

# BUSINESS

Financial & Business  
**NEWS** from Moscow

## Roland Berger consults the Russians

*Among the foreign advisors now involved in aiding the transition of the former Soviet Union to a market economy is the German-based group Roland Berger & Partner GmbH — International Management Consultants, a subsidiary of the Deutsche Bank. With consulting fees expected to be around DM200m in 1992 and some 400 consultants at twenty four offices in Germany and the rest of the world, Roland Berger is the biggest German consulting company. In the CIS, Berger is now concentrating on privatization. The Treuhand trust commissioned by the Bonn government to privatize all the state enterprises in the former GDR by 1994 was largely set up by consultants from Roland Berger, and its staff is heavily involved both in the sale of companies and in gearing them up to the demands of the free market. Roland Berger also played an important role in privatization in Czecho-Slovakia, Hungary and Poland, and is now working for the Romanian government. A privatization program modeled on the Treuhand is being drawn up for Lithuania and Berger is discussing a partial privatization plan with Estonia. Negotiations are also being conducted with Goskomimushchestvo in Russia. Udo BERGHOLZ, the head of Roland Berger's Moscow office, spoke to FBN's Ian PRYDE*

"Although we have amassed a lot of experience in privatization in a socialist economy and in preparing enterprises for the free market, we are acutely aware that concepts valid in Germany do not hold for Russia or the CIS. We do not have ready-made answers, so we try to be flexible and avoid stere-

western production and management methods. However, the office can hardly provide all the answers, so for every contract a team is put together consisting of one of the Russian experts, plus consultants drawn from the company at large with expertise in areas relevant to the task in hand.

In 1988 Berger began

particularly those of the EC, which are available to both governments and enterprises in the CIS. The idea of management consultancy is still very alien to factory managers and directors. Previously, Soviet engineering firms, for example, were supplied on a turn-key basis, receiving technology and know-how from their western part-

the future? "The old attitude of functionaries and enterprise directors in the Soviet Union, namely that 'We are a huge market and it is an honor for western firms to come and invest here because they need us,' is unfortunately still very prevalent. Many people still do not understand that you have to attract capital by offering favorable tax breaks and so on, that the CIS is competing with other countries for foreign investment. At the moment, the tax system does not benefit companies the way we are used to in the West. The dragons of Southeast Asia created optimum conditions for foreign investment and look at the results! Large-scale foreign investments in a country are a sign that its economy is sound: the Japanese are therefore investing in the USA and Western Europe, and not in the CIS. I don't go along with the general disappointment that the Soviet Union no longer

exists. Yes, we now have different laws in every republic, but this is true of every country and is in itself no hindrance to development of trade. Business can be done in the CIS and the Baltic states but I would stress that anyone who would like to invest there should visit the place and research thoroughly the situation on the ground, particularly if they have no previous experience in the region. We invariably find that newcomers have a great deal of difficulty understanding the way things work in the CIS and have even encountered such problems in the GDR where there is a common language and culture! And although we can help western firms to find partners in the CIS, most of them already have an idea of their future potential partners due to previous contacts. One problem with searching for partners in the CIS is that many directors are still very reluctant

to let us into their factories to assess their level of equipment and production and so on. Nevertheless, we are in a good position to help western firms to find partners in the CIS and vice versa, not least because of our close ties and contacts with the Deutsche Bank. Whatever the commission, we are always ready to help both western companies and CIS enterprises where we can."

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typed solutions and fancy ideas. At the moment it's pointless introducing, say, a just-in-time system to an enterprise in the CIS," says Bergholz. The Treuhand concept of privatization and the strategy Berger is pursuing in the CIS is not merely to sell off good enterprises at a profit, but to use these profits to make unprofitable ones more efficient and give them starting help so that they can in turn also be privatized. The state does not then get lumbered with unprofitable enterprises which it would have to continue subsidizing for years, a marked contrast to the form privatization took in Britain in the 1980s.

On October 1, 1991, Roland Berger opened its first office in Moscow, which is staffed by five Germans fluent in Russian and three Russians who have worked extensively in the West and as such are familiar with

In 1988 Berger began working directly with companies in the Soviet Union, largely with the aim of increasing productivity. At a project completed in November 1991, a three-man team from Berger achieved productivity increases of up to 200 percent at the Baltimannufaktur textile plant in Tallinn simply by streamlining production, without any additional investment. The Berger teams always stay on for the implementation of their proposals in order to make any necessary changes and adjustments.

Although management consultants are expensive and both governments and companies in the CIS are reluctant to part with their limited amounts of hard currency, Roland Berger is working to capacity in the CIS and Baltic states. In fact all of the financing comes from the various western aid programs,

from their western partners free as part of the contract, so there was no need to seek outside help. However, Bergholz is optimistic on this score, pointing out that it also took western companies some time to come round to the use of management consultancies. "We shall certainly open other offices in Kiev, Minsk and elsewhere if there is enough work," says Bergholz. Berger is however already considering opening a second office in St. Petersburg to cover the area from the Baltic republics to that city and down to Kaliningrad. According to Bergholz, "the creation of a free economic zone, a well-developed infrastructure, proximity to the Baltic states and easy and close access to markets in Scandinavia and the EC offer huge scope for consultancy in the region."

How does Bergholz assess

## New Russo-Japanese venture in Khabarovsk

Clients of Intermedia Service Ltd., Khabarovsk's international business and press center, can contact any part of the globe. The center was established by the Khabarovsk TV and Radio Committee and a company in Niigata, Japan, which promotes investment into the new Commonwealth countries.

"The shortage of reliable communications hindered the work of foreign representatives and mass media working here," said Georgy Perov, director-general of the new joint venture. "From now on, we will not only offer them the services of long-distance telephone, fax and telex communications, we will also create additional

conditions for the effective operation of foreign business people and journalists, including the organization of talks and the convocation of symposia and exhibitions. The venture's foundation capital amounts to more than \$500,000, with the distribution of profits depending on the investment of founders."

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