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Expatriate Entrepreneurs

IN ARGENTINA



Ten success stories with key lessons for aspiring entrepreneurs

David English



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Ten Success Stories

David English

**EXPAT
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M E N D O Z A
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Introduction

“Go West, young man, and grow up with the country.”

—JOHN B. L. SOULE

We live in an era of economic uncertainty for major industrialized nations. It’s also a time when developing countries need creative entrepreneurs to propel growth and modernization.* This combination of factors represents an extraordinary opportunity to “go West,” to move to a place like Argentina where the cost of living and the cost of starting a business are relatively low, and where a foreigner’s unique skills and perspective are a competitive advantage. This book is about individuals I know who did just that, including myself. Our stories reveal the fundamental lessons on what it takes for someone from North America or Europe to start a business in the land of Evita, the tango, and Malbec.

* Since no single definition of *developing country* or *emerging market* is recognized internationally, in this book I use the terms interchangeably. The definition I most like for both, and which is certainly relevant to Argentina, can be found in *Winning in Emerging Markets: A Road Map for Strategy and Execution*, by Tarun Khanna and Krishna G. Palepu. They write, “Emerging markets reflect those transactional arenas where buyers and sellers are not easily or efficiently able to come together. . . . Institutional voids make a market ‘emerging’ and are a prime source of the higher transaction costs and operating challenges in these markets.”

Why This Book

At the end of 2001, I was greatly concerned about what was happening in my country and around the globe. Because I worked in New York City's financial district, I found myself at Ground Zero on the morning of September 11. (See Chapter 1 for more on this.) My experiences on and immediately after that day had affected me profoundly. So had a business trip I made earlier that same year to General Electric's medical division in Milwaukee, Wisconsin. There I witnessed firsthand what Thomas Friedman would later write about in *The World Is Flat*: Indian software engineers in the United States on temporary visas, four to a hotel room, doing work previously done by Americans, at a fraction of the cost.

In part because I saw ominous signs of drastic change on a global scale, and in part because I had spent time in Argentina and knew it held great potential, I decided to become an entrepreneur in an emerging market. Today I own an investment consulting firm in Mendoza, Argentina; help run several of the city's business clubs; organize cultural and educational exchange programs; teach classes at local business schools; and actively participate in Mendocino society. Moving to this country has been a wonderful experience and the key to my personal and professional success.

In my office I regularly receive foreigners who have fallen in love with Argentina and are thinking about starting a business here—executives like the “old me” who sense that globalization threatens their livelihood at home but offers opportunities abroad, university students who want to build a career in the developing world, and investors considering new projects. My experience helping so many people reach their goals has enabled me to identify what is required for a foreigner to succeed as an entrepreneur in an emerging market like Argentina. That's why I wrote this book.

Whom You'll Meet in These Pages

Moving to another country in pursuit of opportunity is not a new phenomenon, although historically it has often been attributed to fleeing a

war zone, persecution, or an economic crisis. What is new is the growing number of relatively wealthy people who are actually *leaving* what immigrants of previous generations considered “the promised land.”

From the United States alone, there has been a big rise in the number of citizens living abroad (known as “expatriates” or, more commonly, “expats”). According to the U.S. State Department, there were 1.5 million expats in 1990, but nearly 8 million by 2009. In part, this is because it has become easier and more popular to retire to countries like Mexico and Costa Rica. However, it’s also because the developing world is now the true land of opportunity for a certain kind of person.

You would think that an individual trying to build a company in a country with a different language, culture, and business environment would be at a big disadvantage. To be sure, it’s not easy. But the stories in this book demonstrate that it’s possible to overcome the obstacles and succeed by capitalizing on what makes you stand out from the local crowd.

I’m going to introduce you to men and women of various nationalities and backgrounds. They include an Irish playwright turned magazine publisher, an American entrepreneur who runs a multi-faceted wine and vineyard real estate enterprise, a French financial consultant reborn as a restaurateur, a Harvard-educated architect from Mexico who operates a rural boutique hotel, a big-dreaming mother and tour operator from California, a French woman raised in the Ivory Coast who runs a book-publishing company, a Spanish investment banker who founded one of Argentina’s most prestigious wineries, an American Hungarian couple who export the world’s only Malbec vodka to the United States and Europe, and a Chinese-speaking Parisian who sells European winery equipment throughout Argentina.

These expat entrepreneurs have a lot in common. They are hard-working risk takers who love adventure and thrive on challenges. They are open to new ideas and new ways of doing things. Wherever they come from, they don’t think it is unequivocally the “best country in the world.” They believe that people have to find the places

that are best for them, based on who they are and what they want out of life. That may be the town in which they were born or on the other side of the planet.

Many started businesses in Argentina because they knew they had the skills to serve a need in a specific industry—a need they were able to identify thanks to relevant experience gained in their native countries. Others started businesses because they could “be somebody” here they could never be back home—a big fish in a small pond. Some made the move simply because they wanted to be a pioneer in a land that still has wide-open frontiers. While each person who has shared his or her story is a unique individual with a different personal history, as a group they teach us much about the attitudes, motivations, and business philosophies that are essential to doing business as a foreigner in a place like Argentina.

Why These People

I chose to interview the ten expat entrepreneurs in this book not only because they have compelling tales to tell but also because they:

- Have operated a business in Argentina for five years or more
- Have a reputation for ethical business practices
- Are considered successful by peers in the community
- Have received press coverage in local and foreign media
- Are of diverse nationalities, backgrounds, and industries

I established these criteria for three reasons: (1) to be able to draw conclusions from a wide variety of personal stories; (2) to assure readers that the people I interviewed own reputable, ongoing business concerns; and (3) to demonstrate that their success can be independently verified by multiple sources (the media, peers, current or former clients, etc.). In other words, I wanted the lessons in this book to be relevant for readers regardless of their home countries or the type of venture they were contemplating. In addition, it had to be a good bet that in five to ten years the expat entrepreneurs I interviewed would still be in business. After all, long-term success demonstrates the credibility of a company and its founder.

Why Me

In 2003 I founded a consulting firm with the mission of guiding investors from overseas through the many pitfalls of doing business in Argentina. Since then, I have helped hundreds of people start companies here. As president of the Mendoza Expats Club, I presided over the birth of a community of expat entrepreneurs in an emerging market. I do have an MBA from Austral University in Buenos Aires; yet, it was my hands-on business experience that most helped me pinpoint the lessons in this book. My long-standing relationships with most of the people I interviewed gave me great insight into the evolution of their companies.

As the author of this work, I leveraged my direct knowledge of the businesses and the people running them to ask revealing questions, edit the responses, and draw relevant conclusions. I put the same twenty-five questions to each entrepreneur, ranging from “How have you been able to overcome the challenges of language and culture to be successful in a developing country?” to “What’s your secret of success in general?” To craft the questions and know how to ask them, I drew on my past experience performing qualitative market research for business publications such as *Forbes* and *BusinessWeek*. My objective was simple: tell each entrepreneur’s story and, in doing so, identify some of the key skills that partially explain his or her success.* Using a standard list of questions and asking them in a specific order was vital to achieving this goal and ensuring the integrity of my work.

To be clear, this is not intended as an academic analysis or a step-by-step handbook.† It is a collection of insightful stories with

* Keeping in mind that luck always plays a considerable, if often unacknowledged, role in success as well as failure!

† I have not taken an academic case study approach in this book, because doing so would require more statistical and financial evidence of success than I have included here. Several considerations led to my decision to present the stories in the more narrative form. First, privately owned companies have no obligation to disclose their financial data. Second, in a highly regulated and bureaucratic environment business owners hesitate to give specifics that might attract the attention of government inspectors. And third, the stories in these pages demonstrate that personal success is measured by much more than just the hard numbers of a business.

“big-picture” lessons followed by a list of key skills for expat entrepreneurs. If I’ve done my job well, you’ll find that *Expat Entrepreneurs in Argentina* is a fitting companion to the many how-to publications that cover everything from business strategy in emerging markets to banking and work visas.

Why These Lessons

Some of the lessons in this book may seem repetitive or obvious. But certain lessons bear repeating, especially when they are taught from different perspectives and accompanied by clear examples of how they have been put into practice. This is because the lessons of success often conflict with human nature.

Over the past ten years, I’ve seen that people who are competent professionals back home often make commonsense mistakes when doing business in Argentina. They start big rather than small. They fall in love with a property, an investment opportunity, or an idea, shutting out those who are more knowledgeable about the local environment and may offer constructive criticism. They jump headfirst into a new venture without finding a more experienced partner (or they choose the wrong partner altogether). They don’t seek the advice of honest and independent experts. They try to transplant their ways of doing things to a developing country without taking the local culture into consideration. And they don’t seriously study Spanish!

Much can be learned from the individuals in the following pages because few of them succumbed to these tendencies, or if they did succumb, they recovered. The elements unique to their stories, as compared to the failures I’ve known, help to explain why, as a group, they have been successful. That’s why their lessons, however familiar, are so important.

Why Mendoza

This book is the first in a series to spell out the lessons of North American and European entrepreneurs who started businesses



Although the stories in this book are set amongst the vineyards of Mendoza, their lessons are applicable to other emerging markets.

in specific emerging markets. I began with Mendoza, Argentina, because it is where I have lived and worked for the past decade. Also, Mendoza is home to hundreds of entrepreneurs from around the world. It therefore serves as a good example of one type of environment in which they flourish.

In the 1960s, health professionals interviewed a group of unusually healthy Italian Americans living in Roseto, Pennsylvania, where the death rate from all causes was 30 to 35 percent lower than the national average. Researchers discovered that the citizens of Roseto were healthy due in large part to the quality of their relationships, their involvement in civic organizations, and their sense of community. It turned out that the ways in which people in a specific town were beating the odds were relevant to human beings everywhere.

I've taken care to highlight lessons in this book that are applicable to other parts of Argentina and to other emerging markets, just as the lessons from the Roseto study are applicable to healthy living in any town. For example, there's no doubt that Mendoza's booming wine industry has played a positive role in many of the following

stories. However, relocating to a city where wine tourism is taking off isn't a lesson I draw. Instead, I recommend identifying places where one or more industries have the potential for rapid growth following a significant change in the political or economic environment. This way, if you have the background and skills to provide goods or services related to that industry, you'll be positioned to succeed. This approach has been well proven in places other than Mendoza. It worked for entrepreneurs in Hollywood in the early twentieth century; for their counterparts in Prague, Czechoslovakia, in the 1990s after the fall of the Soviet Union; and for others in Bangalore, India, which in the past decade has become a major high-tech center.

Remember: An entrepreneur in another location that shares some of Mendoza's attributes will have a better chance of success than in a place that shares none of them. With that in mind, let's now examine the setting for the stories you are about to read.

4



Small and Focused

CAROLYN'S STORY

“You don’t need a huge backpack to climb a tall mountain.”

—CAROLYN GALLAGHER

Carolyn Gallagher is one of those blue-eyed California girls they write songs about. Her big smile and radiant personality are two of her greatest personal assets, along with her little girls—Carmen, three, and Julia, who is barely ten months old. In fact, while I interviewed Carolyn in her home office, her daughters played happily at our feet. “As you can see, the barrier between the office and the house isn’t black and white!” Carolyn told me with a laugh. “There are a lot of family things happening in the office and a lot of business things happening in the house. But, at least we have space and everyone can choose where to work or play.”

In addition to running a family, Carolyn owns and operates a high-end tour company called Uncorking Argentina. “My job is to expose the world to all the beautiful things that Mendoza has to offer—the very things that made me fall in love with the region in the first place,” she says. Carolyn is obviously doing a good job. Her tours have been praised within the pages of *National Geographic* magazine, and she is now expanding to offer English courses for local professionals who want to improve their wine industry vocabulary. “Uncorking Argentina is like my daughter Carmen. She’s a little more grown up, developed, and able. My Wine Language business is more like Julia, in its infancy.”

Carolyn was raised in Sacramento, California, where she was an avid white-water rafter and mountain climber. “I was very much an outdoor person,” she recalls. She always enjoyed “dreaming up new projects, organizing people, and making things happen,” whether as president of her high school class or as a river guide. Not much has changed for her since then. “As an entrepreneur, I work fifteen hours some days, but putting in those fifteen hours is great! I love what I do.”

Carolyn’s journey to Argentina began in 1990, when Marcela Lledo, an exchange student from Mendoza, spent a year at her high school. “Every day I took Marcela to school in my Mustang convertible, and we shared a locker. Although she didn’t live with my family, we became like sisters,” Carolyn recalls. The relationship would turn out to be life changing; it was the reason Carolyn visited Argentina for the first time in 1992. “I came to see Marcela and found an undiscovered country. Argentina was vast, it was open, and it had everything I needed. It had great food, great wine, great mountains and rivers, and great people. And Mendoza was a great little city. For me, it was the perfect place to have a family, grow old, and live new experiences. I saw so many opportunities for personal and professional growth that I wanted to come back for good.”

Before she made the move to Mendoza, Carolyn attended the University of California at Santa Barbara. There, she played Ultimate Frisbee, sang in a choir, and studied geography and linguistics. “My education prepared me to teach people about the natural and cultural beauty of Mendoza as well as how to get through the language barrier,” she says.

After college, Carolyn worked to save money for her move to Argentina. “I was a river guide, a teacher, and a winery worker,” she recalls. She even developed a bilingual program for construction companies. “These were jobs to help me make money and be free. I never wanted to be an employee in a large company.”

When Carolyn finally left the United States for Mendoza in 1998, it was on a one-way ticket. “I said to myself, ‘OK, I’m going

on an adventure! I don't know what I'll end up doing, but I'll figure it out.'” After two years of teaching English, Carolyn decided that she wanted to start her own business in Argentina but realized she lacked some key skills. “I needed to go home and take classes, read books, and do research.”

Back in California, Carolyn studied cooking, wine making, and business. She also landed a job as a wine rep. According to Carolyn, “I was the unofficial spokesperson in my town for Malbec. It was great fun because I was constantly reading about Argentine wine and teaching people about it. I couldn't wait to race back down to Mendoza and apply what I had learned.”

In 2004, Carolyn returned to Argentina with new skills and a new game plan. “I was on the lookout for niches I could fill in wine and education. On one hand, I saw that tourism was taking off, and nobody was doing multifaceted tours that combined outdoor adventure with cooking classes and great wines,” Carolyn recalls. “On the other hand, I saw that the locals needed English-language skills to prepare themselves to receive the world.” So, Carolyn founded Uncorking Argentina. “The wine tour business was the key to my new life,” she says.

In the span of four short years, Carolyn Gallagher married her Argentine boyfriend and gave birth not only to two beautiful children but also to a thriving business far from home. Some might say it was her destiny, since Carolyn's family name comes from *Gallchobhar*, which means “foreign helper” in Irish. However, destiny doesn't entirely explain her success. Let's examine her story to see what she has to teach us about being an expat entrepreneur.

Find a Place Where It's Easy to Get Started

One of the reasons Argentina was so appealing to Carolyn was that it was easier to start a small business there than in California. “It requires a lot of preparation to launch a company back home,” she says. “I didn't have much money to begin with, so my only option

was to put in a lot of hours and to tinker here and there. In the States, you don't exist if that's your strategy. You have to have connections, tons of relevant experience, and an A-to-Z business plan just so you can razzle-dazzle potential investors in the hope of obtaining start-up capital. Here in Argentina, your dollars or euros go a lot further; so from a financial standpoint, it's easier to get started on your own. You just take the leap and go for it, like everyone else in this country does."

Thanks to favorable exchange rates and an entrepreneurial local culture, in some ways it's less complicated to hang out a shingle and start operating in places like Argentina. Carolyn explains, "You don't have to push and shove so much on the front end just so you can suddenly burst onto the scene with a lot of pomp and circumstance and say, 'Here I am!' In the developing world, small businesses have a more natural development curve."

In fact, the percentage of self-made men and women in many emerging markets is higher than in the developed world. Out of sheer economic necessity, it's common for people to start businesses out of their homes, making do with whatever resources they have. The tiny convenience stores called *kioskos* I pass by every evening on my walk home from work are a good example. Despite being located in the garages of private homes, the *kioskos* are professional operations that feature shiny tile floors, bright lighting, vending machines, and counter space. In a nation where garage-based businesses are the norm, neither other people's money nor the perfect business plan is necessary to get your project off the ground. "I'm like the locals," Carolyn says. "Streamlined, flexible, and independent. Here, you don't need a huge backpack to climb a tall mountain."

Be Observant

According to Carolyn, one of the best ways to learn how to do business in a foreign country is to watch how people behave. "I don't think I said more than five words during my first two years in Mendoza!" she jokes. "I just listened and followed."

In particular, Carolyn hung out at one of the city's most popular athletic apparel stores. It was owned by the father of her old high school friend, Marcela Lledo. "I loved watching Marcela's dad do business. I was like a fly on the wall observing every movement and every expression he made," Carolyn remembers. It was in the store that she saw how an Argentine business owner negotiates with vendors, interacts with customers, manages employees, and sets prices. "I was fascinated by the cultural and linguistic aspects of the business. I wanted to participate in that world. I wanted to play in that game."

Carolyn also learned a lot about business from fellow entrepreneur Michael Evans (see Chapter 3). He hired her to teach visitors to his tasting room about the local wine industry and Mendoza culture. "I had always been a one-woman show, a sole proprietor. So it was great to watch Michael and see how he motivated his team by setting goals. Because I had never worked in a large company, *The Vines of Mendoza* was like a foreign culture to me—very professional and fast paced. If you missed a day there, you missed a year!"

Carolyn emphasizes that observing culture is not simply a form of entertainment: "You can't be a mere spectator of what's going on around you in your new home. You must seek to understand why people act the way they do. You have to take the country's history into consideration. That's the only way to gain a true appreciation for a culture and learn how to successfully operate within it."

Indeed, many foreigners fail at starting a business in Argentina because they never come to fully understand and respect cultural differences. Instead of trying to figure out what makes the locals tick and adapt to their way of doing things, unsuccessful expat entrepreneurs believe they have nothing to learn and everything to teach. That might be true in some areas, such as providing top-quality service to clients from the developed world. However, a condescending attitude makes it difficult if not impossible to interact with employees and service providers. Taking the time to observe how the locals operate and understanding the reasons for their behavior are keys to the adaptation process and the success of any venture overseas. As

Carolyn says, “If you want to succeed, you have to stop looking at your watch and start looking at the people.”

Reset Your Expectations

When Carolyn arrived in Mendoza in 2004, she thought it would take forever to get her business up and running. “My biggest challenge was in understanding the time line down here,” she remembers. “Everything from opening a bank account to setting up an Internet connection seemed incredibly slow and complicated.” Nonetheless, she didn’t let go of her dream. “I said to myself, ‘I’m going to get there one step at a time.’”

While speed often equals success in the developed world, Carolyn believes that the best way to be effective in a country like Argentina is to move slowly yet steadily toward your objective. “Here there’s a conviction that solutions to problems arise naturally. If you try to push people too hard they will just look at you like you’re crazy.” A slower pace can also be more enjoyable. “In the U.S., I felt like I was in a rat race,” she recalls. “Here, you close the door to your business at 1:00 P.M. and leave to have lunch with your family. It’s refreshing to return to the kind of lifestyle we had back home forty years ago.”

“Just relax, and eventually it will all come together,” Carolyn advises. “You can’t force people to adapt to your schedule.” Indeed, entrepreneurs from other cultures often have to accept that it’s just not possible to do a hundred things in a twenty-four-hour period. “With luck, you might get five things accomplished. So, you have to say to yourself, ‘I got five things done today. That’s great!’”

Of course, even after adapting to the pace of the local culture, expat entrepreneurs still need clear objectives and well-thought-out plans for how to reach them. “I move slowly, but I carefully plan my steps,” notes Carolyn. Moving slowly because of external factors beyond one’s control or because of family commitments doesn’t mean putting in a couple of hours a day and calling it quits. Carolyn often works seven days a week, hosting wine tours, teaching classes, and answering e-mails—in some cases, with her girls playing on her

lap or under her desk. In short, resetting expectations about how long it takes to install a phone line doesn't mean changing the personal work ethic that makes her competitive.

Define Your Objectives and Stay Focused

After she observed how things were done in Argentina and reset her expectations, Carolyn carefully defined objectives for herself and her business. "I decided to stay small and focused. I didn't want to oversell or overcommit." So she set up Uncorking Argentina as a home-based company with only a couple of employees. "I never considered a brick-and-mortar office. My website and my persona are my marketing tools," she states.

I know from personal experience that Carolyn is disciplined about saying no to opportunities that might shift her focus away from her priorities. In 2008, she politely turned down my suggestion that she become president of the Mendoza Expats Club. At the time, I was surprised by her response because she seemed perfect for the job. Now that I know her mission is to work in a sound, professional way and take the time to enjoy what she does, I better understand why she said no. "Since I'm small, I can admire the view and take pleasure in the journey itself. To me, that's what life is all about," she explains.

Carolyn is careful not to overextend herself because the one-on-one relationships she builds with her clients are essential to the success of Uncorking Argentina. She feels that if she grows she will lose the personal touch that makes her business unique. In fact, the interaction with clients is one of the things Carolyn likes most about what she does. "It's not that I simply plan a trip for someone. I help them plan an escape from their reality. I love to baby my clients and make them feel special. I couldn't do that if I were sitting in an office managing employees."

In places like Argentina, the problem isn't the lack of opportunities for creative entrepreneurs like Carolyn Gallagher. The problem is the deluge of options. In an environment where one is constantly tempted by unfilled niches, unsolved problems, and unmet needs,

staying focused can be the biggest challenge of all. That's why it's important to define your personal and professional objectives early on and say no to anything that might pull you off course. As Carolyn says, "You have to make decisions based on the life you want for yourself. Otherwise, you're rafting down a river without a paddle, letting the current carry you along. You could end up anywhere."

Balance Family and Business

"Having a home office and being close to my kids was always my dream," Carolyn recalls. She found this was much easier to do in Argentina than in the United States. "Trying to run a business and raise a family back home is nearly impossible because hired help is so expensive. The experience can be overwhelming."

Fortunately, Argentines put great value on childrearing and the support network that helps parents balance their personal and professional lives. "Here, they understand that spending quality time with your kids is more important than doing house chores and that busy parents need all the help they can get," says Carolyn. "With good maids and nannies it is possible to achieve harmony between family and business."

To help maintain that sense of harmony, Carolyn decided to open her home office when her second daughter was born. In typical Argentine fashion, despite being located in what had been a garage, the office is large, impeccably furnished, and professional. "Julia was born in the middle of high season in January. So I hired support staff and got up and running in a space where we could all work and play together. When we hit the down season in May, we could finally catch our breath and be a family!"

Sometimes being a family means including children in business activities outside the home, but that hasn't been a problem for Carolyn. "I've given tours and language classes with one or both of my children present. People remember that and stop me on the street to ask how my kids are doing. Having children has actually helped me integrate into the community as a person and as a businesswoman."

Indeed, it's not only possible to achieve a healthy balance between work and family in countries where women play a more traditional role; it may in fact be easier to do so. Thanks to affordable help and a child-centric culture, men and women can be both successful entrepreneurs and parents in Argentina. "The people I've hired understand that I need help to get things done with my family and my business. I'm really grateful for that," Carolyn says.

Find Inspiration

To stay focused and motivated as an expat entrepreneur in Argentina, Carolyn keeps two inspirational writings close at hand. One is an anonymous poem titled "Dream Big"; the other is a short essay by Hunter S. Thompson called "Security." Carolyn felt so strongly about these writings that she sent copies to me so I could better understand her story. "I want to share with you the inspirational pieces that have been such powerful influences in my life," she wrote in her e-mail.

"Dream Big" is often presented to students in the United States when they finish their high school or university studies, but it's just as relevant to entrepreneurs who are about to start a new life in a foreign country. "When I graduated from high school, my next-door neighbor gave me a beautiful poster of the 'Dream Big' poem," Carolyn recalls. "I liked it so much that I brought it with me to Argentina."

Carolyn found "Dream Big" to be particularly inspirational during the 2008 global financial crisis. At that time, tourists were purchasing low-cost services to fit their travel budgets rather than her company's custom-built tours. "It was the final price rather than personalized service that made the sale," she recalls. Carolyn was tempted to change her business model and simply be a concierge; but she spoke with a close friend, reflected on "Dream Big," and redoubled her efforts to find clients who valued the "little details" of her tours. Her determination paid off. Today, Uncorking Argentina is ranked number one among Mendoza tour operators on TripAdvisor. Carolyn says, "Thanks in part to 'Dream Big,' instead of packing up

and leaving when I encountered problems, I kept going. It really has helped me to be successful.”

When I interviewed Carolyn in her home office, “Security” was open on her computer screen. She reads it often to remind herself of why she decided to become an entrepreneur in Argentina. “The essay really opened my eyes to the benefits of risk and the dangers of security,” Carolyn says. “Security” reads in part:

Turn back the pages of history and see the men who have shaped the destiny of the world. Security was never theirs, but they lived rather than existed. Where would the world be if all men had sought security and not taken risks or gambled with their lives on the chance that, if they won, life would be different and richer?

Whether the source is a poem, an essay, or the life story of an adventurous friend or relative that provides encouragement, you need inspiration to help you overcome the challenges of starting a business in an emerging market. As Carolyn observes, “Life is going to take turns, just as a river turns. There are rocks here and there, the water level rises and falls, and there are eddies and whirlpools. Inspiration, like a good raft, is something to cling to when things get rough.”

Dream Big

If there were ever a time to dare,
To make a difference
To embark on something worth doing
It is now.
Not for any grand cause, necessarily—
But for something that tugs at your heart
Something that is worth your aspiration
Something that is your dream.
You owe it to yourself
To make your days count.
Have fun. Dig deep. Stretch.
Dream big.

Know, though,
That things worth doing
Seldom come easy,
There will be good days
There will be bad days
There will be times when you want to
Turn around
Pack it up
and call it quits
Those times tell you
That you are pushing yourself
And that you are not afraid to learn by trying.

Persist.

Because with an idea,
Determination and the right tools,
You can do great things.
Let your instincts, your intellect
And let your heart guide you.

Trust.

Believe in the incredible power
Of the human mind
Of doing something that makes a difference
Of working hard
Of laughing and hoping
Of lasting friends
Of all the things that will cross your path

The start of something new
Brings the hope of something great.
Anything is possible
There is only one you
And you will pass this way but once.

Do it right.

—Author unknown

Use Technology as a Force Multiplier

Carolyn keeps her business small to maintain the personal touch her clients value and to achieve harmony between family and work. She is able to do so in part by using technology as a force multiplier. “Ten years ago, I would have needed printed materials and a person in charge of marketing and sales. Thanks to digital technology, I can do everything myself. All I need is an Internet connection and a business card,” Carolyn explains. To that end, she has a Vonage voice over IP (VoIP) phone with a toll-free number in the United States that rings at her home office in Argentina. “Potential clients can find me quickly and easily; they just pick up the phone and call me for free.” Carolyn also relies on her Web page and sites like TripAdvisor to promote her services. “I wouldn’t exist without the Internet,” she admits.

Because of technology, it is less time-consuming and expensive for expat entrepreneurs to promote their businesses to a global market. And living in a place like Argentina doesn’t mean being isolated from the developed world and its knowledge centers. Thanks to e-book readers like Kindle, Internet sites like WebMD, and satellite services such as DirecTV, news and information are more accessible than ever. “I feel included in the world,” notes Carolyn. To illustrate, Carolyn offers this story: “When Carmen got sick last month my husband told me she had probably eaten unrefrigerated ice cream. So, I got on the Internet, looked up her symptoms, and found medical advice in English that put me at ease. The ability to quickly access reliable information allows me to be efficient, as well as to dedicate more time to my family.”

As you are contemplating life as an expat entrepreneur, consider the role that technology can play in promoting your services, minimizing overhead, and keeping you informed. Correctly leveraged, technology can help you achieve your goals no matter the scale or physical location of your venture.

Conclusion

Less Can Be More

As a river guide, mother, and entrepreneur, Carolyn Gallagher has always managed to keep her balance. She does so by dreaming big but staying small—and carefully moving step-by-step toward her goals. “I believe in what I’m doing. Even though my business might not grow exponentially, I’m having fun,” she says.

Carolyn’s story shows us that being an expat entrepreneur is about much more than running a business. It’s also about creating a new life for oneself. Carolyn didn’t have to raise a million dollars, chase every business opportunity, or open a fancy office. She just had to put her heart in her business, her car in the street, and her office in the garage. By doing so, at least a couple of days a week she can say to her girls, “Let’s go to the park! Let’s go play games and finger paint!” For Carolyn, that’s true success.

LESSON 4

Choose the river you will raft or the mountain you will climb based on your professional *and* personal goals. Then scout the territory to see what you should do to prepare for the journey. Remember, in an emerging market like Argentina it may be easier to reach your objectives if you travel light.

5



The Patient Fisherman

JEROME'S STORY

“You can't be in a hurry. Opportunity comes when waiting for the right time to do the right thing.”

—JEROME CONSTANT

“**W**hen is he *finally* going to open that restaurant?” We had been asking ourselves this question ever since Jerome Constant attended the first meeting of the Mendoza Expats Club in September 2005. Every month, he told us that Anna Bistró was “really coming along” and would open “*prochainement*” (soon). It seemed like it was taking forever, and we were desperate for a place to eat that served more than French fries and *milanesa* (fried, breaded veal, one of Argentina’s most popular dishes).

What we did not know was that Jerome Constant is an avid fly fisherman, so much so that he proclaims, “I can’t live in a country where the fishing isn’t really good.” Therefore, like a patient fisherman, Jerome was taking his time to ensure conditions were ideal before opening the doors to his new business. His patience paid off. Today, Anna Bistró is a favorite among not only foreign tourists and residents but locals as well, including the former governor of Mendoza and vice president of Argentina, Julio Cobos.

Raised in Paris, Jerome comes from a family of independent professionals. His father is an architect, and his uncles are lawyers.

Jerome majored in finance, yet he received a broad education in, as he describes it, “everything that relates to running a company, from law and accounting to marketing and strategy.”

At eighteen, he made the conscious choice to become an entrepreneur someday—but only when the right opportunity came along. “It had to be something that made sense and that I could do well,” he says.

Although Jerome considered starting businesses in various industries in France, he couldn’t find a concrete project. Still, he didn’t give up hope of one day landing *the big one*. “When my friends started working, they took the ‘logical’ next steps of buying a home, taking on twenty years of debt, and so on. I never wanted that. I wouldn’t have had the money to invest in my dream if an opportunity presented itself.”

When he was given the chance to relocate to Canada in 2001, Jerome jumped at it. “I went to work for a French firm that sold dynamic outdoor billboards in North America. I spent a year and a half in Toronto and Montreal restructuring the company to solve its financial problems and improve profitability.”

While he was in Canada, Jerome explored his two passions. “I went out to Alberta and British Columbia to fish. However, I also looked at land,” he recalls. His idea was to develop a business connected to a real estate investment. The problem was, even building a small house cost between US\$300,000 and \$400,000. “After spending that much, I wouldn’t have had anything left to invest.”

While working in Toronto in 2003, Jerome saw on the Internet that Argentina had gone from being the most expensive country to visit in Latin America to one of the cheapest. And the stories he read in his beloved fly-fishing magazines constantly reminded him that “for a true fanatic, it’s a dream to fish in Argentina.” So Jerome decided to quit his job and test the waters in the land of Tango and Brown Trout. “I said to myself, ‘Move now. Try. Do something. It will work or it won’t, but at least *try*.’” In January 2004, traveling by bus from Chile, he arrived in Junín de los Andes, one of Argentina’s fishing hot spots. From there he traveled south all the

way to Ushuaia, but after four months he decided to go to Mendoza because a friend in the French wine business had told him it was the center of Argentina's wine industry and worth a visit.

When he arrived in Argentina in early 2004, Jerome wanted to invest. But, like many first-time expat entrepreneurs, he didn't know exactly where to put his money. "I searched for ideas adapted to the country, where I could use my abilities," he remembers.

At first, Jerome partnered with a French couple in El Bolson to export Patagonian mushrooms to Europe. However, because he was based in Mendoza and that business was located fourteen hours south by car, it didn't provide the lifestyle he was looking for. "I can't be successful in my professional life without considering my personal life as well," he says. So he kept searching.

While he was spending time in Mendoza, Jerome noticed that real estate was inexpensive. "I saw large properties for sale very close to the city center and thought, 'There is opportunity here.'" He also recognized an "incredible dynamic" around wine, skiing, mountain climbing, and great weather. "Mendoza was attractive as an international tourist destination and wine capital, and it had tremendous potential for growth. There was also land that cost next to nothing only seven hundred meters from Plaza Independencia [the center of the city]."

From his background in finance, Jerome knew that the value of real estate so close to a vibrant urban core almost never stays low for long. So he purchased an undeveloped lot about six blocks from the central business district, although he had no idea what he was going to do with it. "Initially, I saw it simply as a real estate investment in which I couldn't possibly lose," Jerome explains. "Nonetheless, I was careful not to put all my savings into the property. I set a part of them aside to do other things."

During a trip to Buenos Aires, Jerome came up with the idea for Anna Bistró. "I met French people there who had opened highly successful restaurants. I saw that size was key. If the establishment was large enough, you could organize, structure, and delegate. That's one reason I decided to start a restaurant instead of another type

of business. I didn't want to be a slave to my investment." In short, Jerome likes to go fishing and then to have the time to eat the fish he catches.

On March 22, 2006, Anna Bistró opened, and Mendoza's expat community finally had a new place to dine. Jerome's restaurant was like no other in town. He had created a stunningly beautiful building from scratch with huge picture windows, a high parabolic roof, local artwork hanging on warmly colored brick walls, and capacity for more than one hundred diners. Seating on the inside was almost as airy and open as in the large garden outside. The menu offered salads, entrées, and desserts that were a refreshing change from pizza, empanadas (meat-filled pastries), and *milanesa*. There was even free Wi-Fi, and foreign tourists could order lunch or dinner at nearly any time of the day (otherwise unheard of in Mendoza). Jerome had cast his line wisely.

So, just how did a Frenchman with a penchant for finance and fishing end up running one of the most successful restaurants in Mendoza? Let's take a closer look at his story.

Be Different

Jerome lived in Mendoza for eight months before he decided to open a restaurant, patiently taking his time to get his bearings and find the right opportunity. His first venture had been exporting fresh *morilles* mushrooms to Europe. But he did not like the lifestyle the business offered him, and he also realized, "there weren't many ways to differentiate myself. It was a mature market with a lot of players."

While he was deciding what to do next, Jerome was eating in local restaurants and becoming painfully aware of their deficiencies. "There was nowhere I could have a decent salad at 6:00 P.M. while sitting outside amongst green plants. On the first day in town, you're thrilled to eat a big thick steak, but on the seventh day you say, 'It's 38 degrees [100 degrees Fahrenheit]. I want some fresh vegetables!'" Even though most of the ingredients for a Mediterranean-style salad

are homegrown in Mendoza, in many local restaurants salads were not available as a main course. That realization became the basic idea behind Anna Bistró.

Jerome's friends and family back in France thought it was crazy for someone who had never been a restaurateur to start a restaurant in Mendoza, Argentina. "In a family of French doctors, the sons are doctors. In a family of lawyers, they are lawyers. Change of profession isn't easily accepted," he explains. "We don't have the openness or flexibility found in the Anglo-Saxon world." However, Jerome succeeded in part because he was "crazy" enough to go to a place where he and his ideas were unique. "The main reason I've been successful here is that I'm different from everyone else, and so is my business."

In addition to a lack of European-style salads and fare other than meat and pasta, there were few restaurants in Mendoza that fully integrated location, interior design, menu, and service. The goal of Anna Bistró was to bring all these elements together. About the concept, Jerome observes, "Packaging is as important as product. It generates a feeling within you. It communicates something. I saw this in Paris fifteen years ago with the renovation of the clothing stores, cafés, and bakeries. These days, branding extends to the physical establishment. It's no longer just the product."

An all-encompassing concept of branding was indeed foreign to most of Mendoza's restaurateurs. Ironically, a fisherman from France proved himself ideally suited to introduce it to the market. Why? "In a distant country, proven business concepts from back home are often new to the locals. Therefore, implementing them is less costly and less risky than developing an enterprise from scratch. Think about the bakeries French immigrants have opened around the world. It was a lot easier for them than starting a bakery back in France."

Like the French bakers, Jerome's story shows us that it can be easier for entrepreneurs to distinguish themselves outside their country than within it. "I never would have opened a restaurant in France

because the competition is too stiff,” he says. “In France, I would just be another Frenchman.” In emerging markets like Argentina there are countless opportunities for people with novel ideas and an outsider’s perspective. As Jerome says, “If you know how to leverage your uniqueness, there aren’t many reasons to fail.”

Listen for Gunfire

Jerome’s investment philosophy is built on his grandfather’s favorite saying: “Buy when you hear gunfire, and sell when you hear violins.” It’s an allusion to the economic cycles of nations, products, industries, and companies that Jerome took to heart at a young age. “The point is that wise investing is countercyclical and counterintuitive. If things have been going badly, it’s time to invest even though your natural instincts tell you to do the opposite. This is especially true for operations in financially driven markets like real estate.”

In other words, be wary of countries that have had five to ten years of steady growth. “That’s the riskiest time to invest,” according to Jerome. Indeed, he knew in his blood that he would find the best opportunities in an emerging market that had recently suffered an economic collapse. “If the 2001 crisis in Argentina hadn’t happened, I wouldn’t be here. That’s for sure.”

In addition to depressed real estate values, Jerome believes that a devalued currency is also a big help in building a new business and a new life overseas. “To start a worthwhile project in France, you need half a million euros or more. And, you must have significant resources to finance yourself for the year and a half that it takes to get up and running. When I arrived in Argentina, I spent only 450 euros [then about US\$540] per month on living expenses. That gave me peace of mind to think and develop my ideas without pressure. Back home, you needed at least 2,500 euros [then about US\$3,000] per month just to live, not to mention all the expenses involved in starting a business.”

Following the 2001 financial crisis, Argentina was basically on the auction block. The For Sale signs on countless homes, apartments,

store windows, and farms revealed the locals' pessimism and their fear that things would get even worse. Most of them were too busy shaking their heads to look up and see the extraordinary opportunities around them. They were selling with the sound of gunfire because they thought the violins would never play again. Jerome Constant knew better and invested against the trend.

As you contemplate your venture, be aware of economic cycles and judge whether your target market is likely near an economic peak or a valley. Despite what the majority may say or do, launching a business at a time when an economy is so depressed that it can only go up is one way to ensure maximum return on investment. Investing during the good times may seem "safe," but it is often only a guarantee of mediocrity.

Hedge Your Bets

A hotel was the first business Jerome considered for the plot of land he purchased near Mendoza's city center. However, the cost to build it was so high that it would have required investment partners. For Jerome, it was "too much money and too much risk."

Initially, he discarded the idea of a restaurant because "it seemed like a profession of indentured servitude." Then he went to Buenos Aires and learned that the income from a French bistro of sufficient size could justify hiring a manager. He also ran the numbers and saw that the cost of building and furnishing Anna Bistró would be roughly equal to the value of his land. That was a turning point. "I knew that if I got into trouble, I could just sell the property and be debt free. That insight gave me the security to do the project," he says.

In other words, if you start a business and it doesn't work, that's one thing. It's quite another if the business doesn't work and you are also left with debts to pay back over the next twenty years. "With the restaurant, I couldn't lose," Jerome explains. "If it failed, I could still go back to work in Europe. It wouldn't have been such a grave mistake."

When Jerome tells his story, he focuses on the financial aspects, saying, “I always knew it would be a lot easier to do things with a smaller budget and less financial risk in an emerging market.” As any financial expert would, he hedged his risky restaurant bet with an underlying asset of inherent value. Jerome explains that in France the concept is known as *investissement foncier*. “It means an investment tied to the land.”

The benefits of *investissement foncier* can be seen in Argentina’s grape-farming industry, where selling grapes to wineries is only marginally profitable over the long term (losing part or all of a year’s harvest to hail, frost, disease, or ravenous insects puts a serious dent in one’s ten-year numbers). However, if the farmers’ timing is right, their land appreciation is so great that many years of business losses can be offset by the sale of their property when the violins are playing. Remember: Real estate appreciation can be a savior when profit doesn’t materialize from a business venture. Nowhere is this truer than in emerging markets like Argentina, where shorter economic cycles have created more opportunities to buy low and sell high.

Be Realistic and Flexible

Having realistic expectations based on the local culture is key to success as an expat entrepreneur in an emerging market. Thinking things will function as they do back home is a mistake. Jerome explains, “On a personal level, the Argentines are always agreeable and casual. The challenge is that they’re the same at work. It’s common for an employee to say she’ll arrive at 8:00 A.M. but then not show up or even call with an excuse. Vendors don’t have fixed delivery hours. If they don’t come, they don’t call. Sometimes you wonder who’s the vendor and who’s the client!”

The informality that permeates Argentine culture means an expat entrepreneur often must work harder to get the same results as in North America or Europe. As Jerome has learned, “You need a lot of patience, creativity, and energy to adapt to the local work ethic. You can demand a little more formality, but you can’t go too far or it

becomes counterproductive. The locals simply won't understand or accept it."

To integrate successfully with employees and vendors, Jerome realized that he had to adapt to the Argentines rather than expecting the Argentines to adapt to him. Otherwise, it's like "trying to hold back the waves of the ocean," he says. How did he do it? "I organized myself in such a way that I'm not waiting for everybody else to show up. Everybody else is waiting for *me*." In other words, Jerome anticipates. "You have to take into account that when you ask for something to be delivered in January, it's sure to arrive in March or April. Nobody is going to apologize or admit that it should have been delivered in January. You must plan accordingly and base your expectations on the local culture."

The need to be realistic about cultural differences goes beyond Jerome's relationship with Argentines. He also recognizes the differences among the people who eat at his restaurant: "North Americans don't have the same expectations as Italian, French, English, or Dutch customers. For some nationalities, service is absolutely fundamental. For others, it's all about the quality of the food. The locals care about the heating tubes [which allow for outdoor dining in the winter], while many clients from overseas don't think it ever gets cold here and therefore don't care about them at all." It's a cultural juggling act that requires customer feedback to keep everyone happy. "Feedback is essential to understanding your weaknesses from each culture's viewpoint. I constantly read our reviews on TripAdvisor and often find myself saying, 'Well, they are right about this issue from the perspective of an Italian. Unfortunately, they are right, and something must be done!'"

Over the past decade, I've seen that unrealistic expectations are one of the main causes of frustration among foreigners doing business in Argentina. Many investors think that their way of doing things is the most efficient and just can't understand why the locals don't agree. What's important to keep in mind is that a reed will only bend so far before breaking. It might be possible to make superficial modifications to the behavior of employees or partners, but

their underlying culture will not change. Recognize this fact and be flexible enough to modify *your* behavior accordingly.

Be a “Sarmiento”

“Patience and persistence are how I handle it.” That’s Jerome’s response when he is asked about the infamous Argentine bureaucracy, where it’s common to file the same application three times and be asked each time to provide completely different supporting documentation. “In the beginning, I did everything myself in order to save money. I stood in a lot of lines!” he says.

Jerome was so persistent that at town hall he earned the nickname “Sarmiento,” a reference to the educational reformer and nineteenth-century Argentine president known for his tenacity. “I was there waiting when they opened the door each morning. Every time they told me I had to return with more documents, I got them and came running back immediately. They couldn’t believe it.”

The Argentines themselves talk about *el no fácil*, or “the easy no.” That is how they describe the frustrating tendency some have to say no to any and all requests. As Jerome explains, “Bureaucrats are always looking for excuses to say, ‘No, it’s not possible,’ or ‘You can’t do that.’” His solution? “You have to get to the bottom of their reasoning by asking ‘why?’ until they discover for themselves that their argument is illogical. In 90 percent of the cases they are capable of solving your problem. If you give up after their first response, you don’t get anywhere. They tell you that you have to see another person, or that it won’t work, or that you have to come back tomorrow. However, most of the time, it isn’t so. They *can* solve your problem. You just have to be persistent.”

Tenacity is one of the secrets to success in any endeavor anywhere in the world. However, the bureaucracy in many emerging markets puts expat entrepreneurs’ patience to a tough test. Whereas a company can be formed online in a matter of hours or even minutes in many parts of the developed world, it can take months in Argentina. As you begin your entrepreneurial journey, take a deep

breath and reset your expectations. You will achieve your objectives only if you are patient and persistent.

Invest in Technology

Today, technology plays a fundamental role at Anna Bistró, but it didn't start out that way. "We began with the simple idea of differentiating ourselves by putting tables in the middle of a garden and offering an original menu," Jerome says. "We purchased almost all the kitchen equipment, chairs, tables, and furnishings at auction in Buenos Aires to keep our costs low in the beginning." His plan was to limit initial financial risk and, once up and running, to invest in technology. Now that Anna Bistró is a bona fide success (to accommodate increased demand, seating capacity has doubled since opening day), he's doing just that.

As of this writing, Jerome is completing a state-of-the-art wine cellar beneath the restaurant where not even a basement existed before. Another innovation consists of the gas heating tubes he has installed above the tables on the outside deck. According to Jerome, "We installed them so customers can eat outside year-round. Since it's now against the law to smoke inside, the system lets us create a space where smokers can eat and smoke in peace, even in the winter. That technology alone drives a lot of our business." More than 58 percent of Anna Bistró's total revenue comes from its outside tables. And thanks to seasonal changes in clientele (more tourists in the summer and more locals in the winter) as well as innovative seating options, revenue is stable throughout the year. "In addition to the heated deck for smokers, we have the wine cellar in winter, the gardens whenever the weather is nice, and the air-conditioned salon in the summer," explains Jerome.

Jerome also implemented a touch-screen ordering system for his waitstaff. Such technology is common in North America and Europe but is a competitive differentiator in the Mendoza market. It has made a huge difference in productivity, error reduction, and overall quality of service at the restaurant. "The system lets our

waiters spend more time attending their customers. It reduces error, because the order printouts give us better oversight. And, it's a lot harder for a waiter to steal by billing a table without putting it in the system. It's a wonderful technology because it allows us to focus on improving service and quality."

On the subject of technology, Jerome highlights the importance of differentiation: "Technology is essential to being better than your competitors. It solves internal problems that don't make a difference to the customer but frees up time so you can focus on what does." Indeed, just like your unique background and skills, technology can be a wonderful tool for setting your emerging market business apart from the crowd.

Conclusion

The Patient Fisherman on a Lonely River Catches More Trout

Jerome's story is rich in lessons on success: Differentiate yourself from competitors, buy when most people are selling, build a business on top of an appreciating real estate asset, and find a place where start-up costs are low. While these lessons are applicable almost anywhere business is conducted, they are especially relevant and powerful in emerging markets like Argentina.

After all, your idea to sell fish and chips is more likely to be something special in Brazil than back home in England where there are a million fish-and-chip shops. Boom-and-bust cycles have historically been shorter in emerging markets, so there are more opportunities in those countries to buy "at the sound of gunfire." The lower lows following crises in places like Argentina also mean that real estate can appreciate much more quickly than in the developed world. And, thanks to favorable exchange rates, your savings will likely go a lot further in Buenos Aires than in Boston.

Jerome's success certainly validates the strategy of casting a line in distant and relatively unexplored waters. But it teaches another, equally important lesson: Don't decide what bait to use until you

have taken the time to get to know the place where you are fishing. Patience and a readiness to seize opportunity, to know when to reel in the line, are equally essential to success.

When I asked Jerome for analogies between business and fishing, he said, "There are many types of businessmen, just as there are many types of fishermen. I am a totally dedicated fisherman who focuses completely on the work of fishing. Fishing, like business, is a subtle game of observation and adaptation to the conditions at any given moment. That sense of observation helps me to make the right decisions at the right time, on the river and in my business."

LESSON 5

Business, like fishing, is all about location and timing. Doing business in the wrong market or moving at the wrong moment could mean you catch a tadpole instead of a trout.

Thank you for downloading the abbreviated version of this book!

Many people just like you—who want to know more about life and work in emerging markets and the tremendous opportunities to be found in countries like Argentina—have already purchased the complete book online. Order your copy today at:

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