

Business DIALOG Media

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Russian Business Guide



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**FROM SALES
TO BRAND IMAGE**

**CONQUEST
OF THE UNIVERSE**

**COORDINATES
OF THE EAEU
INDUSTRIAL POLICY**

**REGION
OF THE MONTH –
THE SAMARA REGION**

EURASIAN
ECONOMIC
UNION



IPRO: ILLUMINATING THE WORLD...

NICOLAS WAEFLER: «RUSSIAN REGIONS HAVE GREAT POTENTIAL»

The Volga Region attracts more and more attention from foreign companies. The Samara region, being a part of it, has been one of the leaders in gaining investment in recent years and many European companies are willing to localize their factories and plants in Samara and its surroundings. The advising and support provided by the Swiss Center Samara, headed by a native swiss citizen Nicolas Waepler, can be mentioned as one of the reasons for such a trend. What stands behind the decision of founding this organization, what issues it deals with, and why a resident of Europe went to develop the Russian province, Mr. Waepler explains in this paper.



OOO Center SwiSam, Novo-Sadovaya 23, coworking center Yellow Rockets, building 10, Samara City, 443110 Samara Region, Russia

In addition, small and medium-sized enterprises operating in Russia open themselves to the entire Eurasian market, which Europe has taken little notice of so far.

Nevertheless, even with a development potential on the Russian market, it is still rather difficult for small foreign companies to work here without assistance. Some of them have trouble identifying which sector will bring better returns. They struggle even more to define and evaluate what strategy to implement and at what cost. Others are well aware of their opportunities in Russia are looking for competent partners to concretize their potential. These barriers, apprehensions, and needs led to the creation of the Swiss Center Samara.

– What argument convinces them best?

– I don't think there is a universal argument, which is powerful enough for everyone. All companies have specific management with different views and strategy. Some of them sympathize with Russia and are ready to experiment. Others are convinced that the local market presents big opportunities and can generate quick revenues. Others are planning on a long-term perspective and make early steps in anticipation of later surges in the development of industry and economy. At the same time, I believe that for many of our clients the very presence of a Swiss citizen in Russia is a guarantee of reliability, and it makes it possible to establish good relations where apprehension prevailed before.

– How do you help your compatriots?

– Our motivation is to make Russia accessible for Swiss and European SMEs. Thanks to our network and experience, our team in Samara can guide customers from their very first steps on the Russian market using a personalized approach.

Firstly, we help them to explore the market, we provide assistance and support before and during specialized exhibitions, translate their materials, develop a market entry strategy with budget and roadmap depending on their targets, etc. Everything is tailor-made to our customers' needs.

Secondly, we help to find customers, attract distributors or to get an flagship project here for innovative companies. We organize business meetings and plant visits, create customers' database from scratch, set up a dedicated CRM,

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– Many foreign companies avoid having business in Russia, so one can only welcome a Swiss expat's eagerness to share his knowledge of our country with his compatriots, and to dissolve their fears. How did you get to know Russia and the peculiarities of doing business here?

– A number of foreign companies, both transnational and small innovative firms with niche products, are already doing business in Russia. If we speak about building an assembly plant or production facilities, then, indeed, investors have some doubts. These are caused by a lack of knowledge about the size of the market, possible risks, return on investment, and, of course, lack of knowledge about the country itself.

I got familiar with Russia, its culture and people while studying at the University of Applied Sciences in Western Switzerland (HES-SO). I had studied the Russian language first in Neuchâtel, where our company Swiss Center Samara Sàrl is based, and then spent one semester in Omsk. However, I got only familiar with the culture and way of leaving during that period. As far as business is concerned, I learned everything in Samara, while dealing with difficulties implementing the first projects of the Swiss Center. As soon as we find ourselves outside Moscow, which is completely different from

the rest of Russia, it turns out that there is much less information about the rest of the country, and one has to learn how to live and work in an environment a priori unfavorable for a foreigner. The way of doing business here is very different from what we have in Central Europe, but if you show interest and try to understand Russia and the locals, it turns out that it not only possible to work here but also to develop profitable companies.

– What arguments do you present to convince people to work in Russia?

– Swiss and European companies have a great business potential on the Russian market, especially in the field of industry and B2B. The country has undergone considerable transformations since 2014 and its economy is increasingly diversifying. Some sectors have been experiencing significant growth, for example, the automotive industry, agriculture, and pharmaceuticals. No longer satisfied by decreasing bank interest rates, local investors are looking for and investing their money in new business projects, which fosters demand for equipment, components, and all sorts of products and services from abroad. The business climate has considerably improved since 2010 that even the World Bank placed Russia on the 35th position by this indicator in 2018, whereas eight years ago it was on the 140th place only.

hire qualified project manager and business developer or perform promotion campaigns through digital channels. Different approaches are possible depending on the target audience and core business of our clients.

Thirdly, we facilitate a long-term market presence for our clients by representing them or setting up subsidiary and sales office for them in Russia. It is not difficult to create a legal entity in Russia, as long as know what you are doing. It is however much more difficult for a foreigner to estimate costs, anticipate bureaucratic procedures, find a good project manager, deal with accounting and tax issues or bring in an expat. The Swiss Center Samara helps them to overcome these difficulties.

Finally, we provide other services, depending on the requests. For example, we took a mandate to identify and select suppliers for outsourcing and R&D, we helped a young Swiss engineer to find work in Russia and helped with product certification and importing samples to Russia for a client.

– Why did you decide to develop relations between the Samara region and your country?

– We focus on the entire Western part of Russia, we do not focus exclusively on the Samara region, and we cooperate with other regions too, for example, the Penza region, whose delegation we accompanied to Switzerland in September this year. Conversely, we do not limit our activities to Swiss companies, our services are also useful for European companies willing to enter the Russian market.

– What is the reason for choosing this particular region as a place for headquarters of your center?

– Why the Samara region? This is due to a well-developed industry of the Volga Federal District. From the very beginning, we decided to provide our services to industrial companies active in the B2B sector. The Volga Federal District has a large number of manufacturing enterprises in a variety of industries: automotive, aerospace, metallurgy, components and industrial equipment, machine tools, energy and defense, medicine and pharmaceuticals... The potential is considerable!

At first glance, Moscow would have been the most obvious choice. But, looking at it more closely, we concluded that it was not the best option. The capital is very rich (wages in the regions are 50% less), but the competition is fierce and the market is less accessible to small firms.

We believe that the Russian regions will keep driving the economic and industrial development in the next 20 years. Over the last decade, the Kremlin policy has increased the autonomy and funding in the regions; young governors are gradually replacing the old guard, and they have already begun to compete in providing the best conditions for foreign and local companies to develop.

These changes come with new requests and opportunities, and one must be here to identify and seize them. The overwhelming majority of

consulting companies and freelancers are based in Moscow and St. Petersburg and don't have much experience in dealing with regions, which gives us a significant competitive advantage.

– What projects are currently being implemented by Swiss firms in Samara?

We don't discuss projects we are working on until they are implemented and permission is granted, but I can say that some of them are related to outsourcing, subcontracting, R&D, investment in high-tech and agriculture, and commercial development. Most of these projects are not directly related to Samara, but rather to the Volga Federal District, and Russia as a whole.

– What difficulties do you face? How do you deal with them?

– I would say that the main difficulties we have are the inconsistencies in business practice, the overall business climate in the regions and education problems. For example, written communication predominates in the West, while Russians have a lot of verbal communication. This implies frequent meetings and spending a lot of time on the road, and it requires personal discipline in follow-up. Another example is planning. It can be difficult to organize an event abroad for Russians from the government or large industrial enterprises, because they confirm their participation at the very last moment, while Swiss companies often fill in their travel and work schedules months ahead.

As for the business climate, here companies do not trust each other. You can tackle this problem with partners' recommendations and a good reputation, but for my everyday work, this is still an inconvenience. It seems unorthodox that I must convince my potential interlocutors of my honest intentions before we start a meeting to discuss business proposals. People in the regions also tend to have less international and progressive views on strangers than, for example, Muscovites.

As for education, I agree that Russia trains very good engineers. But things are much worse if we speak about project managers. It is very difficult to find a resourceful and responsible specialist who is able to manage a project using the best practices and showing good productivity. If on top of it they are required to speak fluently a foreign language on a daily basis, the chances of finding such managers grow very thin. At Swiss Center Samara, we had to train our team, patiently and gradually, or brought colleagues from abroad. As a result, managing the company here takes me twice as much as in Switzerland.

– The Swiss headquarters of the Center is located in the town of Neuchâtel, which occupies an area of only 18 square kilometers. Nevertheless, it managed to become a center of microtechnology and high-tech production. Is it possible to transfer this experience to the Samara region?

– In my opinion a large-scale shift in the mentality of Russians should take place for this to happen.

I'm not an expert, therefore I won't elaborate on

the reasons for the economic and technological success of Neuchâtel or Switzerland, but I believe that if Russia wants to take them as an example, it should begin to invest more purposefully in the development of its human capital. The education system in Russia often seem to be ineffective, universities and teachers are disconnected from the economy reality, teaching in isolation from the needs and requirements of the market and businesses. As a result, companies often have to spend time and money to train and educate their young employees.

Mentalities evolve through exchanges and international dialog. Not only at the political level but at the microeconomic level. Today, there are too few expats from developed countries in Russia, especially in the regions. As they came and started working, these expats have contributed a lot to improve work practices, trained people and increased productivity. They've improved training methods of training Russian personnel and increased the productivity. Unfortunately, it is still very difficult for foreigners to obtain a Russian work visa, unless you are a highly qualified specialist, and I think that the regions should improve and facilitate the integration of foreign workers.

– Are the Doing Business with Russia conferences that you hold in Switzerland popular? What questions do the participants ask you more often?

– Yes, we had about 60 people in Neuchâtel, and 40 in Zurich at the last conference. We structure the program and select speakers in order to give our participants a good understanding of what the Russian market and its capabilities are. The audience often asks questions about the speakers' personal experience.

– What changes are taking place now in the region due to you and your colleagues' efforts?

– We have cleared the way and built a new path for Swiss and European companies in Russia. Multiple contacts and business relations were initiated between the Volga region and companies, governments and organizations in Switzerland. Both sides are trading, developing joint projects and academic and scientific exchanges are taking place at the university level.

As for our company, we invested in the region and created seven jobs and we plan to create many more in the coming years. All our employees have received internal and external training to be able to abide by Swiss standards, with a professional mindset and using best practices.

– What can we expect in the future? What motto would you suggest to all companies interested in doing business in Russia?

– I think we can expect growth and surprising developments on the Russian market in the coming years, and foreign SMEs brave enough to develop here will generate good profits. I would suggest them a motto:

«Don't be afraid, but be prepared!»

Ulyana Kukhtina