

Q&A: Getting the Most Out of Oligarchs and the West

By [Howard Amos](#)

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Lawson has learned that the efficiency of autocratic management style in Russia can be useful during crises. **Evgenia Kleyner**

There are, perhaps, not many people who would give up a job and house in Puerto Rico and a 25-year career at a top international bank to plunge into the world of Russian finance.

Stuart Lawson, however, did just that when he realized he was boring his Caribbean colleagues and friends with stories of Russia, the country he had just left after helping to set up the local branch of Citibank there in 1996.

Stuart Lawson

Education

1975 — Oxford University, bachelor's degree
in politics, philosophy and economics

Work Experience

1975-2000 — Citibank, a variety of different management roles in 11 different countries

2000-2003 — Delta Bank, non-executive chairman

2003 — Menatep and Trust Banks (then owned by Mikhail Khodorkovsky), director of the boards

2004-2007 — Soyuz Bank (owned by Oleg Deripaska's Basic Element), executive chairman

2008-2010 — HSBC Russia, chief executive

2011 — Ernst & Young in Russia and the CIS, executive director; visiting lecturer at Skolkovo Moscow School of Management and Moscow State Institute of International Relations; chairman of the Association of European Businesses Investment and Finance Committee; member of the supervisory board of the Independent Directors Association

Favorite book: "Stalin's Children" (2008) by Owen Matthews

Reading now: "Berlin 1961" (2011) by Frederick Kempe

Movie pick: "Lock, Stock and Two Smoking Barrels" (1998) directed by Guy Ritchie

Favorite restaurant: Galereya, Petrovka 27, Moscow

Weekend getaway: Hyeres, near Toulon, France

"For 25 years I went where Citibank told me to go, but I came back to Russia because I wanted to," said Lawson, 58, in an interview in the Moscow offices of Ernst & Young, where he now works as an executive director. "I couldn't live without Russia."

He subsequently experienced the contrasting worlds of both Western financial giants in Russia and local banks controlled by oligarchs Oleg Deripaska and Mikhail Khodorkovsky.

The freedom of working under oligarchs was much greater, Lawson said, than that available in the corporate structures of U.S. or European companies, which have many more decision-making layers.

The London-born banker, who is also an avid fan of tango dancing, praised Russian management models for their ability to respond to crises quickly.

A degree of autocratic management is essential to success, he said. "In a crisis, you move to centralization from deregulation."

This is particularly clear when you compare Russia's response to the 2008-2009 financial crisis, and how the European Union is responding to its ongoing sovereign debt crisis, Lawson said.

Intimately involved with the entry of two Western banks, HSBC and Citibank, into the Russian market, Lawson witnessed two very different results.

While Citibank has made a success of a growth-by-acquisition strategy to become Russia's 17th biggest bank, HSBC exited the Russian retail banking market last year.

Under internal pressure, and facing intense competition from state-owned financial giants including Sberbank and VTB, HSBC was the latest in a string of foreign banks to leave Russia. Lawson declined to discuss the strategic planning behind HSBC's decisions.

When he arrived in Russia in 1996, Lawson was housed by Citibank in the former apartment of Soviet grandee Vyacheslav Molotov — and admits that he knew nothing about the country.

Today, however, he has branched out into academia and teaches MBA students risk management at the Skolkovo Moscow School of Management, the brainchild of Prime Minister Dmitry Medvedev.

"Russia is this extraordinary schizophrenic society of toughness and gentleness and deep culture and a sometimes harsh business environment," he said.

Q: By what path did you come to Russia?

A: Early on I realized that if I didn't start traveling I was going to run into a lot of people brighter than me. My first overseas assignment was to Kenya in 1981, and everyone said it was an extremely safe East African country. And then on August 2, 1982, there was a full-on coup and a lot of fighting in the streets. I discovered, and Citibank discovered, that I liked a good crisis. And that provided fun and entertainment for the next 15 years. As a result of having dealt with the Italy problem in 1993, in 1995 they rewarded me by saying: "Thank you very much, here is something that is just starting, your big break, off you go to Russia."

Q: When will Prime Minister Dmitry Medvedev be able to declare that Moscow is an international financial center?

A: There are external and internal factors. Factors that, as working committees, we can effect, and factors that we cannot. A central depositary for the stock markets is tangible progress. And then there are things that are quite broad, like transparency. We've had the president of the country talk about transparency and the administration needs to be judged against that. But if you take the opening position "this isn't going to happen" — that's the wrong position to take. We need to see it as an opportunity. When is it going to happen? It's a long-term process.

Q: How real is the Skolkovo project?

A: It's easy to throw stones. If you look at the building, it's a big building and it's difficult to heat in the winter and difficult to cool in the summer. But that misses the point. The point about Skolkovo is that it didn't exist before, and it exists now. One of the issues in Russia is stretching horizons. We are moving to the next stage: Building a university is a long-term horizon.

Q: What are the greatest dangers facing the banking sector?

A: In terms of Russia, we have got it too good. The energy price is too high, and it looks as though it will stay too high. At that level there isn't the same pressure to enforce reforms. In 2008-2009 we were really focused on what had to change.

In terms of banking, there is the balance between the public and the private sector. The way that the state banks have developed in recent years means the smaller private banks and the foreign banks are facing a very competitive environment.

One other issue about banking is that growth rates in consumer loans are 30 or 40 percent. Growing at that rate over time you are bound to build in structural weaknesses, because manufacturing loans is a process. And the more rapid the process, the more likely you are to take in bad loans. Those bad loans won't reveal themselves until you put stress on the system. Heaven forbid that those portfolios come under pressure. There's no sign of it at the moment, it seems as if the happy days are here to stay. But the fact is, at these levels of growth, people should be a little bit cautious.

Q: Do you prefer working for Russian oligarchs or Western executives?

A: With oligarchs, if you want to know anything, there's an individual you can talk to and they will solve all the problems. In the Western bank environment you have committees, you have matrix managers and you have head offices and all of the stuff gets diluted between the many, many people that get involved. That can really slow you down. With the oligarchs, there is this individual and there are the gatekeepers around this individual. You would never walk away from a meeting with these guys unclear as to what they wanted. The problem is getting to the individual to be able to ask the question.

If an oligarch empowers you, you have a tremendous amount of freedom. If I wanted a quick decision I'd rather be working for an oligarch.

One of the advantages of a big Western bank, however, is that you can put 20 managers from around the world in a room and they will create a chemistry that will allow me as an individual to bounce my ideas off someone else. In an oligarch structure it is unlikely to happen that way. There's no cookie-cutter answer, it depends on which oligarch and which Western bank.

Q: How did having worked for Khodorkovsky influence your career?

A: I was put on the board of Menatep and Trust on June 20, 2003, and by the third week of July my boss who put me there, Platon Lebedev, was in jail. I was whistling a happy tune thinking I had this tremendous opportunity and the next thing I knew I clearly didn't have a tremendous opportunity. The role that I thought I had disappeared. Of course, I was worried about it at the

time, because it wasn't clear where all of this was going. But if you look at my career subsequent to that I don't think it has had any impact at all. It doesn't come up in conversation because it's not seen as relevant.

Q: What are your personal experiences with corruption in Russia? How do you deal with it?

A: You have to establish what your core values are fairly early on in your career, and once you have established them, core value means core value. You say, "This is who I am and this is what I represent."

If you're working inside a big multinational corporation you don't get touched by corruption because those people that want to corrupt you understand that you're a big global organization, and you have your principles and it's not worth their effort. You set up the perimeter so clearly as a global organization that it's very unlikely that you're going to have to deal with that.

When you move outside a global organization, however, there is more of a chance that you're going to get approached in this way. My attitude to this stuff was, "Don't be ridiculous. I'm not going to participate." If you make that totally clear from day one, both in your dealings with your subordinates and externally, then they know it's not worth bothering you because you've made your attitude known.

But you are under enormous pressure. You have the head office say you have to roll out so many outlets in a short period of time and then you have somebody in some local authority with their hand out.

My predecessor at Citibank said to me: "If you dance a waltz with the devil you end up dancing the tango." Frankly, you only get involved in this stuff if you allow yourself to get involved in it. For 16 years, I have been aware of people wanting me to get involved, but it's never got past my front door.

Q: What's the most important piece of advice you would give a foreign investor?

A: Pick your partner. This is a complex environment where the difference between success and failure is the ability to execute. That means that you need people at your side who understand the market.

Russians play chess. When they move pawns it doesn't mean that's what they are moving. Or it doesn't necessarily mean that that's the game in hand. Westerners who aren't used to this environment take certain developments at face value, but they have to understand that it's part of a longer game. Particularly at the higher levels of Russian business, sacrifices are made, alliances are made, developments around people may appear negative but they are simply being repositioned to reappear at a future moment. This is a highly sophisticated, complex form of gamesmanship. It has taken me 16 years to understand that I will never really understand the way this works.

One of the things I'd like to do with foreigners coming to Russia is to take them to the Gensin Academy of Music, one of the top music schools here, to listen to a group of 12-year old Russian kids rehearsing Shostakovich's 7th symphony, the Leningrad Symphony, and being

explained the context [Editor's note: Written in 1941, Shostakovich's 7th symphony was performed in Leningrad the following year by a hastily assembled orchestra in defiance of the ongoing brutal Nazi siege during which millions perished.] in which that was written. You don't need to do much more. You see the Russian soul in stark relief.

Q: Under what circumstances might you leave Russia?

A: I did leave Russia; I left Russia in 1997. In my mind, I left in 2003 when the Khodorkovsky thing blew up and it didn't seem like there was a future. I left again in 2007 when Deripaska announced that I was stepping down and I didn't have another role, and I left in June 2010 after the HSBC decision to exit. And I'm still here! I will leave when Mother Russia has had her due with me.

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