

Q&A: Nordgold CEO Zelenski Prefers Business People to Molecules

By [Irina Filatova](#)

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Zelenski says the best way for a foreign business to last in Russia is to have a reliable partner and be cautious.

Nikolai Zelenski

Education

1990-1996 — St. Petersburg State Polytechnical University, master's degree in biophysics

1994-1999 — The University of Texas at Dallas, doctorate in molecular genetics

1999-2001 — Vanderbilt University, Master of Business Administration

Work Experience

2001-2004 — McKinsey & Co., engagement manager

2004-2007 — Severstal Resources, head of strategy

2007-present — Nordgold, chief executive officer

Favorite book: "The First Circle" (1968) by Alexander Solzhenitsyn

Reading now: "Too Big to Fail: The Inside Story of How Wall Street and Washington Fought to Save the Financial System and Themselves" (2009) by Andrew Ross Sorkin

Favorite Moscow restaurant: Five Spices on Sivtsev Vrazhek Pereulok serves perfect Chinese food.

Favorite weekend getaway destination:

London is always good to visit.

Balancing his animated style with a practical sense of calm is one of the things that make mining executive Nikolai Zelenski a success.

"I don't shout at employees," he said jokingly.

Zelenski spoke emotionally and gestured a lot during an interview at his office, but he said he keeps a cool head when it comes to doing business.

"Emotions never help in business," said Zelenski, the chief executive of gold miner Nordgold.

Having obtained a doctorate in molecular genetics from the University of Texas at Dallas 13 years ago, he exchanged a quiet future as a university professor for the rush of the business world, full of stress and challenges.

Zelenski, who opted out of laboratory work to take a course at a business school in Nashville, Tennessee, said he had no regrets on giving up science, as he finds business a livelier endeavor.

"It's interesting to develop business. I like it; it suits my temperament," he said. "Science is a rather abstract thing, while business is more relevant to reality."

Zelenski, 39, knows what he is talking about. It took him just three years to make it up the career ladder from head of strategy at the mining division of steel giant Severstal, which he joined in 2004, to his current position.

Nordgold, once the gold-mining subsidiary of Alexei Mordashov's Severstal, with operations in Russia, Kazakhstan, Burkina Faso and Guinea, was split off from its parent company in January and carried out a listing in London that valued the gold miner at \$2.8 billion on the

first day of trading.

Confidence in the company's future encouraged Zelenski to buy 0.7 percent of its shares, a tiny stake that he said was "a big investment" in terms of his personal finances.

Zelenski said one major challenge he faces as head of a publicly traded company is regular interaction with investors. The key priority is to increase their awareness of the young gold miner, which, he believes, has good potential for growth.

The interview has been edited for length and clarity.

Q: What makes Nordgold attractive for investors?

A: Our company is different from other gold miners in Russia. We are the youngest company, which at first glance could be a concern for investors. But on the other hand, as a young company we can offer an entrepreneurial approach and quick decision-making. This is evident by our M&A track record. The other thing is that unlike our Russian peers, we chose to invest in foreign assets. We are ready to take the risk of investing abroad to find greater reserves of better quality than those available in Russia.

This strategy requires a specific approach to government relations and recruitment issues, but a big plus is that we have more opportunities to look for high-quality reserves, and our investment options are not limited to Russia-based deposits. Half of our production facilities are in Russia and the CIS and the other half in Africa.

Q: What advice would you give a foreign company planning to invest in Russia?

A: To be very cautious or to have a reliable partner. There are many examples when carmakers or food producers work effectively in Russia. But it's hard to find a successful example of foreign miners working in Russia.

Mining is a more tightly regulated industry, but it lacks the proper legal infrastructure familiar to foreign investors. We have no law, for example, stipulating that an exploration license is automatically transferred into a mining license after a company carries out a Russian version of a feasibility study approved by government bodies. That means there's the potential risk that a company can discover a deposit but not be permitted to mine it. That scares foreigners off.

From the point of view of a foreign mining company, it's more predictable to invest in Burkina Faso than in Russia due to simpler regulation and lower levels of bureaucracy. In Russia, getting a mining license can be a very long and complicated procedure. We as a local company can understand that and move forward with patience, but for a foreigner who doesn't understand the country's peculiarities, it could be a frustrating exercise.

Q: What lessons can Russia learn from Burkina Faso?

A: Burkina Faso is a good example of how a government can organize work with investors and fight against the country's disadvantages. We have good experience developing a mine from scratch there, and now we are completing the construction phase. We received full support from the local government, which is extremely interested in attracting foreign

investors, as they do not have their own mining companies.

Working there has been transparent. We obtained a mining license in June last year. It required the president's signature, but the approval procedure was reasonable. The number of stages to go through in Russia would be five times as many as in Burkina Faso.

Q: How do you deal with corruption, both in Russia and Burkina Faso?

A: I can only say that we work in a lawful manner and actually don't face this problem. We have a big team of lawyers and geologists who prepare and provide a large amount of required documents to the authorities.

In Burkina Faso we have never been approached, either. I have met with the president of the country several times. He is a sincere person, and he is interested in developing the mining industry and attracting more investors. Clearly, he translates this attitude to his government.

He even proposed to help us set up shop in Guinea, where we started working shortly before the presidential elections in 2010. Burkina Faso's president is very close to new Guinean President Alpha Conde, and he offered to call President Conde to introduce Nordgold as a responsible investor, and I believe he could have mentioned us in a conversation.

Q: What are the biggest challenges you face in Russia?

A: One we constantly face is finding the right skilled personnel. It's hard to find good managers to work at remote mines.

Q: What's your secret of successfully managing the team?

A: I believe that my primary task is to unite and direct talented people, because they are all different — to smooth out rough edges.

Q: Who inspires you?

A: I do not need to look far. Alexei Mordashov, CEO of Severstal and majority shareholder of Nordgold, is a very effective leader. Seriously, looking at how Severstal's shares have performed over time, it is clear that this is the result of the company's effective management. The secret is a proper business model: creating a vertically integrated company and shedding unprofitable assets, plus a permanent focus on increasing efficiency. As a result, when the market falls the company is in the best position to maintain its margins and share price.

I sometimes ask Mordashov for advice. He has a wealth of management experience and is open to sharing it with others.

Q: What do you like most about your job?

A: That I work in a young and dynamic company that is part of a challenging and very profitable industry.

Q: Do you think you could come back to the scientific path anytime in the future?

A: Why not? But as an investor rather than a practicing scientist, I would be interested

in looking at various biotechnology companies. This industry hasn't proved as prolific over the years as was widely expected. But I believe it's a matter of time. The knowledge should be accumulated before it can be used commercially.

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