



BALTIC SEA FORUM
PRO BALTICA

MAFCON represents the Baltic Sea Forum in Denmark

The impact of culture on Ukrainian development

BY OKSANA HAVRYS
MAFCON

The breakdown of communism gave rise to Western hopes and expectations for democracy and market opportunities in Eastern Europe. This optimism quickly showed to be well-founded with regards to Poland, Hungary and the Baltic States. Ukraine, though, trailed behind for the first 15 years.

What can explain these differences? According to the Russian-born sociologist Matthew Maly, the developmental problems were caused by the shadow that Russian culture casts on Ukraine.

Ukraine is different

Ukraine is among the countries that moved closer to the West after 1989, but a well-functioning market economy is not yet fully established. This makes Ukraine different - not only from the Western European countries, but also from other Eastern European countries such as Poland, Hungary or the Baltic States.

One reasonable explanation for the developmental problems that Ukraine faced after 1989 is that the country is

very close to Russia – both in geographical and cultural terms. For many centuries the neighboring giant has had a cultural influence on Ukraine, and though this influence has now decreased, the inheritance still affects both the everyday life of Ukrainians and the business life of investors. In fact, the Ukrainians are only now beginning to step out of this shadow from the past.

“Establishing business in Ukraine in the near future can be very profitable in the long run”

Russia’s negative influence
Sociologist Matthew Maly claims that the cultural inheritance from Russia has a negative effect on the market economy. Most importantly, Russians understand the concept of freedom in a very different way than we do in Western countries. This is because centuries of oppression have led people to think of freedom in terms of the state not interfering with everyday life.

This does not mean that people want to decrease the size of the state as such. Instead, the real consequence has been disrespect for the law. This disrespect showed its face in form of envy towards

people who broke away from their ties. Of course, this wish of breaking away from ties and obligations damaged people’s working morale.

A barrier to development

While the Ukrainian culture itself is definitely not as bad for development as the Russian culture described by Matthew Maly, the years of Russian influence did affect both

the working morale of the Ukrainians and Ukrainian politics.

Notably, the culture made it harder to establish the right of property. The focus on one’s relative position in society and the feeling of envy towards successful people meant that one man’s gain was seen as another man’s loss. Working for an already well-off person could therefore be against one’s own interest.

Hence, because of the Russian influence, Ukrainians were sometimes torn between loyalty towards their employer and what was culturally seen as a fair incentive to work against the investors.

Macro-level consequences

Today, Soviet and Russian influence on Ukraine is decreasing. However, doing business in Ukraine can be a complicated affair, and some investors simply keep away from outsourcing to the Ukraine or only make short-term investments. This of course has a damaging effect on the country’s economy.

The main contributor to the country’s problems

“Ukraine’s development into a fully democratic market economy based on respect for the law is now taking speed”

with fulfilling its economic potential has been the relatively high level of corruption and crime. This corruption and crime has often been related to individuals and informal networks that sought to improve their own position by taking advantage of investors. However, as the feeling of envy and focus on relative positions disappear, so will crime and corruption.

Micro-level consequences

While playing it safe, the risk-averse investors do miss out on great business opportunities if they keep away from doing business in Ukraine. Of course, any culture can only be changed slowly and low working morale and disrespect of the right of property still has some significance. However, even though capital or land owners at first sight seem to

be working in a somewhat inhospitable environment, the cultural obstacles can definitely be overcome.

How to deal with this culture?

On the part of investors and employers, it is absolutely necessary to pay attention to any informal networks. Traditional Russian and Ukrainian culture is patriarchal and holds formalities and manners in high regard. Therefore, one cannot overestimate the value of getting off on the right foot with any person that has potential influence on one’s business.

This also goes for the employer’s relations towards his employees. During the Soviet era, a Ukrainian blue-collar worker would seek to improve his relative position in society by deliberately making poor efforts in order to distance himself from a job that he found degrading. Today, a direct motivation of the employees is still a good strategy if attempting to

boost the working morale.

The present and the future

Even in 2007, Russian culture casts a long shadow on Eastern Europe. However, Ukraine’s development into a fully democratic market economy based on respect for the law is now taking speed as the Ukrainians start to fully share the norms and values, i.e. the culture of Western societies.

Slowly but surely, Ukraine will follow other post-communist countries like Poland, Hungary and the Baltic States into a brighter future. Thus, establishing business in Ukraine in the near future can be very profitable in the long run. Nevertheless, any investor should be advised to build up his knowledge of Ukrainian culture in order to maximise business opportunities.

UKRAINSERNE



Privatization - getting off on the right foot



The Ukrainian "Business Express" is heading towards the private sector, but the Ukrainians themselves are not just passengers...



The cuckoo. Ukrainian business competition in the wild.

The pictures are from www.vlasnasprava.info