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Business Success in Russia: Coca-Cola Bottlers, St. Petersburg

Constance R. Campbell

Constance R. Campbell received a Fulbright Hayes Fellowship to study in Latvia, Lithuania, and Russia in the Summer of 1999.

In June and July of 1999, a group of sixteen high school and university teachers from Georgia, USA, visited Russia to study the economy and efforts at privatization. The following information obtained during that visit begins with a description of one of the most important contributors to business success, the economy. Following that, a description is provided of some of the practices that are used by a successful business in St. Petersburg, Russia, the Coca-Cola Bottlers facility. This information may be of general interest to those who want to learn more about business practices in Russia, and it may be of special interest to anyone who is considering establishing business operations in Russia.

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General Overview of the Russian Economy

The date of August 17, 1998, is an important one to Russians, as it marks a serious financial crisis involving the devaluation of the Russian currency, the ruble. According to a St. Petersburg State University professor, Russians now mark time as before August 17 and after August 17 (Sidorenko, 1999). The devalued ruble was one of the factors that caused Russia's already somewhat poor economy to become even worse, with many Russians forced to work more than one job simply in order to subsist. In 1998, the most important social problem reported by the people surveyed was, "Rise of the prices" (Sidorenko, 1999). Salaries did not rise concurrently with prices; thus, many Russians are forced to do without "luxury" items such as new clothes, medication, or funerals. Nor do average Russians enjoy large living spaces since housing costs are high. For example, a five-room flat in St. Petersburg costs about \$150,000,

while the average annual income is \$600 (Rezaev, 1999).

Nonetheless, the Russians encountered on the author's trip were people of very strong spirit who were working hard to make their economy better. They noted that moving from a communist monopoly system, in which state ownership is the norm, to a competitive, privatized system posed a number of challenges, including

1. changing the mentality of Russian managers who have operated in a monopoly environment in the past but are now in a competitive system;
2. assisting managers to develop a clear vision for the future of the organization and to engage in strategic planning;
3. dealing with the complexity of organizational structures inherited from the communist era;
4. managing effectively with shortages on many fronts, including finances, human resources, and technology;

5. making decisions with an insufficient flow of information;
6. working around logistics problems, such as poor or undependable transportation; and
7. overcoming a lack of networking (Gavra, 1999).

These challenges, which are daunting obstacles to organizations that wish to conduct business in Russia, are not impossible to overcome. In fact, it is possible for a corporation to not only survive in this environment but to thrive in it and to also contribute to the betterment of society. Following is a description of a successful international company in Russia, the Coca-Cola Company.

Successful Practices: Coca-Cola Bottlers

The study group visited Coca-Cola Bottlers, St. Petersburg, in June 1999. The company created a positive first impression by sending a courteous driver in a new-looking Coke van to transport the group from its hotel to the bottling plant. Upon arrival, the appearance of the buildings and grounds continued to impress. The buildings, which were constructed between September 1994 and October 1995, looked new, modern, and clean, with parking lots outlined in Coca-Cola flags and lined with vehicles painted with the Coke logo.

The meeting was held in the training facility, a brightly lit room containing up-to-the-minute training technology, professional

seating and presentation areas, and bright decorations. If anyone had any doubt where he/she was, the red and white decor of the room and the abundance of orange, green, and red balloons labeled Fanta, Sprite, and Coke erased all doubt.

The facility's Training Manager, Elena Chestakova, and her assistant, both of whom are Russian and fluent English speakers, welcomed the group. Their business cards were printed in Russian on one side and English on the other. Ms. Chestakova gave a general overview of Coca-Cola's presence in Russia and then gave more specific details about Coke's practices in the St. Petersburg facility.

Coca-Cola in Russia

The Coca-Cola Company entered Russia in 1992, only one year after the fall of the Soviet Union. Currently, the company has broad coverage in Russia with 12 plants and over 50 sales and distribution centers spanning the entire Russian territory. One reason that Coke was successful in gaining entry to Russia was the company's ability to illustrate that its presence would be beneficial to the country and its citizens. Coke officials indicated that systems and business practices could assist employees in making the transfer from monopolistic practices to competitive ones. However, Coke's strongest argument for the benefit of business in Russia was that the company would have a positive impact on the economy. The following examples of Coke's impact provided convincing

evidence for its claim. Coke promised Russians that

1. it would improve employment levels directly and indirectly.
 - *it planned to hire mainly Russian citizens, rather than bringing in workers from other countries.
 - *its practices would result in a multiplier effect in which each job at Coke would result in ten jobs at other organizations that interact with Coke in some way.
2. with its corporate input to the tax system and the inputs of its employees, Coke would enhance the tax base.

According to Ms. Chestakova, Coke has followed through on its promises with the following results.

1. Coke is the biggest foreign investor in Russia's consumer goods industry, having invested over \$700 million in Russia as of 1999.
2. Coke provides opportunities for other organizations, with over 70 percent of the materials used at the St. Petersburg facility coming from local suppliers.
3. Coke has provided employment opportunities for Russians. Most of the 5,000 Coca-Cola employees in Russia are Russian citizens.

Now that Coke has successfully gained entry into Russia, it is attempting to maintain a competitive edge through its human resource management practices.

Human Resource Practices at Coca-Cola

Coke in Russia has adopted the strategy of paying its workers at about the average level for workers in international companies in Russia, while trying to provide benefits that are better than those provided by other international companies.

One area of focus in benefits is on training, with Coke providing extensive support for employee training. Coke has a large training center in Moscow that can be used to supplement the training received in the facility in St. Petersburg. The company pays employees' travel expenses to attend training sessions and provides business travel insurance. The training center in St. Petersburg, with its up-to-date technology and professional appearance, is extensively used but not only for training purposes. The facility is also used for meeting with customers and providing activities for school children and college students.

Other unusual employee benefits provided by Coke include lunch for employees, medical insurance, life insurance, a company newsletter, an annual State of the Business review, a Christmas party for employees' children, and a "family day" at the plant. All of these things are done to emphasize that, "People are the most important thing at Coke"

(Chestakova, 1999). Coke shows its commitment to these people by also becoming involved in the local community.

Community Involvement at Coca-Cola

One of Coca-Cola's strategies throughout the world is to be a direct contributor to the communities in which its facilities are located, and Ms. Chestakova assured the group that the St. Petersburg Bottlers facility is no exception. For example, St. Petersburg is the home of a very large and world-renowned art museum, The Hermitage. Because of the state of the Russian economy, the government is unable to provide enough funds for The Hermitage to preserve, and especially to restore, its extensive holdings. Coke has been a strong supporter of the museum's restoration efforts, underwriting training for the museum's restorers and providing funds for the purchase of specialized equipment needed for art restoration. In return, Coke's logo is featured prominently on the map of the museum, which is given to thousands of people daily.

Conclusion

For those who wish to do business in Russia, assistance takes many forms. Of course, the U. S. State Department has a wealth of information, but the

travel group discovered that other sources of help are available as well. For example, The American Business Center located in St. Petersburg, publishes *The American Business Center: Guide to Conducting Business in St. Petersburg and the Northwest Region of Russia*. After visiting Coca-Cola, other businesses, and business assistance centers in Russia, the conclusion reached by the group was that although many challenges to conducting business successfully in Russia exist, many sources of assistance, such as the knowledge that can be gained from examining the practices of successful businesses like Coca-Cola, also exist.

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