, “The end of the 1980s and the 1990s need to be seen as a unique period that is not going to be repeated. Russia is part of the global economy now. And there won’t be another generation of oligarchs who basically made their fortunes on very dubious privatization schemes. That’s not going to happen again.”

It would be good if everything would turn out as she says.

We can be hopeful about the triumph of responsible business practices in Russia. Thinking back to when Price Waterhouse first opened an office in Russia, Blair Sheppard (Global Leader, Strategy and Leadership Development) emphasizes, “We used to be a purely accounting and auditing firm. We were perceived as a tool to legally fit a Russian entity into the global context, to facilitate its global market entry. I believe we play a much bigger role in the country today.”

It’s true.
The 1001 opinions of Russian business leaders
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