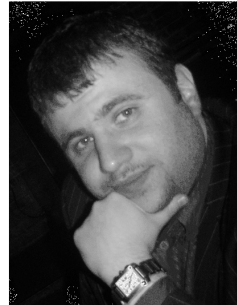




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FROM A LOCAL SHOP TO A GLOBAL CONGLOMERATE



When I was first approached about writing a regular business column targeted at the Russian-speaking audience I was instantly very excited since I have always wanted to do just that. Before I tell you why, let me first tell you a little bit about myself.

I was originally born in the former Soviet Union and lived there until my teens, at which time I immigrated with my family to the United States where I received my undergraduate and MBA degrees in top-ranked institutions. During my teens, I saw my parents start and operate several small businesses that all grew and became very successful (not without my help), providing me with an inside look into the inner-workings of a business from a very early age. In my early twenties I started several successful entrepreneurial ventures and was able to exit in a timely manner while yielding higher than expected returns on investment for all of the stakeholders. After receiving my graduate business degree in U.S. and studying advance finance in Europe, I went on to form a boutique management consulting firm which focused on venture financing, global market expansion, and operational efficiency improvements for U.S. and CIS clients. As the Managing Director of our organization, I have personally reviewed hundreds of business plans, raised tens of millions of dollars in capital for numerous clients, and improved the overall effectiveness of companies in multiple industries.

Thus I feel that the combination of my upbringing in the former Soviet Union and understanding of intricate cultural nuances together with my extensive experience in providing management consulting and investment banking services to various organizations in North America have prepared me well to be an expert coach, assisting Russian-speaking immigrants with their business development needs. My professional expertise has for a long time been reinforced by my desire to assist other fellow immigrants who, in my opinion, have created a large market for practical business skills to be applied to the vast array of amazing ideas, excellent education, entrepreneurial spirit, and a hunger for success.

However, the field of practical business application is broad enough to write on a variety of different topics without necessarily generating interest of the majority of the potential readers. Therefore, I needed to focus on a topic that would resonate well with the bulk of the audience and hopefully create the greatest positive impact on the Russian-speaking community in the United States.

After doing a significant amount of research I decided to write about a topic that is on every business person's mind – how to grow your business. Yet since the topic is still too broad I will focus this column on the smaller businesses that are typically started by immigrants from the former Soviet Union. The businesses do not have to fall into any particular sector or industry, but can simply be defined by the following criteria:

- ✚ the business has annual gross revenues of less than \$2 million;
- ✚ the business is owner-operated;
- ✚ the business is younger than 20 years old;
- ✚ the business employs less than 15 people.

This description will typically encompass the vast majority of businesses that are started in U.S. by former Soviet immigrants, regardless of their nationality, age, education, or background. Therefore this column will hopefully appeal to a very wide audience since even if you don't directly own and operate such a business you will most certainly know someone who does in your community or have at least been exposed to it by purchasing products or services from the business described above.

Recently, our firm has conducted market research among the Russian-speaking population in the United States for one of our clients. One of the interesting results of that research is that approximately 24% of all Soviet immigrants own their businesses rather than work for someone else. This is in stark contrast to 6.5% of the entire U.S. labor force in their own businesses according to the 2000 census. So even though the market research numbers for the Russian-speaking community are generally only scantily available from any reputable sources for the exact types of these businesses, it is clearly evident from this one statistic that Soviet émigrés are nearly four times more likely to own and operate their own business in U.S. than the typical American. I think that you will generally agree with me that the partial list below is very representative of the businesses described above. (The list is not compiled in any particular order.)

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|------------------------------|--------------------------|----------------------------------|
| 1. Dry cleaners store | 7. Mortgage brokerage | 14. Law firm |
| 2. Laundromat | 8. Real estate brokerage | 15. Dental office |
| 3. Video rental store | 9. Auto repair shop | 16. Adult foster care |
| 4. Gas station | 10. Auto body shop | 17. Beauty salon |
| 5. Shoe repair store | 11. Import/export | 18. Janitorial services |
| 6. Convenience/grocery store | 12. Coffee shop | 19. Real estate development firm |
| | 13. Restaurant | |

Even though this list is obviously non-exhaustive, it does provide a general idea of the types of businesses that are typically preferred by immigrants in general, and Russian-speaking immigrants in particular. What common themes can be ascertained by looking at this sampling above? What is it that immigrants typically look for when starting their first small business in the United States?

- ✚ The first most important trend that becomes clear from immediate analysis of this small sample group is that the vast majority of the businesses tend to fall into the Services category. This can be simply explained by the fact that any start-up manufacturing operations would require a much heftier initial capital expenditure which most new immigrants have not yet had time to amass.

- ✚ Second, it is evident that most of these businesses require a skill that can be mastered quickly, without much formal education (except in the cases of law or medicine, which are much more prevalent as professions for the second generation of immigrants). The fact of the matter is that there is rarely enough time to get reeducated in the immigrant's new home and income must be earned immediately upon arrival.
- ✚ Third, most of the businesses do not require significant cash expenditure and can be purchased with little money down or financed by the previous owner. In most cases, such businesses can be started for less than \$250,000, which is tied in with the first point above.
- ✚ Fourth, most of these businesses typically have a constant and predictable stream of cash flows, which is absolutely necessary in order to build a new life in a new place.
- ✚ Fifth, the services rendered are typically needed by a very large consumer segment, including the immigrant population itself, which makes it relatively easy to market and relatively difficult to fail.
- ✚ Sixth, these businesses lend themselves well to being operated by a single family, where each family member can contribute something of value. Such family-run businesses eliminate the need to hire external help, re-train the staff, and provide for perfect transparency and zero loss due to such inevitable business realities as theft and other problems that are associated with non-stakeholders participating in daily operations.
- ✚ Last, the services often require long hours and arduous labor. On one hand this yields an opportunity for greater than average returns and on the other hand provides an opportunity for immigrants to pursue services in the areas where they can compete most successfully with the native population.

In order to make any recommendations as to how one should grow his or her business we must first analyze personal motivation and key driving factors of that business. In other words, what tools does this specific group of entrepreneurs from the former Soviet Union have in their arsenal which we could later leverage to grow their enterprises? What personality traits or behaviors can be ascertained about such business owners based on the information above? What conclusions can we draw about an average start-up business owner in the Russian-speaking immigrant community in U.S.? The list below is a good start when tackling this question.

- ✚ **Frugality** – in order to save up enough money to start such a business most immigrants have to save every penny for years before they are able to afford starting their own business.
- ✚ **Work Ethic** – most of these businesses require countless hours of labor, much more than in an average service business.
- ✚ **Adaptability** – willingness to learn new skills, languages, cultures, and etc.
- ✚ **Conservative approach** – preference towards stable and proven business models rather than new fads.
- ✚ **Aggressiveness** – there are certain societal and cultural attributes that dictate that failure is not an option, thus making the incidence of bankruptcies significantly less than in the native population.
- ✚ **Going the extra mile** – this compliments many of the items already mentioned above. The average immigrant business-owner will almost always try to exceed the expectations of their client by working extra hard and going above and beyond the call

of duty, often performing services and special customer service that the native-born business owner will not.

- ✚ **Ambition** – although this character trait was certainly partially instilled in the Soviet society as a whole, it is particularly found in the immigrant population which is almost always more competitive than the rest. This is obvious, given the fact that immigrants are more willing to overcome various obstacles in search of a better life abroad.
- ✚ **Risk profile** – above average appetite for risk; this means that although they prefer steady cash flows and proven business models, the propensity among this community to start business (which is obviously more risky than accepting a steady employment with an existing company) is still much greater than that of any other immigrant community in the world.
- ✚ **Assertiveness** – it is not enough to identify new business opportunities but one must also take steps in the right direction to take advantage of them, which is a personality trait that is very common with the general immigrant community and especially the Russian-speaking population.
- ✚ **Entrepreneurship** – most of the former Soviet Union immigrants have been driven to come to U.S. by promises of a better life where one can make things happen for oneself. The entrepreneurial type of person is the one who wanted to emigrate more than others in the first place. These are generally the most opportunistic people deprived of the freedom to pursue business opportunities back home.

These factors need to be analyzed in greater depth and utilized in a way that would allow our countrymen to succeed most in their new homeland. How can we take advantage of such a seemingly useful list of qualities and use them to promote the business? I will tackle this question and some others in the next month's column.

Also, please see our upcoming issues for a detailed discussion on possible strategies for growth and expansion with the specific needs of small immigrant-run businesses in mind, where such topics as those below will be discussed in depth:

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|--------------------------|------------------------------|--------------------------------|
| ✚ financing | ✚ going global | ✚ delegation of responsibility |
| ✚ business planning | ✚ business valuation | ✚ choosing your partners |
| ✚ franchising | ✚ hiring personnel | ✚ business modernization |
| ✚ co-branding | ✚ legal structure | ✚ employee motivation |
| ✚ strategic partnerships | ✚ opportunity identification | ✚ taxation dos and don'ts |
| ✚ revenue sharing | ✚ customer satisfaction | ✚ purchases and sales. |
| ✚ e-commerce | ✚ operational efficiency | |
| ✚ marketing | | |

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