

## Ukrainian corporate culture

BY KIM RISE  
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**Geographical and cultural proximity to Western Europe are two of the main reasons behind the accessibility of Ukraine. But it is still important to observe the differences in culture if you want to be successful in the country. Cultural differences have always had a great significance in business. However, recent events have further underlined that cultural understanding has become increasingly important and that there is room for improvement for Western businesses.**

**The global division of labour**

Culture is often associated

with stereotypes, such as the laid-back attitude of the Spanish, the wine-drinking French etc. These issues are nevertheless irrelevant as long as people from different countries successfully co-operate and do business with each other. However, these seemingly irrelevant issues can soon transform into real problems when two diverse cultures clash in a work-situation. And in a globalised world, this is often the case.

The trend of modern business is that companies separate various functions in order to get them done where they are done best and at the lowest cost. National borders no longer place any limits on business operations as they did earlier.

It can be said that the world is experiencing a global division of labour, in

terms of industry as well as marketing. Many Western European businesses are looking eastwards to Asia as well as to Eastern Europe. Although Asia is currently making the headlines, the proximity of Eastern Europe will soon make the exchange of goods, services and people more intense.

### Cultural understanding

The decisive factor for many businesses will be whether they are able to cope in Eastern Europe, and this is where culture will make all the difference. Even though culture is often defined as a 'soft' value and for that reason treated as a cliché, it is possible to pinpoint some issues that are very concrete and elementary; the difficulty is not to understand the

issues, but to act accordingly.

First and foremost, today's Eastern European societies have inherited a patriarchal mentality. Therefore, the consensus-based and inclusive management style of many Western companies is seen as a sign of weakness and incompetence.

Honesty is also important, as many Eastern Europeans have traditionally felt deceived because they have lived in a world, where there was a tremendous difference between the *official* and the *actual* state of affairs. In corporate terms, this means that successful companies are the ones who 'walk the talk', and translate their promises into action.

An important aspect to consider is how to maintain the Eastern European employees. Due to a different perception of the value of consumption *now* as opposed to the value of *future* consumption,

short-term profits become very lucrative. The reason for this can be found in historical experiences and the current limited amount of resources. This is why it is often better to offer Eastern European employees a fixed medium wage rather than a low starting wage with the prospect of future gains.

### Corporate culture

The main challenge for Western businesses is not how to include the locals in everyday operations and decision-making processes, but *how to do this in a different culture and perhaps in a different language*. This is why communication must form the basis of any international business. The exchange of employees is also important, and it is a good way to disseminate knowledge and company-norms. Moreover, it is important for Eastern Europeans to know who

they are dealing with.

Knowledge is a resource that can be found on a large scale in Eastern Europe. The Eastern European educational system was in many ways very effective under the Soviet regime. Especially education in technology, mathematics and natural sciences were associated with high status. Most Westerners that stay in Eastern Europe will be surprised by the amount of factual, technological and historical insight that many Eastern Europeans possess. However, the educational system was unable to create independent and enterprising individuals. Therefore, Westerners should not go to Eastern Europe in order to spread technological or specialist knowledge, but to contribute with structure, systems knowledge, and an understanding of systems.

## Global social responsibility

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**Corporate social responsibility (CSR) is not the first issue that comes to mind, when a company considers establishing low cost production in Eastern Europe. However, companies still need to recognize their responsibility.**

**The need for CSR in Ukraine**

Globalisation and internationalisation raise questions concerning social responsibility. How should companies handle the entrance into a new culture with different ethics and standards? Is it possible to transfer Western standards

without neglecting the bottom line?

The need for CSR in Ukraine is primarily focused on improving labour conditions and upgrading industrial processes in order to improve the environment. These are issues that are regulated by law in Western countries, but have not yet been the primary focus of Ukrainian legislation. This is why foreign companies need to set an example and bring their technology and know-how to Ukraine in order for improvements to occur.

### UN survey

A recent UN survey shows that 78 percent of Ukrainian companies are aware of the CSR concept and the majority of companies consider CSR to be the introduction of

social programmes aimed at improving labour conditions for employees, staff development and training, and charity help. What is even more interesting is that only four percent of the interviewed companies feel that it does not make any sense for businesses to participate in solving social problems.

This survey proves that Ukrainian businesses know that CSR is about more than an annual charity. But the fact that half of the companies feel that their primary responsibility is to the bottom line indicates that there is a wide-spread feeling that the state is not doing enough to motivate social responsibility. In Ukraine, the taxation system provides only a five percent tax deduction in relation to CSR, which is barely considered an incentive by many businesses.

### Restraints on CSR

Media attention is one of the main reasons why companies hesitate to focus on social responsibility as a strategy. Many companies have used CSR purely for promotional reasons, and this has caused the media to be reluctant to focus on the down-side of companies' CSR activities.

Another restraint on CSR is the lack of serious partners in CSR-projects. There is still a limited amount of NGOs and other potential partners in Ukraine. One of the newcomers to Ukraine and a possible co-operating partner for businesses interested in environmentally beneficial projects is the

### NEFCO

NEFCO was established in 1990 by the five Nordic countries: Denmark, Finland, Iceland, Norway and Sweden.

NEFCO's mission is to promote cost-effective ways to reduce the environmental pollution emanating from regions adjacent to the Nordic countries.

NEFCO's vision is to achieve environmental results at a cost that is 7-8 times lower than similar investments made in the Nordic countries.

Further information about NEFCO is available at:

[www.nefco.org](http://www.nefco.org)

Nordic Environment Finance Corporation, NEFCO. We have talked to Senior Investment Manager, Torben Vindeløv, regarding NEFCO's commitment in Ukraine.

*What is your impression of the level of CSR in Ukraine?*

"I have not had the opportunity to discuss CSR with Ukrainian companies apart from those in which NEFCO is a co-investor. It is a precondition for NEFCO's investments that the projects result in significant environmental improvements either through a direct reduction or indirectly by introducing more efficient and safe technologies."

*Why did you choose Ukraine as a country of operation?*

"Ukraine was included as a cooperation country when the EU was enlarged. The environmental standard of the country leaves much to be desired, and it was felt by the Nordic countries that the sort of environment targeted investments that NEFCO offers would be very relevant also in Ukraine."

*What kind of projects is NEFCO*

*involved in?*

"The bottom line for NEFCO is the positive environmental effects of our projects. Our investments must be able to present a higher return in environmental terms than what we could expect from a comparable investment in a Nordic country. Therefore, we employ a number of finance tools to achieve our goals in Ukraine. We offer risk capital and loans on competitive terms to projects that promise to deliver positive environmental results. Currently we operate two special purpose subsidised facilities, namely Cleaner Production Credits and Energy Savings Credits. The Cleaner Production Credits are available to private and public companies that wish to make their use of resources more efficient. The Energy Savings Credits are offered to social institutions, such as schools, hospitals, kindergartens, street lighting, and sports facilities."

*Which services do clients receive from NEFCO?*

"Our participation reduces

our partner's risks when making an investment. This is achieved through our financial participation, environmental expertise, understanding of the financial and legal business environment, and our local network of contacts."

*How have you experienced the initial stage of establishing yourself as a co-operating partner?*

"It has been easy to get in contact with potential clients as the demand for our finances is huge. Our interaction with the authorities is time-consuming, but this is business as usual for our clients."

*What are your expectations for your future development in Ukraine?*

"Ukraine will become the most important market for NEFCO. I believe that Ukraine - within two or three years - could be a bigger market for NEFCO than Russia. Ukraine is presently more approachable than Russia due to the closer cooperation with the EU, which should enable the country to develop and implement environmental regulations."

### Torben Vindeløv



Torben Vindeløv was born in 1948 in Copenhagen, Denmark, and holds a Master's Degree in Civil and Structural Engineering from the Technical University of Denmark. This degree was later supplemented by a Bachelor's Degree in Commerce from the Copenhagen School of Economics and Business Administration. Torben has 30 years of experience in working with international projects. Since 2001, he has been Senior Investment Manager at NEFCO, responsible for the preparation of investments in Eastern Europe. Currently, Torben is responsible for NEFCO's Ukrainian expansion plans.