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Economic Co-Operation between Southeast Finland and Northwest Russia, Security Issues - SMEs Point of view

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Finnish SMEs in Northwest Russia

- Increasing interest in business possibilities in Russia
- Influences of the global financial crises
 - weakened investment scene
 - new opportunities
- Main share of the investments in Russia are concentrated in Northwest area
- Over 500 companies already operate in St.Petersburg
- Focus on energy and the environment, infrastructure, logistics and construction, retail business, services and information technology
- Development of the operating environment is a big concern of SMEs





General Recommendations

- Reserve enough time and resources, rapid profitmaking is often risky and expensive
- Research the market before entering
- Adopt the culture and local business manners
- Invest in security!
- Know the Russian language





The Security Issue - Essentials

1. Carry out background research concerning your potential partners
2. Carry out background research concerning local leadership and management
3. Choose the security company carefully
4. Ensure internal control of the company
5. Appoint your own lawyer





Background Research concerning the Potential Partners – Check list

- Registration data
- Register of shareholders and key personnel
- Possible ownership in other companies
- History, for example changes in ownership
- Turnover, financial status
- Balance and income statements
- Import/export operations
- Possible involvement in arbitrations





Background Research concerning the Local Leadership and Management

<u>Risks of recruiting a wrong person</u>	<u>Check list</u>	<u>Alarming signs</u>
- Flow of confidential information to third parties (business secrets)	- Criminal background	- Discrepancies between the CV and the work record book
- Betrayal of money and materials	- Firm address/registration	- Lack of recommendations
- Connections with rivals (support for hijack)	- Shares in other companies	- Recommendations of suspicious persons
	- Recommendations	
	- Informal information	
	- Psychological and personality factors	
	- Marital status, standard of living, hobbies, friends	



Choice of Security Company - Criteria

- Operating licence
- References
- Membership in central organisations
- Price level
- Use of standard contract formulas
- Technical equipment, vehicles, office premises
- 24-hour service
- Number of secured targets, turn over
- Good relationship with the authorities
- Image: uniforms, other visible quality signals





Internal Control of the Company

- Main principals:
 - transparent control system
 - open interactive communication
- Forms of betrayal:
 - Minor separate thefts
 - occasional, harmful especially for the climate and morale
 - Systematic medium-sized betrayals ("additional salary")
 - economical motives, well-prepared and covered, big sums
 - "Private Internal Entrepreneurship"
 - most dangerous, typical in businesses where employees handle big amounts of money and make big decisions
 - employer addresses money from operations to his own pocket





Own Lawyer – Why?

- Constantly changing legislation
- Regulations and rules often overlapping and difficult to interpret
- Audits by the authorities are usual and often lead to punishments (can be ordered by the rival!)
- Corruption, bureaucracy
- Legislation protects the "weaker" party (employer, customer)
- Guarantee for the availability of the electricity, water and heat
- Licence procedures (working licence etc.)
- Special features of Russian business manners
- Risk of hijacks





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