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Q&A: Briton Navigates the Rough Without Paying Bribes

By Andrew McChesney

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Simons standing near a South Gate map and a $100 bill he won for registering a John Deere building in a month. **Igor Tabakov**

David Simons, a 45-year-old British entrepreneur and investor, beams as he beckons toward a wall of his Moscow office lined with golf trophies and photographs, including one of him posing with golfing legend Jack Nicklaus. But perhaps what makes Simons most proud is the framed $100 bill hanging beside the golf memorabilia.

The banknote represents what Simons does best — and it's not golf.

David Simons

Education

John Lyon School, Harrow, Britain

Work Experience

1982-83 – Retail sales, Britain
1983-85 – Residential real estate, Britain
1985-91 – Real estate development, Britain and United States
1991-98 – Founded and managed trading business in Moscow, mainly in consumer goods
1998-Present – Real estate developer and investor beginning with property privatizations, co-founder of RKK Developments in 2002 (renamed RDS Developments in 2005), whose projects included the core development of large land plots for industrial development in Moscow and St. Petersburg; and the development of Q-Park Kazan, the first international standard warehouse development outside Moscow, in 2006. Founder and managing director of Radius Group (formerly Giffels Management Russia, with whom RDS Developments merged in 2008).

Favorite book: "Losing My Virginity" (1998) by Richard Branson
Reading now: "The Unauthorized Guide to Doing Business the Alan Sugar Way: 10 Secrets of the Boardroom's Toughest Interviewer" (2010) by Emma Murray
Movie pick: "Wall Street" (1987)
Favorite Moscow restaurant: Vogue Cafe
Weekend getaway destination: Belek, Turkey (best golf within 3 hours flying of Moscow — ideal in winter)

Simons won the $100 in a wager with his business partner over how quickly he could convince the Moscow regional authorities to register a 46,000-square-meter building for U.S. agricultural machinery giant John Deere. Simons completed the process, which he said normally takes six to nine months, in just a month.

"I had a bet with [my partner] that I would have the building registration documentation before he signed the formal lease with John Deere," Simons, soft-spoken and unpretentious, said in an interview. "I won."

The building in question is located in the South Gate industrial park, the flagship project of Radius Group, which was co-founded by Simons and Christopher Van Riet, a U.S. national, and has more than $900 million in warehouse projects in Russia. Simons, as co-managing director, shepherds through approvals, design works and construction — without offering bribes, he said.

How did he win the $100 bet?

"We did it in about a month because we looked at what documentation was needed and when it was needed. We went and spoke to the authorities, so they knew our documents would be coming. Our documents were correct on presentation — not one mistake," he said, adding, as if as an afterthought: "I think our record is 100 percent because our documentation is 100 percent correct."

In a nod to Simons' efficiency on the first project, John Deere now has a total of 76,000 square meters at South Gate.

Not bad work for Simons, who quit school at age 16 and only tried his hand at real estate because his mother didn't want him to sell shoes for the rest of his life.

Simons, the grandson of Russian immigrants, said he liked reading and learning, but he had no aptitude for schoolwork. His mother, after watching him sell shoes for a year, worried that he would never start a career path and urged him to interview for a job with a small residential estate agency whose newspaper advertisement had caught her eye. The agency invited him to participate in a training day, and one of his tasks was to take a couple to view houses in an exclusive London suburb, Simons said.

The couple didn't like any of the houses until they saw one not on Simons' list. Simons said he started panicking as they stood outside the house and the couple asked for a tour. As they spoke, a car pulled up. Simons couldn't believe his eyes. Seated inside was a former classmate. He quickly learned that the parents of the former classmate owned the house — and were willing to sell.

"The people ended up buying the house," Simons said. "I was offered the job, and that's what set me off on my career path in real estate."

His career skyrocketed with hard work and a bit of luck, as evidenced by his first house sale. Within two years, at age 19, Simons was made partner in the agency as the owner taught him methodology, organization and how to speak to people and negotiate "in a reverse way," he said.

"He was very loud, very brash, a very good salesman, a very good salesman — but he had a totally different style to what I thought was a better way of doing it. But I still learned a lot from him."

Those skills gleaned in his teens appear to have served Simons well in Russia, which he first visited in August 1991 as hard-line Communists were attempting to oust Soviet President Mikhail Gorbachev in a coup. Simons sat down with The Moscow Times to share his insights into Russia after witnessing two coup attempts and five financial crises over the past 20 years — and to explain how he has succeeded without resorting to bribery.

This interview has been edited for length and clarity.

Q: Why did you first come to Russia?

A: In '91, a friend suggested, "Let's go to Moscow and see what's going on there." So in August of '91 we came for two weeks. This happened during the time of the coup. It was a culture shock. The week before I'd been in Hong Kong for some business meetings, and then I arrived on a British Airways flight from London to Sheremetyevo Airport, with its dark, brown interior and very strange way of doing customs and immigration.

Obviously, I didn't speak the language. We made some business appointments in advance — I have built in me a British sense of punctuality, so we made appointments for 9:00 — but people came at 11:00 and did not even apologize for being late. Then the first thing they wanted to do was celebrate our meeting with a shot of vodka before we even discussed any business.

Q: What was it like setting up a business in the early 1990s?

A: We didn't even understand how to do business here. So we spent six months learning the customs, and the second set of six months we spent learning the rules: the customs laws, the tax laws, how to import goods, how to export goods. And then everything changed. As Russia developed its laws, we spent a third set of six months relearning everything because it all changed. It really was very much like the Wild East — one day you're absolutely legal, and the next day something has changed and you were doing something — I'll use the term very loosely — illegally.

Here's a good example: I transited through Moscow after visiting Scandinavia for a couple of days. I landed just before midnight, and I was leaving the next morning on a plane to Asia. I had something over $1,000 in cash — not a lot, just safety money in case I lost my wallet — and I declared it on my customs form. The next morning, I went back to the airport after staying the night at the airport hotel and the customs foreman stopped me and said, "Where are the bank papers for this money?" I said, "I don't need them. I just arrived last night, it's under the $1,500 limit." She said, "No, the limit's $500 — this morning it changed." I said, "Well, I arrived last night. Here's my immigration stamp in the passport showing I came in last night. Here's my customs form stamped correctly. You know I brought it in." "Well," she said, "you can't leave with this. The limit's $500. You either go get traveler's checks or you get rubles, but you can't leave with this amount of dollars. You don't have the papers for it." As a result, I left the money in a sealed envelope and did the paperwork — Russia's a very bureaucratic place so it took an hour and I nearly missed my flight. When I returned, I took my customs papers and they gave the money back to me.

Q: How did you get into real estate here?

A: I was always looking at the real estate business, but the laws didn't exist to allow foreigners to own real estate in Russia. Then around '98 they started allowing foreigners or companies with foreign charter capital or foreign shareholders to actually own already-built property. So I started to get involved again in the real estate business with some partners in St. Petersburg mainly, and some small businesses in Moscow, representing international investors looking to put a toe in the water in Russian real estate, mainly in hotels. In 2002, I co-founded a company called RKK Developments with a Russian partner.

Having been involved in the hotel business, I am convinced that the way to stability in an unstable market is to embrace the less risky, less fashionable elements of real estate — hotels and warehouses. Retail and residential office is very cyclical. I believe that people will have to stay in rooms, therefore hotels will always maintain a certain level of value; and warehouses are a huge opportunity and stable — a realization that I arrived at in the trade business and after looking around Russia at warehouses and understanding that there was no real distribution infrastructure. As long as you're in for the long term, you'll ride out the highs and the lows, and you're stable.

Q: What's the secret to getting the authorities to sign off on documents without offering a bribe?

A: Communication. You can submit your documents and wait. But if you want to really get through the process as expeditiously as possible, you have to be on top of the process. So

we're constantly visiting the authorities. We maintain relations with all the building authorities, and we have a good working relationship with the local administrations where we invest. We effectively shepherd our documentation from window to window, from desk to desk. We also consult with the authorities, keeping them informed of what we're doing and getting their opinion — there's no point in submitting documents that are not going to be understood. So when our documents officially arrive, the construction authority or the chief architect is not surprised by what he's looking at because it actually reflects his input.

I have a very strong opinion on corruption. Most of the corruption in Russia is actually a myth, and no one really knows the level of what is termed as corruption. Russian bureaucracy is such a giant beast that what is sometimes termed as corruption is just a misconception that actually has more to do with the heavy bureaucratic structure where there is an unwillingness to accept responsibility. It's easier to say no than it is to say yes because saying no doesn't carry any risk.

One reason for the misconception about corruption is linked to the fact that local authorities are trying to get things done on tight budgets. They need something done, and we always have to help in the local region where we're working. We have done several — what I would term socially responsible — projects on behalf of local administrations. When we were building Phase One at South Gate, for example, we contributed to the repair of a pedestrian bridge across the M4, which borders one side of our site, to make it safe for people to get to work. You know, you don't want to run across a six-lane highway. And we're actually now helping repair the local medical center. These projects are fully compliant with all rules and regulations. We understand that we have to contribute to the area where we're working.

It's possible to work this way. IKEA is well known as being on record for doing the same. But we will not, under any circumstances, entertain corruption, either direct or indirect.

Q: How do you handle extortion attempts?

A: We built 86,000 meters of warehousing in Kazan in 2006 and 2007, and like always we made sure that we were 100 percent correct with our documentation. At the end of the development, we had an issue in getting some of the utilities connected. The easy way to solve the problem would have been becoming involved in corruption and bribery. As I said, we don't do that.

But we were fortunate that we had written into our agreements with the republic of Tatarstan that they would guarantee the availability of utilities — this was an important investment worth over $100 million.

So I went to the Tatarstan government and showed them the decree that was signed originally. I said we seemed to be having some issues now.

They were unaware of our issue — this was a very low-level issue — but I had to escalate it because we needed to solve the problem. I had tried to solve the problem at the local level, but it didn't work.

The problem was solved in a week. Whatever was blocking the issue was unblocked, and the government lived up to its obligations.

Q: What does your mother think about your work in Russia?

A: My mother always says, "I worry about you over there," and I say, "Why? I could get killed in a riot in London. I'm much safer here."

Russia is perceived as having more risk than there really is. I think Russia is a safer place to live and to work as a foreigner than if I was living in many other countries in Europe or in the United States. I will happily walk down the street at 2:00 in the morning here — I wouldn't do that through Central Park, I wouldn't do it through Hyde Park in London, but I would do it here. I feel very safe here.

I was asked not too long ago, "How do you do it in Russia? Isn't it much easier to work in the U.S. or the U.K.?" And I said, "You know what? I have no idea, because I can't remember how to do it there." We know the system here; we spent a long time learning it, 20 years in the marketplace. This has become home, not just from a business perspective, but also from a personal perspective. When I travel and I come back to Russia, I feel like I'm back at home. Yes, I hate the traffic; yes, things could always be better. But Russia's vibrant. It's exciting.

I've gone through two coup attempts and five crises so far, but I think I can safely say there's no other place I'd rather be.

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