

Doing Business in Russia

Bus 624

University of Miami - MBS

Course Information

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- **Classroom:** TBA.
- **Credits:** 2.

Course Meetings

- **First class:** Friday, March 29, 2019. The class time is TBA (3 hours total).
- **Second class:** Friday, April 5, 2019. The class time is TBA (3 hours total).
- **Trip Dates:** Spring Break, 2019. Detailed itinerary TBA.

Course Description

Russia has some unique advantages as a trading partner. Russia is the world's sixth largest economy (purchasing power parity adjusted), and income per capita of \$27,890, highest of the BRIC countries (Brazil, Russia, India, China). Russia became a member of the World Trade Organization in 2012, reducing tariffs and increasing protection for intellectual property. Despite these advantages, Russia is the 30th largest export market for the US. The course will discuss the opportunities and pitfalls of entering this relatively untapped market.

Russia also has unique advantages as a source for suppliers within a firm's supply chain. Its workforce is highly educated in many technical fields, such as software development. About 30% of Russians speak English (compare with less than 1% in China), making Russia a possible destination for technical support centers. Russia ranks higher than China and India in supply chain resilience. Despite these advantages, Russia is relatively untapped as

a source in supply chains, being only the 23rd largest importer to the US. The course will discuss the opportunities of using Russia a source country.

The course will focus on features of the Russian market, but these features are common in developing countries. Thus, the lessons learned will apply to a wide variety of countries. These include exchange rate risk, reliance on commodity exports (oil and gas in the case of Russia), protection of property rights, and the holdup problem. The course will compare and contrast Russia with similar developing economies that are potential trading partners.

The destination cities are Moscow and St. Petersburg. Travel to these cities will give the students first hand exposure to issues associated with doing business in Russia, and give the students knowledge and skills need to succeed in an increasingly global business environment. This includes meeting with business leaders in Russia and gaining first hand exposure to the Russian cultural environment.

Course Objectives

The course objectives are:

1. Learn first hand how the economic and political institutions and cultural environment shape the Russian marketplace and doing business in Russia.
2. Learn about the macroeconomics of the Russian economy.
3. Be able to compare and contrast Russia institutions and culture versus similar developing countries.
4. Improve students ability to be succeed in global business.
5. Gain in-depth knowledge of the business environment in Russia.
6. Learn about Russian culture and customs, through visits to historical and cultural sites in Moscow and St. Petersburg.

Learning Outcomes

Upon completing this course, students should be able to:

- Understand the economic and political institutions and cultural environment in Russia, and how they affect doing business in Russia.
- Understand the advantages and disadvantages of Russia as a trading partner versus alternative countries.

- Gain experience dealing with new circumstances in international business relationships, enhancing the students ability to succeed in global business.
- Develop teamwork skills through completion of a group project.
- Develop international cultural awareness through the trip experience.

Course Requirements

- Attend two lectures on March 29 and April 5.
- Attend all scheduled events on the trip itinerary.
- Complete reading assignment prior to departure.
- Make group presentation after the trip.

Grading

- Participation in class meetings and assignments: 30%
- Professional conduct and respect for others on the trip: 30%. Remember, you are ambassadors for your country.
- Post trip presentation: 40%.

Course Outline

1. Strategic Considerations when entering new markets.
 - (a) Fundamentals.
 - i. Extensive form games.
 - ii. Credible and non-credible threats.
 - iii. The first mover advantage.
 - (b) Applications Russia and similar countries.
 - i. Capital intensive investment and the hold-up problem.
 - ii. Strategic market segmentation.
2. Macroeconomic Considerations.
 - (a) Exchange rate policy in Russia and similar countries.

- i. Fixed exchange rates.
 - ii. Floating exchange rates.
- (b) Macroeconomic conditions and exchange rates in Russia.
- (c) Commodity prices and the investment climate.