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Q&A: Rosinter Chief Turns Deficit Into Opportunity

By Lena Smirnova

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Ordovsky-Tanayevsky Blanco was inspired by the U.S.S.R's bad service.

The call in 1984 from a Soviet commercial attache to a White Russian family came as a surprise, but the ambitious 25-year-old Venezuelan entrepreneur of Russian descent packed his suitcase and went on his first trip to the Soviet Union.

Rostislav Ordovsky-Tanayevsky Blanco

Education

1981 — Simon Bolivar University, Caracas, Venezuela, degree in chemical engineering

Work Experience

1981 — Rostik International, founder

1991 — Rosinter, founder and president
2007 — Rosinter Restaurant Holding,
founder and chairman of the board

Favorite book: "The Prophet," by Khalil
Gibran (1923)
Reading now: "The Lost Symbol" (2012)
by Dan Brown and "History of Venice" (1981)
by John Julius Norwich
Movie pick: "The Sound of Music" (1965),
directed by Robert Wise
Favorite Moscow restaurant: Any Rosinter
restaurant in Moscow; Semifreddo
Mulinazzo, 2 Ulitsa Rossolimo; In Venezuela,
any fresh-fish restaurant on the beach.
Weekend getaway destination: Palma de
Mallorca, Spain

This trip would change the course of his life and lay the groundwork for a restaurant empire in Russia whose 411 outlets feed multitudes of middle-class customers daily.

Rostislav Ordovsky-Tanayevsky Blanco, one of the first post-Soviet restaurateurs and the only franchisee for McDonald's Russia, was born in Caracas to a Russian father and a Spanish mother. Though he was raised to speak, read and sing in Russian, the Soviet Union was a mystery to him.

"We grew up knowing the country up until 1917. We knew little of Soviet history," Ordovsky-Tanayevsky Blanco said.

The attache's invitation to go was therefore unexpected. By the time he set out on that all-expenses-paid trip to Tashkent, Uzbekistan, for an international film festival, the young Venezuelan had already founded his company, Rostik International, which distributed electronics, photo equipment and films across Latin America in partnership with major corporations like Kodak and Disney.

To his surprise, his father said that this trip would be a good opportunity to get to know his culture and find long-lost relatives. The practical problems he encountered in the Soviet Union enabled him to see its business potential. He couldn't find a place to print his roll of film, so he later approached Kodak to become the company's distributor in Russia.

Ordovsky-Tanayevsky Blanco was also disappointed at the level of service in the country's restaurants. Signs saying they were closed for sanitation day or only served "special customers" greeted him. When he did manage to get into a restaurant, he sometimes had to sift through 20-page menus on which only 10 percent of the dishes might actually be available.

Ordovsky-Tanayevsky Blanco founded Rosinter, which is now one of the country's largest restaurant holdings, with $331 million in turnover in 2011 from all its brands, including Il

Patio, Planet Sushi, 1-2-2 Cafe, Costa Coffee and Sibirskaya Korona.

His early entrepreneurial experiences were difficult and sometimes bizarre. He recalled how in the late 1980s he had to hand carry suitcases full of cash to France to pay Kodak because the company's Soviet bank credited hard-currency deposits only after 90 days.

The challenges that pop up now are subtler, he said, and might involve marketing efforts to gauge the ever-changing tastes of consumers here.

"Russia is a spoiled country," he said. "It's very rich, and in a very rich country you need to make a very strong effort to create a service industry. It can be done, but it requires great effort. But in just these 25 years, we've moved from the 19th century to the 21st century."

This interview has been edited for length and clarity.

Q: What were your impressions of Russia when you made your first visit in 1984?

I was very impressed and surprised by two very contradictory things. On one hand, I was in love with the country because it is the country I'd been told about when I was a kid, so it was fairy-tale-like. Everything was in Russian, and there were these beryozkas (birch trees). Everything was so close to me.

On the other hand, we knew that the system was very oppressive to the people. I came to realize that we knew so little because on one side the system was very oppressive but on the other side there was a black market. There was a parallel life to the official one. Everything was scarce, but with the right amount of rubles, you could get a lot of stuff that you couldn't get in the stores. If you knew the director of the store, he would always have some spare merchandise in the warehouse, even if it was not available on the shelves.

Everybody had an extra source of income, so everybody pretended to be working, the government pretended to be paying, and in parallel there was a different world where people made extra money. For example — this is something foreigners are still impressed and surprised by, and even a bit afraid of — you just hold your hand out on any street in any city in Russia and a car will stop and take you. So the taxi system is universal. Now, for a foreigner to just get a car to stop without knowing the driver, it's bizarre. For the Soviets and for those of us who have already spent 20 years there, it's normal. These are the practical unwritten rules that you need to know. As countries develop more, there are fewer unwritten rules, but Russia is still a very young country. There are not as many unwritten rules as before, but they still exist.

Q: What were you expecting to see?

I was expecting a stronger system. More controlled. But people really were afraid of talking to you and talking politics. They thought that everything was bugged.

One day I was at the house of the father-in-law of my cousin. He was a dean at one of the universities. He was an Armenian, very respected in the community. We started talking politics, and the guy waved his hand, went to the phone and unplugged it. Not being satisfied

with that, he took the receiver off the hook. This was automatic. He thought that even though the phone was unplugged, somehow through the receiver, through the telephone itself, somehow he would have been eavesdropped on. Sounds bizarre, but that's how it was.

Also, I once stayed at the Cosmos Hotel, which was then one of the few hotels available for foreigners — a bugged hotel. People would say, "Let's meet in the street, two blocks from the hotel." They did not want to come to the hotel. I later found out why. In 1986, I started to date my wife. I invited her and we had dinner at the Cosmos. Then she left to go home. About two hours later, I received a phone call from her. I came back to the reception desk, and she was crying because as she was leaving the hotel, she was detained and asked to produce documents showing why she was in a hotel meant only for foreigners. She was taken to the basement, a police and KGB office, and was asked very strongly what the hell she was doing. The basement was full of prostitutes, and they thought she was one more. When they figured out she wasn't, they asked, "Why are you here? You're not supposed to be here."

One month later, a letter from the police came to her workplace. She was a ballerina for the Beryozka Ballet. She was summoned to the director's office, and they explained that she had to resign. My wife asked why. "Well, you understand that you will never leave the country again," she was told. That was an insurmountable problem because Beryozka toured around the world.

And for two years she was prohibited from leaving the country. Then Gorbachev came, the whole thing relaxed, and through some of my contacts, in 1989, she was allowed to leave the country again. If the system had remained, she would have stayed forever unless after marrying we had somehow found a way to get a special permission for her.

Q: What similarities do you see in doing business in Russia and in Venezuela?

They are very similar in the way business is done, in the mentality, in the need to be very street-smart to get things done. As I was coming from Venezuela, for me it was quite normal to find the back doors, to find the ways to cut the bureaucracy. Another aspect that helped, of course, is that I am an entrepreneur. For others, just going to the Soviet Union was risky. For me, it was normal. I didn't see it as a risk.

An entrepreneur does things that are perceived as a little bit crazy, but an entrepreneur, by definition, is a guy who sees opportunities where others just see a general environment. There is a certain moment when you need to go from very entrepreneurial to more corporate and sometimes let go of some opportunities because although they are real opportunities, they can jeopardize your core business. That's a balance that an entrepreneur needs to find.

The entrepreneur needs to — preferably willingly — start putting up barriers to his entrepreneurship because as the business grows, you need different skills to manage the business. An entrepreneur is good at creating but is not always good at managing. The important thing for the entrepreneur is to identify and recognize that this is something to watch because there are times when an entrepreneur needs to jump in and make decisions that the managers would not see.

For example, in 2009, the last crisis, we were in a very difficult situation. Many companies,

many investors thought we would collapse. In this environment, we managed to survive, and in parallel we were offered to cater for a big chunk of Sheremetyevo, the new terminal facility. Believe me, we didn't have any money to do it. And here's a situation where I jumped in and said, "We'll do it; we'll just find a way to do it." And we figured it out. We found ways to finance that development. It was millions of dollars. So there's an example of where an entrepreneur has to sometimes go back and make a decision — a very unusual decision.

In Russia, we are moving two steps forward and one step back, but the vector is positive. I would love for it to be more positive. I would love for us to have more competition on all levels of business and politics because competition is the force that drives progress, and not only in business but also in politics. We should have a competition to determine the best minds to run the country. But if we look at Russia in the last 25 years, we see a very clear path forward, away from the system that the country had for 70 years. Now, it's still on its way. We have not evolved to the level of developed countries. We're still in the process. But I think we have in Russia things to be proud of. There are a lot of things that have to happen still. There is frustration, of course, because people would like to see things happening faster, but democracy is something that takes awhile to evolve.

Q: What is your approach to developing and managing people?

No matter how much training you give, in 20 years you just can't cultivate enough people. You cannot grow hundreds of new CEOs, you cannot grow hundreds of new CFOs with the capabilities and exposure to worldwide business. The first 10 years, between 1990 and 2000, many of the guys who did business were entrepreneurs, and many of them disappeared in 2000. But the real corporate training started in 2000. So we really had 12 years, and I still think that because business has grown dramatically, you keep needing new expertise and new exposure and new experience, so we will still have to invite human capital into the country.

In the service industry, I hire local talent. And you can train. But at the senior level, to manage companies that before had 20 stores or 20 restaurants or 20 offices and now have 200 or 2,000, the management knowledge you will still have to bring in from outside.

Q: What characteristics help you manage people?

I am a very open person. I am a little bit naive. I am a little bit paternalistic, and probably most of those things help me persuade people to come and work for me. As we move forward, I make mistakes, but if I recognize them, if I have been told about a mistake, I think I usually listen and I acknowledge. And that makes it easy to work with me. People have said I'm a little bit difficult to work with, but the fact that people stay with me implies that I may be doing more things better than not.

In Russia, we still have a lot of the autocratic management style, though not as much as in the late 1990s and the early years of this century. I like a softer style, which means to have a more human approach, to be able to talk to people, to listen to people and then decide and not always say "Do as I say, period."

That is the softer component, to involve your team to believe in you rather than to impose your beliefs. Although sometimes you need to impose your beliefs, as you grow and you evolve, this need to impose gets less and less.

Q: What advice would you give to entrepreneurs wanting to start in Russia?

First, for all entrepreneurs, I would say that as you hit your first success, be very careful to keep your feet on the ground because success makes you lose contact with reality.

For foreigners coming to open their subsidiaries, trust your gut and don't take no for an answer. There are a lot of perceived aspects of doing business by the local community that in reality are perceived. Push the envelope. Don't take no for an answer. Challenge it and you'll find out how many of these impossible things tend to be only impossible in the minds of those telling you it's impossible.

Also, have more financial control than you would have elsewhere, especially at the beginning. Although things have changed dramatically for the better, we need to understand that in Soviet times there was no private property, so everybody thought that one could take government property. It wasn't stealing, because there was no ownership. That mentality has changed dramatically, but it may still appear from time to time. So a little bit more financial control just to set the base, and then checks and balances. I guess that applies all over the world, but especially in Russia it applies a little bit more.

Q: Who inspires you and why?

Simon Bolivar, who was a liberator of the Spanish colonies in Latin America, although, of course, he also had to be a bit crazy to do what he did. What we have been told about him inspires me a lot. He had a phrase that I have used since I was a young adult, which is: "Behave properly and let time work miracles for you." I have added to that phrase: "Behave properly, do things in harmony with your conscience, work hard and life will bring you surprises, miracles throughout your path."

My definition of luck: Luck appears when you behave properly, you work hard, do things in harmony with your conscience. Then, suddenly, you're lucky. Surprise, surprise!

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