

Communication is Key to Doing Business

THERE IS NO SHORTAGE OF DUTCH BUSINESSES IN RUSSIA TODAY WITH THE NETHERLANDS ONE OF RUSSIA'S TOP THREE TRADE PARTNERS IN THE WORLD.

By Roland Oliphant

Russia and the Netherlands geographically could not be more different. Russia spans nine time zones and has a population of some 140 million, while the Netherlands is crammed onto a littoral plain smaller than the Moscow region, and its population of 16 million is only slightly larger than that of the Russian capital.

But somehow, the Netherlands has made itself one of Russia's top three trade partners (between January to April 2010 it was even number one), accounting for 10 percent of Russian trade turnover.

Dutch companies have been pumping investment into Russia in recent years — \$11.6 billion in 2009, making up 14.2 percent of all foreign investment in Russia.

Traditional Dutch business such as the export of flowers, Daff trucks and produce make up part of that, as do large global firms like Philips, but there is also a huge number of other businesses who are trying to exploit the mood and trend of the moment, the need for modernization and a need for Dutch technological skills.

"As a small country, the Dutch are used to adapting themselves to other countries and other cultures. Take two steps and you're out of the country — if you want to do business in Holland, you have to do business internationally," says Jeroen Ketting, founder and managing director of the Lighthouse Group, which provides business support, management services and strategic advice to many Dutch companies in Russia.



Jeroen Ketting, founder of The Lighthouse Group, which provides business support to Dutch companies.

"What Dutch business brings to Russia is know-how, effective processes, optimization of businesses and profit," says Ketting. "That is where Russians often see the added value of Dutch businesspeople."

Guus Hiddink and Dick Advocaat, the last two Dutch managers of the Russian national soccer team, have raised the profile of importing Dutch know-how to the general public in recent years.

Sander Pielkenrood runs a firm specializing in water treatment technology in the Perm region.

His only connection to the country was that distant ancestors once held shares in Russian Railways before the revolution, but he received a warm reception when he arrived.

"I know lots of other Dutch businessmen here, and I think the general experience is that Russians very much like my country. They all know about the football coaches [Hiddink and Advocaat] of course, and of course everyone knows about Peter the Great," he said.

Peter the Great visited the Netherlands at the end of the 17th century in his quest to modernize

Russia, and that need continues four centuries later in a broad range of industries, which Dutch companies are eager to help with.

"There's an openness," said Dick Bongard, Eastern Europe director for the manufacturing giant DSM. "Especially now with the trend in Russia to modernize, diversify and localize, there's a strong trend to look for Western partners."

Openness is one of the most important things when doing business in Russia, said Ketting. That allows someone to build trust and a personal relationship, which is "a key to doing business here."

DSM has had a sales presence in Russia since 1991 and has ambitions to expand its activity.

That taking negotiations and planning "and lots of vodka," said Michael Koch, director of DSM Plastics Europe.

He was not being flippant.

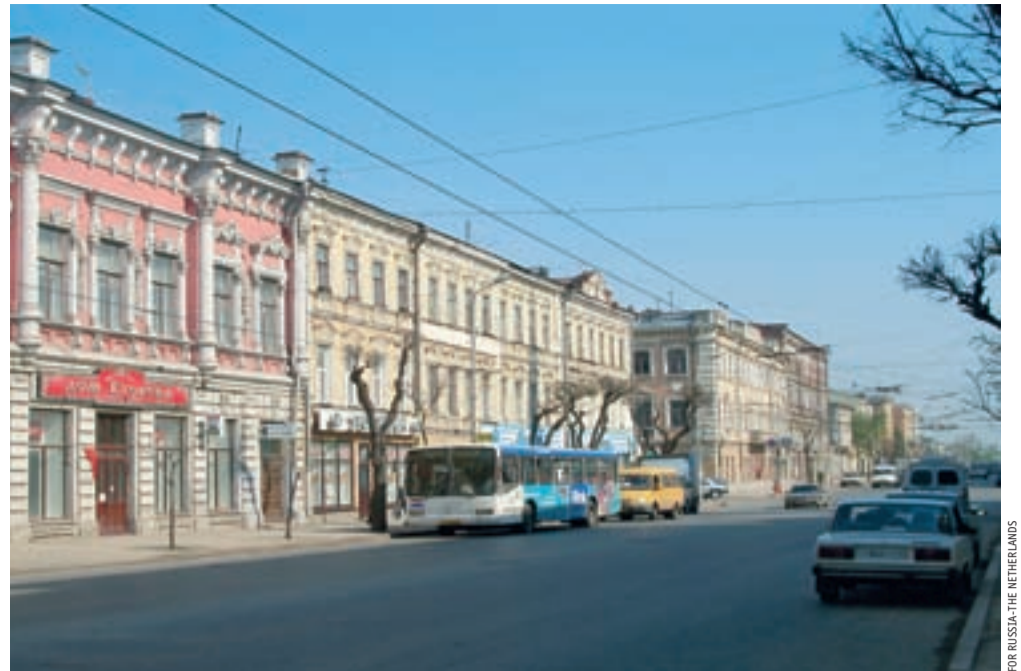
"Building up relationships and trust is key in doing business," he said.

"In all of my years working in Russia, I have found it impossible to be successful if there is no personal connection with the people at the other side of the table, because through these connections one develops that essential relationship where mutual trust is the key," said Dominiek Ampe, CIS Regional Manager for Dockwise, a Dutch marine engineering firm that has joined with 16 other Dutch firms to form Project Delta to push their bids for oil infrastructure projects.

Dutch technology companies see great opportunities in the projected development of Russia's as yet untouched arctic gas fields, above all in the development of the Shtokman oil field and the massive, until recently untouched Yamal peninsula.

"Russia is focused on developing its own infrastructure, so that its major oil and gas companies can deliver without being dependent on foreign players," said Ampe. "For upcoming colossal projects, like the Shtokman development, Russia's port and marine infrastructure has to





A Dutch trade mission will head to Kazan, above and Samara, top right, in October.

The Samara region is home to the AvtoVAZ motor plant, which produces the Lada.

be built up from scratch, as there is very limited infrastructure in place."

Another Dutch firm taking a bet on Russia is Eureko, a venerable Dutch insurance firm which arrived on the Russian market in 2008 with the acquisition of local company Oranta.

Eureko are focusing on three key markets after the world financial crisis: Turkey, Greece and Russia. "The main focus is going to be Turkey and to Russia, because we see there are a lot of people in these countries who have no insurance," said spokesman Bert Rensen. "And in Russia we see there is great potential to get everyone insured."

The acquisition of Oranta, with over 1000 staff and 100 branches in almost all of Russia's regions puts Eureko in a good position but it's not going to be easy. "There's a laissez faire kind of way of living that differs a great deal from the Dutch – we want to be insured for everything ... but if we can change just five percent of the nation's mentality, that's a quite a large part of the market."

Ketting divides Dutch businesses that contact him into three categories: companies just trying to enter the market; companies that need to localize, such as setting up production facilities or an office; and companies in Russia having problems.

"If you look at the cause of most of the problems in Russian-Dutch business, it's not so much legislation or bureaucracy or customs or logistics — that can all be fairly easily solved. The problems are in communication and lack of mutual understanding or lack of trust," says Ketting.

If a Dutch businessman decides to take those two steps out of the Netherlands, Ketting has three pieces of advice. Enjoy Russian, try to understand Russia and know what you don't know.

"If you don't enjoy it here, every little obstacle becomes a gigantic problem, psychologically in your mind. The only people I see here who have success are people who like it here. They all have an affinity with Russia, they all like the craziness of the place," he said.

Others, though, go to Russian with a closed mind.

"A lot of people, and especially Dutch people have this tendency — we tend to think we know it all," said Ketting. "We think this is how we do

If you look at the cause of most of the problems in Russian-Dutch business, it's not so much legislation or bureaucracy. The problems are in communication.



The Lighthouse Group is renovating a school in the Tver region so it can save energy.

it in the Netherlands, it's the best way, and these Russians should do exactly the same as we do. And that is a definite ingredient for failure here. You should really know your limits."

One of the projects that Ketting's company, The Lighthouse Group, is involved in is renovating a school in the Tver region to introduce energy saving measures in a move partly sponsored by the Dutch government and local authorities.

"We try to create a symbiosis of Dutch technology and know-how on the one hand and Russian reality on the other hand. We're working with Russian construction firms to find the best solutions that are tailor-made for the Russian situation," said Ketting.

Dutch business in the near future is looking toward the regions. A trade mission with 34 Dutch companies in spheres as varied as water treatment, building machinery and accountancy, will head to the Volga cities of Samara and Kazan, in Tatarstan, in October.

The Samara and Tatarstan regions have similar strengths, with a lot of natural resources and factories such as the KamAZ truck plant in Tatarstan and the AvtoVAZ motor plant in the Samara region.

"The real market development in the coming decade from 2010 to 2020 will not come in Moscow and St. Pete, but in the regions," said Ketting, who is helping organize the trade mission. **XXI**

Business Facts

- The five leading concerns in the Netherlands are AKZO-Nobel, DSM, Philips, Royal Dutch/Shell and Unilever.
- The information and communications technology sector accounts for nearly 20% of total GDP growth in the Netherlands.
- The Netherlands Natural Gas deposits are, except for those of the Russian Federation, the largest in Europe.
- The Netherlands has the second most companies in the top 100 of European construction companies, after the U.K.