

The World of PEP



The wonderful world of PEP! Some of the 1,500 Fellows whose lives have been irreversibly changed by PEP US internships. Clockwise from top: Anatoly Sherman, Olga Maiatskaia, Alexander Victorov, Dmitry Staroverov, Sergei Kulikov, Alexander Lubyanoi, and Irina Tchitakhova (center).

PEP EVALUATIONS—MIDYEAR 1999

This publication offers an unconventional window for viewing Russia's economic transition. It's the product of PEP evaluations conducted over a seven-week period in Russia, midyear 1999.

CCI staff trekked thousands of miles, interviewing hundreds of PEP participants who offered remarkable insights about how Russia's grassroots domestic producers fared after the August 1998 financial crisis. Interview excerpts on the following pages highlight this segment of Russia's population which is seldom covered by western media.

For most PEP Fellows, 1998 and the August crisis became an unexpected breakthrough. Initially, their businesses were dealt harsh setbacks, but they quickly rebounded to increase sales and revenues within three months. By January 1999, Fellows had captured a greater market share than ever before. How can this be explained?

First, foreign imports came to a halt after the crisis. As

domestic producers, PEP Fellows were best positioned to immediately fill empty shelves with products. "*Russians are learning that our production is as good as foreign imports!*" remarked one Fellow.

Second, the importance of the US internship experience cannot be overstated. It was not only a catalyst for new products and management strategies but a professional turning point. "*I realized I was going in the right direction and I now have confidence in what I am doing,*" was a common refrain heard from PEP Fellows.

Unobtrusive and hard working, domestic producers of Russia have focused on growing their businesses under the radar of mafia, tax collectors and unscrupulous officials. Their hard work is finally being rewarded. With their businesses on the rise, PEP Fellows are energized with a new confidence in themselves and in Russia's future. **They believe their time has finally come!**

What Russians Say...

The PEP



Evgeni Safranov, Age: 40, Legal Services, Bryansk, Russia (US Training: Oct-Nov '98, California)

After I returned from America I had an emotional splash—my energy was soaring. In December '98 my sales sky-rocketed up by 400% despite the crisis. It's all due to the emotional charge and the experience accumulated during the internship. My friends and colleagues even said that I returned as a different person.

During my US internship I understood that if someone wants to do something badly enough there is no stopping that person. All obstacles can be turned into stepping stones. As a result of my internship some type of transformation took place. The most important part is that it took place inside me. The level of feelings and spiritual breakthrough was amazing! And naturally this not only affected my work but my whole life.

—Evgeni Safranov



Olga Frolova, Age 38, Apparel Manufacturing, Volgograd, Russia (US Training: Apr-Mar '98, Texas)

It was very interesting to communicate with Russian colleagues on US soil. It was more sincere. When we communicate here [Russia] on our land we are rivals.

—Olga Frolova

I consider it a miracle that I went to the US not as a tourist but for my business. I consider it a privilege that I could live with a family and understand the soul of the American people.



Victor Lavrov, Age 41, Auditing Services, St. Petersburg, Russia (US Training: May-June '98, Iowa)

Surprising as it may seem, my business has improved since the August '98 Financial Crisis. I think the difference is a result of the change in the way business is done. Five years ago having a proper business mentality was very rare. The crisis was like a cold shower for Russian business people. Now mentalities are changing rapidly because of it.

Private business and private property are a reality in Russia. They won't go away—no matter who is elected as the next president.

—Victor Lavrov



Tamara Koudriavtseva, Age 37, Accounting, Yekaterinburg, Russia (US Training: Sept '98, Maryland)

Americans take time to focus on the professional development of staff. Now we consider our position towards the staff. We have tried to look at work from their point of view and help them grow professionally.

—Tamara Koudriavtseva

The most interesting thing was the concept of leadership which exists in the American business market. Everybody in the company should develop leadership skills because it is important for every position.



Alexei Jarov, Age 45, Environmental Equipment, Rostov-on-Don, Russia (US Training: Jan-Feb '98, Texas)

As a result of my internship I have changed the structure of my company. It is now more simple and clear cut. Everyone knows what to do. There is a better understanding of responsibilities and goals. My employees are more free to choose the way to achieve these goals and at the same time they have more responsibilities.

I was inspired by the US internship and by everything that I saw in America. I started to restructure my company and as a result, we got new orders and more customers. Now I am convinced that the more Russian business people go to America the more efficient our businesses will be.

—Alexei Jarov

Experience

I can't begin to tell you how much my family and I enjoyed hosting our [Russian] guests this year. We became very close by the end of the week and when we said good-bye it was like saying good-bye to family.

—John Stover

It certainly was even more of an exciting and satisfying experience than I had anticipated, and the clubs themselves were overjoyed with the experience. I have them coming to me asking if we are going to do this again. My reply is, give me a little time to recoup, but it is definitely a possibility. . .

The PEP program served as a reminder to all of us of the perils our forefathers endured while building this great country.

—Owen Sand

Home hosting two PEP delegations has been an amazing experience for our small town. It has been a life changing experience for both Russians and Americans. Most of our home hosts and committee members want to do it again. I know I do!

Diplomacy is certainly essential between governments—and the rewards of this citizen diplomacy cannot be achieved by Washington or Moscow.

—Dr. James Murphy

What Americans Say...

It was our second year of hosting Russians. I would gladly and enthusiastically do this again in a heartbeat (after I recuperate a little longer)! I enjoyed it even more as the weeks went on and as the last day neared I became sadder at the thought of it all ending soon.

We all are very happy we took the plunge and committed to this project. It was one of the best club projects we have had, and one we will remember for a long time. We feel that we have made new friends, and will miss them.

—Barbara Concilio

The PEP experience was a win-win situation. We provided them with valuable business training while they reminded us of how fortunate we are and the freedoms we take for granted in the US.

When we went to the Soviet Union in 1984 with the very beginnings of what is now CCI, I would have never dared to dream what progress has been made, and that we would actually be helping Russians learn business practices in our small town. PEP is a prime example of the fact that small groups of ordinary people, working together, can create tremendous change.

—Elizabeth Bickham

The relationships and business skills acquired cannot be measured, but they now know the people of the United States are a caring, sharing, and loving people, who want peace and happiness just as they do. This message will be multiplied manyfold upon their return to Russia as they share their experiences with all those they come in contact with.



John Stover, PEP
Local Coordinator,
Rotary Club of
Corning, California



Barbara Concilio,
PEP Local Coordinator,
Dougherty
County Kiwanis
Club, Georgia



Owen Sand, PEP
Local Coordinator,
LaPlace Rotary
Club, Louisiana



Elizabeth Bickham,
PEP Home Host
Coordinator,
Louisiana



Dr. James Murphy,
PEP Local Coordinator,
Richmond Rotary
Club, Kentucky



Alexander Victorov, Age 40, Plastics Manufacturing, Yekaterinburg, Russia (US Training: Oct-Nov '98, Massachusetts)

During the site visits [in America] I asked all kinds of questions about personnel. I learned that all employees need to have a clear cut understanding of their goals. Each team should have objectives both long and short-term. Every person needs to be aware that his personal contribution will influence the success of the company. Now I am using this in my company with great success.

When Gorbachev unveiled perestroika I was an engineer. I worked at a government plant with my classmates from the university. The government stopped paying us, offering us vacations with no pay. We had to find a way to survive. So I built a plastics company from scratch. Now I am happy to say that our sales have increased by one third each year since we've been in business.

—Alexander Victorov



Dmitri Parchikov, Age 36, Advertising Agency, Rostov-on-Don, Russia (US Training: Oct-Nov '98, Oklahoma)

I think all the time about the civic clubs and associations I saw in America. I have been the president of the Association of Advertising Agencies of Rostov since 1995. In America I realized that it is best to have 'civilized neighbors' and that is done by exchanging information. That is why I shared my US internship experience with all my colleagues when I returned.

—Dmitri Parchikov

When I returned from US I immediately gave classes to all of my employees using my documentation workbook. Each of my staff then prepared a report about how they could use the experience of the internship in their work. We are now using a marketing questionnaire from America and we are planning on introducing several other structural changes.



Elena Poulyaeva, Age 37, Interior Design, Voronezh, Russia (US Training: Mar-Apr '98, Louisiana)

I am thankful that there is such a program as PEP. It gave me an opportunity to meet people on the other side of the planet. Due to this program I was able to see that within Rotary and Kiwanis clubs people not only can run their businesses, but give back to the society.

We have destroyed the past but have not yet created the future. We must create achievements at our work places which will benefit Russia and the US.

—Elena Poulyaeva



Anatoli Fomine, Age 40, Construction, Yekaterinburg, Russia (US Training: Mar '98, Washington)

In America I saw my future—what we should do. We saw everything from small construction companies to large banks. The program was so vast and so well organized. There is nothing I can't imagine now.

—Anatoli Fomine

The August financial crisis actually helped us since foreign equipment is expensive. We design and assemble gas boilers for residential and commercial buildings. Now Russians buy our products.



Larisa Rechetnikova, Age 38, Financial Director, Yekaterinburg, Russia (US Training: Oct-Nov '98, North Carolina)

I was impressed and even shocked in the US by the ability of co-workers to work together as a team with everybody working toward the same goal. The thing that I am now proud of at my company is that we have created a team since my return to Russia.

After being in the US I wanted to share my experience. So I started working part-time as a teacher at the academy of law. Now I teach financial management to students. I tell them about my experience in the US for them to understand the concerns of business people in Russia and for them not to be afraid to start their own businesses.

—Larisa Rechetnikova

In America I learned about the importance of customer service and have tried to pass that lesson onto my staff. I am teaching them how to pay attention to the needs of the customer and that the better they relate to the customer, the greater their salaries will be.

—Gulnara Gainutdinova

After my US internship I pay more attention to advertising materials to attract customers to my business. We now hand out materials such as leaflets, pamphlets and brochures. I used to think that using all this paper for advertising was a waste. But when I saw how it was effectively used in America, I understood how it could be useful. We now hand out flyers at train stations, hotels, airports and universities. We offer a discount and about 30% of my customers come to my restaurant because of these flyers!

In my opinion CCI needs to increase the numbers so that more Russian people can participate in PEP and see America with their own eyes, so that they will develop a different mentality.

My greatest achievement is the fact that we are still in business and we are not going to give up.
—Victor Yurov

They [Americans] tried to answer all of our questions and satisfy all of our curiosities. This does not happen in Russia. What was so surprising was that all of these steps closer were coming from the American side.

—Liubov Naumova

Even though this year has been extremely difficult, the warm feeling resulting from the [PEP] trip has not lessened one bit. We have a saying in Russia that 'big things are better seen from far away.' The more time that passes, the more I see the experience in its totality. It is like a lesson. The more you repeat it, the better you understand it. So if in the beginning I didn't look at my [PEP] workbook very often, I now look at it all the time.

I have taken my diploma and framed it and put it on my table at work. Everyone who comes in asks about it. I am proud. I made five video tapes and I took a lot of pictures during my internship. I have shown them all to my friends. I have advertised the US internship to my colleagues. After this many of them went on an internship to America through CCI.

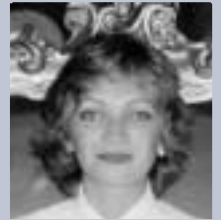
It is a pity that a person can go on an internship only once. Such programs are good not only from a professional point of view, but also from a personal point of view—they enable a person to get a glimpse of life that one could never get traveling as a tourist.

—Alexander Chepanovski

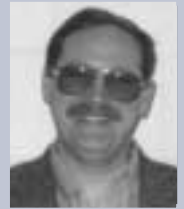
I took a small tape recorder with me to the US. After I came back to Russia I listened to the tapes over and over. They helped me to plan a strategy to reorganize our company.

—Alexander Chkapov

In America I understood that I had to change the mentality of our staff. I talked with several personnel managers in the US. I was very interested in how they managed people. I studied their manuals and brought them back to Russia with me. With this information I have now begun to make the necessary changes.



Gulnara Gainutdinova, Age 34, Restaurateur, Kazan, Russia (US Training: June '98, Louisiana)



Victor Yurov, Age 37, Large Construction, Voronezh, Russia (US Training: Apr '98, Colorado)



Liubov Naumova, Age 47, Interior Design, Voronezh, Russia (US Training: May-June '98, Michigan)



Alexander Chepanovski, Age 37, Radio Advertising, Rostov-on-Don, Russia (US Training: Jan-Feb '98, Oklahoma)



Alexander Chkapov, Age 38, Auto Repair & Service, St. Petersburg, Russia (US Training: Oct-Nov '98, Kentucky)



The Center for Citizen Initiatives (CCI) is a nonprofit, nongovernmental organization which has a seventeen-year history of working in Russia and the former Soviet states. CCI's business management training programs for fledgling Russian entrepreneurs began in 1989, well before the collapse of the USSR. To date CCI has graduated more than 3,000 Russian managers in various business training programs. CCI has offices in seven regions of Russia and operates a business incubator and loan program in St. Petersburg. Funding comes from American citizens, US Foundations, the Bureau of Educational and Cultural Affairs US Department of State and the United States Agency for International Development.



PEP

In 1995, the Productivity Enhancement Program was created by CCI to give business management training to non-English speaking Russian managers of small and medium-sized private enterprises.

PEP's design is based on the historic Marshall Plan Productivity Tours, which trained 24,000 non-English speaking European and Asian plant managers in US businesses after WWII. To date PEP has trained more than 1,500 Russians in industry-specific delegations via interpreters in US companies which are parallel to their own.

PEP's target population: Russian managers who are capable of making an immediate impact on Russia's economy: namely, those who've had several years of private business activity, those who are between the ages of 30 and 45, and those who are judged capable of quadrupling their products or services if given a modest amount of management training.

PEP is funded by the Bureau of Educational and Cultural Affairs US Department of State, American civic clubs and volunteers, & Russian entrepreneurs.

PEP EVALUATIONS POST-CRISIS

PEP evaluations are conducted annually by CCI staff in order to collect data to refine the PEP training and materials, as well as gauge political, economic and civil society development across Russia. In midyear 1999 CCI staff traveled to nine Russian cities, including Moscow, St. Petersburg, Volgograd, Voronezh, Rostov-on-Don, Yekaterinburg, Dubna, Kazan and Bryansk. The following statistics from PEP Fellows are evidence of Russia's continuing evolution towards a democracy and a private sector:

- 50% indicated that they sold more products since the August '98 financial crisis
- 58% said that the August crisis will ultimately be good for Russia
- 55% said that the August Financial Crisis was inevitable
- 60% did not have unpaid loans at the time of the August '98 financial crisis
- 61% of those who had unpaid loans said that Russian creditors have been patient during the crisis
- 42% of those who took out loans before the crisis have been able to pay them off
- 68% said that tax surveillance has increased since the crisis
- 76% indicated that they have never invested in the Russian stock market
- 56% indicated that the IMF is not effective in helping Russia
- 43% said that between 0-5% of IMF funds actually reach or affect Russian citizens
- 66% said that they do not depend on foreign raw materials
- 40% indicated that they have identified sufficient domestic raw materials
- 85% said that their company is completely privately owned
- 79% indicated that their primary clients are private enterprises
- 39% said that they have over 40 employees
- 64% do not have insurance for their businesses, buildings or equipment
- 52% said that they pay 5% or less of their revenues for security services
- 62% said they would vote for Moscow Mayor Yuri Luzhkov to be Russia's next president
- 83% indicated that federal laws should prevail in the regions
- 80% said that the government will not be able to take care of the disadvantaged over the next five years
- 90% said that businesses should provide volunteer services, products or money to the disadvantaged
- 84% have given volunteer time, products or services to the disadvantaged over the last year
- 86% indicated that their company will volunteer charity services in the future
- 47% belong to a business club or association
- 88% said that membership in a business association would help their business
- 93% said that a business club or association could be initiated by Russian business owners
- 89% indicated that starting a business club or association would require expertise from foreign specialists
- 85% think that business associations are helpful