The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Ikea Sticks by Gudkov's Security Firm While Others Flee

By Alexander Winning

July 02, 2012

An Alfa Inform guard monitoring a company's activities on a bank of video displays.

Ikea has worked with Oskord, a private security holding, for more than seven years and has no complaints about the quality of its work.

When the Swedish furniture giant opened its store in Kazan in 2005, it held an open tender to find a dependable security partner, which Oskord won, beating competitors for price and level of service.

Ikea had no qualms about hiring Oskord once more when it looked for a security firm to guard its Novosibirsk branch last year.

Mats Alm, from Ikea Russia's risk office, stressed that local management in the company's Kazan and Novosibirsk branches were extremely happy with Oskord.

"There have been no complaints whatsoever," Alm said Thursday, the same day that Oskord

founder and State Duma Deputy Gennady Gudkov announced that he was selling the company under Kremlin pressure.

"Our security policy is focused on protecting people in our stores and providing a high level of service to our customers," Alm said. "Oskord has met these requirements."

He said Ikea has no intention of breaking its contracts with Oskord despite the legal problems of Gudkov, who has played a central role in organizing rallies protesting President Vladimir Putin's rule.

But not all foreign companies have been as understanding in the month since police first raided Gudkov's business on May 13. Many tore up their contracts, saying they didn't want to be associated with police shakedowns, Gudkov said.

"Even among countries that routinely criticize Russia for human rights violations and lack of democracy, there were some who acted like cowards," he said by telephone.

"But I will give Ikea as an example of a company that behaved decently. We are very grateful for their objective and honest position."

He refused to identify the companies that had left Oskord.

The legal assault against Oskord has raised new worries among foreign investors about the rule of law in Russia. But it has also hit close to home for those who hired Oskord, which like other private security firms in Russia has had close links to defense, security and law enforcement agencies. Those links, as it has turned out, cannot protect the security firms themselves from the long and often whimsical arm of law enforcement.

"I know Gennady Vladimirovich [Gudkov] personally, and I would say that one must always draw a clear line between business and politics," Mikhail Golovatov, director of Moscow-based private security firm Alfa-B, said in an interview.

Brawn vs. Brains

The Oskord saga has cast a cloud over Russia's $7 billion private security market, which foreign firms depend on to safeguard their interests when expanding into Russia. Aside from Ikea, Oskord has provided security for Procter & Gamble, General Motors and the European Bank for Reconstruction and Development.

Raiffeisenbank, which has operated in Russia since 1996 as a subsidiary of Austria-based Raiffeisen International Bank, has hired security firms to carry out cash-collection and debt-collection services and worked with Oskord until late 2011.

But the bank is currently cutting its reliance on security firms, hiring dedicated agencies and upgrading its technical security infrastructure to ward off cyber threats.

"In the next one to two years, we aim to switch to automated security systems, with significantly less security personnel on site," said Vadim Budayev, head of the bank's economic security division, sitting behind a series of displays on his office desk from which he can monitor threats remotely.

"Our bank only uses private security companies for physical security and tracking valuable items," he said, adding that the bank uses tenders to hire up to three security firms to provide onsite security in its local branches.

Raiffeisenbank's new approach to security is indicative of a broader shift within the security industry to more complex, analytical methods. Security firms now typically offer legal advice, logistical assistance and background checks as part of a broader package of services.

Golovatov, who headed the KGB's elite Alpha division before founding Alfa-B, said foreign companies comprise 30 percent of his clients and that they demand a host of different support-for-business services depending on the sector in which they operate.

Alfa-B works with U.S. photographic equipment manufacturer Kodak, French animal food producer Royal Canin, and nuclear power plant constructor AtomStroiExport, among others, according to its website.

For transportation companies, Alfa-B employs satellite surveillance, automated alerts and rapid-response teams to track shippers' cargo in transit. The company receives a warning if a client's convoy diverts from its designated route and deploys drivers who check on trucks' progress.

A new challenge that security firms have to cope with when dealing with shipping firms is internal theft, when the shipper's own employees don't fully load the convoy, siphoning off goods to sell at a later date, Golovatov said.

To combat such losses, Alfa-B has worked with Finnish partners to monitor convoys at both ends of the popular Finland-Russia shipping route.

Experts said this flexibility and broad reach have allowed private security firms to flourish into the multibillion-dollar operation they are today.

As of last year, roughly 25,000 such firms were registered in Russia, employing almost 700,000 staff and licensed to use 100,000 firearms, according to the latest Interior Ministry data. Around 625 new security firms are registered each year.

Know-how or Know-who?

Former police and KGB personnel traditionally have occupied senior positions in private security companies, giving their employees access to privileged contacts and means of securing information.

Gudkov and Golovatov both served in the KGB and founded security firms shortly after leaving the service in the early 1990s.

Today, however, the importance of state security connections is on the wane, and international businesses hire security firms for their experience in guiding companies through Russia's still-choppy commercial waters.

Understanding the ins and outs of Russian legislation is particularly key, as laws covering personal data place important restrictions on security companies when verifying job

candidates' credentials.

"Even by the current wording of the law on private detectives and security activities, [security firms] are only allowed to engage in investigating biographical and other personal data with the subject's written consent," said Yevgeny Reyzman, a specialist in employment law at legal practice Baker & McKenzie CIS.

In the absence of such consent, "they will be in violation of the law, and the liability could stretch to being considered a criminal offense," he said.

In Reyzman's experience, foreign companies seeking to fill top management positions in Russia regularly seek background checks, and security firms digging up the necessary information largely comply with current legislation.

"If a candidate withholds consent, an employer will find a way not to consider him or her for the job. The case is closed immediately," Reyzman said, adding that open sources are now so informative that the kind of data requiring written consent is not always needed.

Yulia Ponomaryova, director of the legal department at Alfa-Inform, a Moscow-based security firm, said the legal specialists she oversees are required to have both civil and criminal training.

"Knowledge of Russian legislation governing corporate, employment and claims law is a must," she said.

Alfa-Inform would not disclose which services it provides to its international clients, but said 40 percent of its clients are foreign, including General Electric, Shell and Mercedes.

Golovatov said the majority of Alfa-B's senior staff had either worked in business, a legal practice or the government.

State security ties used to serve an important purpose, as they were "a factor that lessened the threat to the population," Golovatov said, recalling the public relations work his firm was asked to do in 1999 at the time of apartment building bombings in Moscow that killed more than 200 people.

But, given his company's analytical focus, "the fact is that contacts in the security services no longer help," he said. "The security services have their own, different tasks."

In a sign of how much the industry has changed in the past two decades, one of the most powerful weapons now at security companies' disposal was lying right on the desk in front of him.

"Look, the Internet," Golovatov said, pointing to his iPad.

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